# IMPLEMENTATION OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS AND NIGERIA ECONOMIC GROWTH

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**SU/PG/M.Sc./17/101002**

**A THESIS SUBMITTED TO DEPARTMENT OF MANAGEMENT SCIENCES, COLLEGE OF MANAGEMENT AND SOCIAL SCIENCES, SALEM UNIVERSITY, LOKOJA IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF SCIENCE (M.Sc.) ACCOUNTING (OPTION)**

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## Declaration

I declare that this thesis is based on a study conducted by me, Haruna Abdulmalik, in the Department of Management Science, Salem University under the supervision of Dr. Olopade David O. This thesis has not been submitted elsewhere for the awards of a Degree. The ideas and view of the research work are product of research undertaken by me. Where the ideas and views of other author/researchers have been expressed, they have been duly acknowledged.

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## Certification

The thesis, Implementation of International Financial Reporting Standards and Nigeria Economic Growth, meets the regulations governing the awards of M.Sc. in Management (Accounting Option), Department of Management Sciences, Salem University, Lokoja.

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## Dedication

This project is dedicated to Almighty Allah for given me the power and enablement and also for guiding me throughout the entire programme.

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## Abstract

*Globalization of capital market and internationalization has come to stay. The need for harmonization of financial statement and single set of consistence high quality financial reporting standards gained wide spread acceptance across the globe. Due to the full adoption of International Financial Reporting Standard since 2011, all quoted companies are expected to complied with it. Based on this, this study has been carried out to investigate if there is any relationship between the implementation of International Financial Reporting Standard and Nigeria economic growth. Five hypotheses were stated and tested. The study used primary data, collected from respondents through a well-structured questionnaire. The study used both descriptive statistics and spearman rank correlation to analyze the data collected. The study reveals that there is a weak but significant relationship between International Financial Reporting Standard and international business while it also shows that there is no significant relationship between International Financial Reporting Standard and foreign capital flow, financial reporting system, tax liability of multinational companies and finally there is no significant relationship between the implementation of International Financial Reporting Standard and Nigeria economic growth. The study recommends that government should enhance political stability in the country and adopt appropriate fiscal and monetary policies that can promote the economy.*

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# CHAPTER ONE

# INTRODUCTION

## 1.1 Background to the Study

Globalization of capital market and internationalization has come to stay. The need for harmonization of financial statement and single set of consistence high quality financial reporting standards gained wide spread acceptance across the globe. The quality and uniformity in the preparation and presentation of financial statements gave birth to International Financial Reporting Standards (IFRS). The adoption of the uniform standards cut the cost of doing business across borders by reducing the need for supplementary information. They make information more comparable, thereby enhancing evaluation and analysis by users of financial statements (Adekoye, 2011). The users became more confident of the information they are provided with and presumably, this reduce uncertainty, promote an efficient allocation of resources and reduce capital costs (Ahmed, 2015).

To bridge the gap between accounting standards among status, the International Accounting Standards Committee (IASC) was founded in 1973 by the group of professional accounting practitioners. The European union commence the adoption of international financial reporting standards in 2005 by ensuring that all listed companies in the EU implement IFRS in their financial reports (Odia & Ogiedu, 2013). Before the adoption and implementation of IFRS in Nigeria, there was legal and regulatory framework of accounting in respect to the preparation of financial reports in Nigeria. The company and allied matter Act (CAMA' 90) prescribed some format and contents of company financial statement disclosure requirements and auditing. It requires that the financial statement of all corporate organization comply and adhere with the statement of accounting standards (SAS) issued from time to time by the Nigerian Accounting Standard Board (NASB) now known as the Financial Reporting Council of Nigeria (FRCN). Therefore, the adoption of IFRS in Nigeria was launched in September, 2010. The adoption was organized in such a way that the entire stakeholders that prepare and present financial statement use it by the beginning of 2014. And that all the first tier companies listed on the stock exchange and are of public interest use it by 2012; all other companies of public interest but not first tier are to adopt a 2013 and all small and medium scale entities use it by January, 2014. Financial reporting standards exist because it

serves as stewards to the owner of the firm as ownership is divorced from controlling the activities of the business.

### 1.2 Statement of the Research Problem

Nigeria like other countries in the World like UK, Ireland, USA and Germany etc. have adopted international financial reporting standards since 2012 with the objective of reaping the benefits accrued to similar countries that have adopted. The eight (8) years of adoption and implementation of IFRS seems not to have affected Nigerian economy positively or reflected in our financial reporting system. There was no evidence of growth in our international business nor increase in cross-border trading. Our capital market has not benefited from foreign market nor increase in our level of foreign investors. Cost of doing business is still on the higher side; there is still need for supplementary information in our financial system and thereby make comparison difficult and eroded users confidents. Although, several literatures have discussed challenges of implementation of IFRS in Nigeria (Augustine & Eguasa, 2014); others on IFRS while ( Adejoh & Hasnah, 2014; and Abdulkadir, 2013), wrote on IFRS and financial reporting. This study has been carried out to investigate the impacts of adoption and implementation of IFRS on Nigerian economic growth. Based on this premises this study has been carried out to bridge this gap and to contribute to body of knowledge in this area.

### 1.3 Research Questions

This study is to examine critically the following areas with respect to implementation of international financial reporting standards in Nigeria

i. Does the implementation of international financial reporting standards have any relationship with growth of international business in Nigeria?
ii. Does the implementation of international financial reporting standard have any relationship with foreign capital flow in Nigeria?
iii. Does implementation of IFRS has any relationship with financial reporting quality in Nigeria?
iv. Does the implementation of IFRS has any relationship with tax liability of multinational companies in Nigeria?
v. Does implementation of IFRS has any relationship with Nigeria economic growth?

## 1.4 Objective of the Study

Considering the important role which international financial reporting standards IFRS can play in enhancing financial reporting in developing countries, and Nigeria in particular, the main objective of this study is to examine the impact of the implementation of international financial reporting standards on Nigeria economy.

This study has the following specific objectives:

i. To evaluate the relationship between IFRS and growth of international business in Nigeria;
ii. To evaluate the relationship between IFRS and foreign capital flow in the Nigeria;
iii. To evaluate the relationship between IFRS and financial reporting quality in Nigeria;
iv. To investigate the relationship between IFRS and the tax liability of multinational companies in Nigeria.
v. To evaluate the relationship between IFRS and Nigeria economic growth.

## 1.5 Research Hypotheses

The following hypotheses are formulated in null format:

**$Ho_1$:** The implementation of IFRS does not have any relationship with the growth of international business in Nigeria.

**$Ho_2$:** The implementation of IFRS does not have any relationship with foreign capital flow in Nigeria.

**$Ho_3$:** The implementation of IFRS does not have any relationship with financial reporting system in Nigeria.

**$Ho_4$:** The implementation of IFRS does not have any relationship with the tax liability of multinational companies in Nigeria.

**$Ho_5$:** The implementation of IFRS does not have any relationship with Nigeria economic growth.

## 1.6 Scope of the Study

This study carries out a critical analysis and evaluation of the effect of international financial reporting standards on the growth of Nigeria economy. Geographically, it focuses on the Nigeria economy since the adoption and implementation of international financial reporting standards (IFRS) in 2012 - 2019. It covers the relationship between international reporting standards and Nigeria economic growth.

## 1.7 Significance of the Study

The significance of this study would be to understand the factors that influenced the decision to adopt international financial reporting standards in Nigeria. The government of Nigeria has adopted a policy statement tagged VISSION 2020 which seek to align the country among the first 20 most industrialized nations of the world. The hub of this policy document is the attraction of foreign direct investment into the country and building capacity for sustainable development. The outcome of this study would be of immense benefits to:

**Government:** This study would enable the government to be aware of the interplay of factors that influences the developments of accounting practices in a developing countries and interplay of good accounting practices and such factors that drive sustainable economic development.

**Stakeholders:** Stakeholders stand to gain from this research work with regards to increase management discipline which the adoption IFRS entails, increase dividend and returns on investments for stakeholders, investors and plough back of profits for expansion and future growth.

**The Public:** International financial reporting standards would re-assure the public that their reliance and confidence in the financial reporting practices in companies that adopt IFRS is neither eroded nor misplaced.

**Researchers/ Students:** This thesis would be of immense value to researchers and students in course of their research work.

## 1.8 Limitations of the Study

The limitations during the execution of this study were:

i. Scarcity of published data on the use of IFRS by Nigerian companies.
ii. High cost of obtaining data.
iii. Constant interruptions during interviews due to tight schedule and office exigencies of the respondents.

However, despite this short comings, the research ensured that adequate information capable of enabling informed decision on the topic were obtained and the interviews conducted at most sustainable arrangements for the respondents to ensure maximum success.

## 1.9 Definition of Terms

**IFRS:** It means International Financial Reporting Standards

**GAAP:** Generally Accepted Accounting Principles

**Standards:** An ideas or things used as a measures, norms or model in comparative evaluation.

FDI: Foreign Direct Investment

**Financial Statements:** These are reports prepared by a company's management to present the financial performance and position at a point in time.

**Foreign Currency:** This is a currency other than the reporting entity's local currency.

**Local Currency:** Local currency is the currency of the primary economic environment in which company operate and generate net cash flows.

**Foreign Operations**: This is a subsidiary, associated company, joint venture or branch whose activities are based or conducted in a country other than the country of the parent.

Parent Company: This is a reporting enterprise that has one or more foreign operations.

**Foreign Enterprise:** Foreign enterprise is a subsidiary, associated company or a branch whose operations are based in a country other than that of the investing company or whose assets and liabilities are dominated mainly in a foreign currency.

**SAS:** Statement of Accounting Standards

**FRCN:** Financial Reporting Council of Nigeria

**ECONOMIC GROWTH**: An increase in the amount of goods and services produced per head of the population over a period of time

# CHAPTER TWO

# REVIEW OF RELATED LITERATURE

## 2.1 Introduction

This chapter is designed specifically to discuss and review existing literatures on the concept of the implementation of international financial reporting standards and Nigeria economy growth. The chapter also deals with theoretical framework and finally, there is empirical review of related literature.

## 2.2 Conceptual Framework

### 2.2.1. International Financial Reporting Standards (IFRS)

International Financial Reporting Standards (IFRS) are a set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the International Accounting Standards Board, and they specify exactly how accountants must maintain and report their accounts. IFRS were established in order to have a common accounting language, so business and accounts can be understood from company to company and country to country.

The international financial reporting standards (IFRS) consist of standards issued by International Accounting Standards Board from 1st April, 2001. The scope of IFRS captures the Standards and interpretation adopted by the International Accounting Standards Board (IASB). The International Accounting Standards Board is a successor of International Accounting Standards Committee which was originally established in 1973. The standards promulgated by the International Accounting Standard Committee (IASC) prior to 1st April 2001 are referred to as International Accounting Standard (IAS). After the formation of IASB in 2001, it took over all the interpretations given by the Standard Interpretation Committee (SIC) before the formation of the International Financial Reporting Interpretation Committee (IFRIC). Such standards and interpretations taken over were either amended or repelled, hence IASB currently accepted standards including all the following: Standards Promulgated from 1st April 2001 IFRS; International Accounting Standards (IAS) which are Standards promulgated prior to 1st April 2001 not yet amended or repelled; standards interpretation committee (SIC) Interpretations given by Standard Interpretation Committee prior to 1st April 2001 not yet repelled and International

financial reporting committee (IFRIC) Interpretations given by the International Financial Reporting Interpretation Committee Aghator & Adeyemi (2009) opined that International Financial Reporting standards (IFRS) refers to a series of accounting pronouncements published by the international Accounting Standards Board to help prepares of financial statements throughout the globe produce and present high quality, comparable and transparent financial statements.

IFRS Standards are developed by the board, the standard-setting body of the IFRS Foundation—a public-interest organization with award-winning levels of transparency and stakeholder participation. Its 150 London-based staff are from almost 30 different countries. The Board's 12 members are appointed and overseen by 22 trustees from around the world, who are in turn accountable to a monitoring board of public authorities.

The point of IFRS is to maintain stability and transparency throughout the financial world. This allows businesses and individual investors to make educated financial decisions, as they are able to see exactly what has been happening with a company in which they wish to invest.

IFRS are standard in many parts of the world, including the European Union and many countries in Asia and Nigeria. Countries that benefit the most from the standards are those that do a lot of international business and investing. Advocates suggest that a global adoption of IFRS would save money on alternative comparison costs and individual investigations, while also allowing information to flow more freely.

In the countries that have adopted IFRS, both companies and investors benefit from using the system, since investors are more likely to put money into a company if the company's business practices are transparent. Also, the cost of investments is usually lower. Companies that do a lot of international business benefit the most from IFRS.IFRS are sometimes confused with International Accounting Standards (IAS), which are the older standards that IFRS replaced. IAS were issued from 1973 to 2000. Likewise, the International Accounting Standards Board (IASB) replaced the International Accounting Standards Committee (IASC) in 2001.

IFRS cover a wide range of accounting activities. There are certain aspects of business practice for which IFRS set mandatory rules.

**Statement of Financial Position:** This is also known as a balance sheet. IFRS influence the ways in which the components of a balance sheet are reported.

**Statement of Comprehensive Income:** This can take the form of one statement, or it can be separated into a profit and loss statement and a statement of other income, including property and equipment.

**Statement of Changes in Equity:** Also known as a statement of retained earnings, this documents the company's change in earnings or profit for the given financial period.

**Statement of Cash Flow:** This report summarizes the company's financial transactions in the given period, separating cash flow into Operations, Investing, and Financing.

In addition to these basic reports, a company must also give a summary of its accounting policies. The full report is often seen side by side with the previous report, to show the changes in profit and loss. A parent company must create separate account reports for each of its subsidiary companies.

The goal of IFRS is to provide a global framework for how public companies prepare and disclose their financial statements. IFRS provides general guidance for the preparation of financial statements, rather than setting rules for industry-specific reporting. Having an international standard is especially important for large companies that have subsidiaries in different countries. Adopting a single set of worldwide standards will simplify accounting procedures by allowing a company to use one reporting language throughout. A single standard will also provide investors and auditors with a cohesive view of finances.

Currently, over 143 countries permit or require IFRS for public companies, with more countries expected to transition to IFRS by 2016. Proponents of IFRS as an international standard maintain that the cost of implementing IFRS could be offset by the potential for compliance to improve credit ratings. IFRS is sometimes confused with IAS (International Accounting Standards), which are older standards that IFRS has replaced.

The term International Financial Reporting Standards has both a narrow and broad meaning. In the case of narrow, it refers to the new numbered series of pronouncements that the IASB is issuing, as distinct from the International Accounting Standards (IASs) series issued by its predecessor. More broadly, IFRSs refers to the entire body of IASB pronouncements, including standards and interpretations approved by the IASB and IASs and SIC interpretations approved by the

predecessor International Accounting Standards Committee. The definition of IFRSs was amended after the name changes introduced by the revised IFRS Foundation Constitution in 2010.

In developing IFRSs, the IASB follows its due process requirements. Under the IFRS Foundation Constitution, the publication of an exposure draft or an IFRS (including an International Accounting Standard or an Interpretation of the Interpretations Committee) requires approval by:

Nine members of the IASB, if there are fewer than sixteen members, ten members of the IASB if there are sixteen members.

### 2.2.2. International Accounting Standards Board (IASB)

The IASB is an independent accounting standard-setting body, based in London. It consists of 15 members from nine countries, including the United States. The IASB began operations in 2001 when it succeeded the International Accounting Standards Committee. It is funded by contributions from major accounting firms, private financial institutions and industrial companies, central and development banks, national funding regimes, and other international and professional organizations throughout the world. While the AICPA was a founding member of the International Accounting Standards Committee, the IASB's predecessor organization, it is not affiliated with the IASB. The IASB neither sponsors nor endorses the AICPA's IFRS resources website.

The IASB's mission is to develop the IFRS and bringing financial markets transparency, accountability, and efficiency worldwide. A monitoring board of public authorities oversees the nonprofit organization and serves the public interest by fostering trust, growth, and long-term financial stability for the global economy. The organization's governance and due process keep its setting of standards independent of special interests while ensuring accountability to stakeholders around the globe.

### Generally Accepted Accounting Principles (GAAP)

Generally accepted accounting principles (GAAP) refers to a set of rules, standards, and practices used in the accounting industry for preparing and standardizing financial statements issued outside a company. The standards help investors and creditors better to compare businesses. It ensures a minimum level of consistency in a company's financial statements, which makes it easier for investors to analyze and extract useful information. GAAP also facilitates the cross comparison of financial information across different companies. GAAP is a combination of authoritative

standards (set by policy boards) and the commonly accepted ways of recording and reporting accounting information. GAAP improves the clarity of the communication of financial information.

Many countries and multinational companies would like the differences between GAAP and IFRS eliminated. Blending the two would help comparisons between businesses based in different regions. Advocates believe the merger would simplify management, investment, transparency and accountant training.

The main difference between the standards is that IFRS is principles-based and GAAP relies on rules and guidelines. The goal of the IFRS is to provide good information, whereas the standards offer guidelines on achieving that goal.

GAAP must be followed when a company distributes its financial statements outside of the company. If a corporation's stock is publicly traded, the financial statements must also adhere to rules established by the Nigeria Securities and Exchange Commission (SEC). GAAP covers such things as revenue recognition, balance sheet item classification and outstanding share measurements. If a financial statement is not prepared using GAAP, investors should be cautious. Also, some companies may use both GAAP and non-GAAP compliant measures when reporting financial results. GAAP regulations require that non-GAAP measures are identified in financial statements and other public disclosures, such as press releases.

**GAAP vs. IFRS**

GAAP is only a set of standards. Although these principles work to improve the transparency in financial statements, they do not provide any guarantee that a company's financial statements are free from errors or omissions that are intended to mislead investors. There is plenty of room within GAAP for unscrupulous accountants to distort figures. So, even when a company uses GAAP, you still need to scrutinize its financial statements.

GAAP is focused on the practices of Nigeria companies. The Financial Accounting Standards Board (FASB) issues GAAP. The international alternative to GAAP is the International Financial Reporting Standards (IFRS) set by the International Accounting Standards Board (IASB). The IASB and the FASB have been working on the convergence of IFRS and GAAP since 2002. Due to the progress achieved in this partnership, in 2007, the SEC removed the requirement for non-Nigeria companies registered in other countries to reconcile their financial reports with GAAP if

their accounts already complied with IFRS. This was a big achievement because prior to the ruling, non-Nigeria companies trading on Nigeria exchanges had to provide GAAP-compliant financial statements.

Due to the longstanding convergence projects between the IASB and the FASB, the extent of the specific differences between IFRS and GAAP has been shrinking. Yet significant differences do remain, depending on a company's industry and individual facts and circumstances. The differences exist between IFRS and other countries' generally accepted accounting standards (GAAP) that affect the way a financial ratio is calculated. For example, IFRS are not as strict on defining revenue and allow companies to report revenue sooner, so consequently, a balance sheet under this system might show a higher stream of revenue. IFRS also have different requirements for expenses; for example, if a company is spending money on development or an investment for the future, it doesn't necessarily have to be reported as an expense (it can be capitalized).

Another difference between IFRS and GAAP is the specification of the way inventory is accounted for. There are two ways to keep track of this, first in first out (FIFO) and last in first out (LIFO). FIFO means that the most recent inventory is left unsold until older inventory is sold; LIFO means that the most recent inventory is the first to be sold. IFRS prohibit LIFO, while Nigerian standards and others allow participants to freely use either. IFRS uses a single-step method for impairment write-downs rather than the two-step method used in Nigeria GAAP, making write-downs more likely. IFRS does not permit debt for which a covenant violation has occurred to be classified as non-current unless a lender waiver is obtained before the balance sheet date.

**Securities & Exchange Commission (SEC)**

The mission of the Nigeria Securities and Exchange Commission is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. With the activities and interests of investors, lenders, and companies becoming increasingly global, the Commission is increasing its involvement in a number of forums to develop a globally accepted, high-quality financial reporting framework. SEC efforts, at both domestic and international level, consistently have been based on the view that the only way to achieve fair, liquid and efficient capital markets worldwide is by providing investors with information that is comparable, transparent and reliable. That is why they have pursued a dual objective of upholding the quality of financial reporting domestically while encouraging convergence towards a high quality global financial reporting framework internationally. The term adoption would mean that the SEC sets a specific timetable when publicly

listed companies would be required to use IFRS as issued by the IASB. Whereas Convergence means that the Nigeria Financial Accounting Standards Board (FASB) and the IASB would continue working together to develop high quality, compatible accounting standards over time. More convergence will make adoption easier and less costly and may even make adoption of IFRS unnecessary. Supporters of adoption, however, believe that convergence alone will never eliminate all of the differences between the two sets of standards.

In this release, they are seeking to comment on the necessary elements of such a framework, as well as on ways to achieve this objective. One aspect of this is seeking input to determine under what conditions they should accept financial statements of foreign private issuers that are prepared using the standards promulgated by the International Accounting Standards Committee. The key players regarding the development and adoption of IFRS are the Securities and Exchange Commission, which is responsible for the supervision and regulation of the securities industry and has oversight responsibility for the FASB; the Financial Accounting Standards Board, an independent body that establishes and interprets Nigeria GAAP; and the IASB, which is working with the FASB on the convergence of Nigeria GAAP and IFRS.

### 2.2.3. IFRS Adoption and Implementation in Developing Countries

What probably overlooked by the proponents of internationalization of IFRS is that most developing countries share business characteristics that could limit their abilities to realize the expected benefits associated with IFRS adoption. While IFRS adoption seems reasonable for developed countries, developing countries might not be able to exercise the same expected economic benefits enjoyed by developed economies due to certain distinctiveness of their accounting and business infrastructure. For instance, lack of skills and knowledge of their accounting professions, companies, and investors; smaller and less developed capital markets; lower level of governance; and limited numbers of international business participants. Accounting professions in developing countries that in general do not possess sufficient developed skills to comprehend international accounting standards, would suffer from deficient knowledge and interpretation on especially newly enacted standards, that in turn would lead to unreliable financial reporting and auditing. Thus, even if IFRS is adopted in a country; the commensurate benefits are far from reality due to insufficient and incomplete assurances of the quality of its financial reporting. In other words, the decision to converge with IFRS does not necessarily lead to

aforementioned economic benefits because convergent at standard-level is not necessarily followed by convergent at practical-level (Lantto 2009).

For companies in developing countries, as the preparers of financial reporting, implementing single set of global accounting standards would not bring the same benefits to them in a same way to multinational enterprises (MNEs). MNEs which rarely come from developing economies, would harvest the benefits of IFRS adoption but local or national companies are likely to face its consequences. Several possible difficulties related to IFRS adoption that will be faced by national companies in developing countries are:

(1) they have less opportunity to influence the process of international accounting standard,

(2) their business and economic circumstances may not be faithfully represented by the prescribed accounting procedures of the global standard, and

(3) they may be faced with high costs of changing from one set of standards with little or no correspondent benefits (Roberts, Weetman, & Gordon, 2012).

Similar to the impacts of IFRS adoption to companies in developing countries, the benefits reaped by big investors cannot outweigh the disadvantages faced by small and medium investors. Small and medium investors relatively do not have adequate expertise and skills to understand the basis on which a financial statement is produced. Furthermore, considering that IFRS is crafted to support developed capital markets, smaller investors especially those that come from less developed capital markets would encounter hard times comprehending the reported figures and interpreting newly enacted standards. This is because implementing IFRS:

(1) creates comparability in appearance but conceals real differences in commercial activity and;

(2) reduce precision of economical transaction recording by instilling too many alternatives, which sometimes are not needed and not relevant to local setting. Although adopting IFRS might reduce the costs of standards setting process and standards implementation monitoring, the governments as accounting regulators and/or standards setters have to be well aware that the notion of one accounting system fits all countries might not be the only answer. Considering that the composition of international and national stakeholders in individual country varies greatly, so does the need of adopting IFRS. Especially, the potential benefits of adopting international standards might not be materialized because of weak interpretation and implementation. In developing countries, the problems of governance are notorious, rules are often misinterpreted. What was written might not be appropriately implemented. The result is that the comparability of accounting standards may

not lead to the comparability of actual financial reporting practices. Another issue is that countries might adopt IFRS not because potential economic benefits associated with the adoption, but just because countries want to be perceived as socially acceptable and legitimate jurisdictions for doing

International business (Judge, Li, & Pinsker, 2010).

### 2.2.4. Implementation of IFRS and Economic Growth in Nigeria

Economic growth of a country is major indicator of living standards and welfare. The high of it leads to higher levels public life. In an IFAC survey, world's accountancy services need an international financial reporting standard in line with economic development.

According to Atu, Raphael and Atu (2016) investigated IFRS Implementation in developed and developing countries are directly proportional with economic growth but have no significant difference. From 10 country in Europe, almost all have been adopted IFRS in their country in harmonization step. Almost all of them adopted the EU version of IFRS. But Serbia adopted locally IFRS, it's translated and published in its language by Ministry of Finance of the Serbia Republic. Whereas one of the main purposes of IFRS is to be the international accounting language where all format and calculation is served in the same form, so facilitate the investors to make an investment decision with fair comparison and appraisal. The officially prescribed forms of financial statements are also not in line with requirements of IAS 1. And for financial service industry there are specific regulations prescribed by national bank of Serbia which mandatory. And based on our data about economic growth, Serbia is indeed on the lowest rate of the sample's economic growth. For rules subsidiaries of foreign companies or foreign companies listed on local exchanges, some country has different rules, but for Romania, Hungary, Bulgaria, and Serbia which are their economic growth are the bottom 4 of the research haven't any different rules. Surprisingly United Kingdom even it is a developed country, haven't any different rules also. From several problems that common showed up on the implementation of IFRS, tax is the most complicated and common obstacle of the adoption standard in almost all countries.

### 2.2.5. IFRS and the Growth of International Business in Nigeria

**History of International Business**

International business is not a new phenomenon but has been practiced around the world for thousands of years. Through the routes established in the Mediterranean, the Phoenicians, Mesopotamians, and Greeks did trading. As sophisticated business techniques emerged, facilitating the flow of goods, resources and funds between countries flourished. This growth was further stimulated by colonization activities. The Industrial Revolution stimulated the growth of international business by providing methods of production for mass markets and efficient methods for utilizing raw materials. The inventions and technological developments from Industrial revolution further accelerated the smooth flow of goods, services and capital between the countries. The production grew at unprecedented levels by 1880's as the industrial revolution was in full swing in Europe and in the United States. Growth continued in an upward spiral as mass production was realized and the manufactures were pushed to seek foreign markets for their products. This marked the emergence of multinational corporations. (Ajami,Cool, Goddard & Khambata, 2006)

They affirmed that International business has growth dramatically in recent years because of strategic imperatives and environmental changes. Strategic imperatives include the need to leverage core competencies, acquire resources, seek new markets, and match the actions of rivals. Although strategic imperatives indicate why firms wish to internationalize their operations, significant changes in the political and technical environment have no doubt facilitated the explosive growth in international business activity that has since World War 2. The growth of the internet and other information technologies is likely to redefine global competition and ways of doing international business once again.

International business encompasses all commercial activities that take place to promote the transfer of goods, services, resources, people, ideas, and technologies across national boundaries.

International business occurs in many different formats:

- The movement of goods from country to another (exporting, importing, trade)
- Contractual agreements that allow foreign firms to use products, services, and processes from other nations (licensing, franchising)
- The formation and operations of sales, manufacturing, research and development, and distribution facilities in foreign markets

The study of international business involves understanding the effects that the above activities have on domestic and foreign markets, countries, governments, companies, and individuals. Successful international businesses recognize the diversity of the world marketplace and are able to cope with the uncertainties and risks of doing business in a continually changing global market. An international businesses strategy, organization, and/or functional decisions categorize it as:

- A multi-domestic company with independent subsidiaries that act as domestic firms; OR
- Global operations with integrated subsidiaries; OR
- A combination of the two

According to Ajami, Cool, Goddard and Khambata, (2006) there are many reasons why international business is growing at such a rapid pace. Below are some of those reasons:

**1. Saturation of Domestic Markets**

In most of the countries due to continuous production of similar products over the years has led to the saturation of domestic markets. For example in Japan 95% of people have all types of electronic appliances and there is no growth of organization there, as a result they have to look out for new markets overseas.

**2. Opportunities in Foreign Markets**

As domestic markets in some countries have saturated, there are many developing countries where these markets are blooming. Organizations have great opportunities to boost their sales and profits by selling their products in these markets. Also countries that are attaining economic growth are demanding new goods and services at unprecedented levels.

**3. Availability of Low Cost Labor**

When we compare labor cost in developed countries with respect to developing countries they are very high as a result organizations find it cheaper to shift production in these countries. This leads to lower production cost for the organization and increased profits.

**4. Competitive Reasons**

Either to stem the increased presence of foreign companies in their own domestic markets or to counter the expansion of their domestic markets more and more organizations are expanding their operations abroad. International companies are using overseas market entry as a counter measure to increase competition.

**5. Increased Demands**

Consumers in counties that did not have the purchasing power to acquire high-quality products are now purchasing them due to improved economic conditions

**6. Diversification**

To counter cyclical patterns of business in different parts of the world, most of the companies expand and diversify their business, to attain profitability and uncover new markets. This is one of the reasons why international business is developing at a rapid pace.

**7. Reduction of Trade Barriers**

Most of the developing economics are now relaxing their trade barriers and opening doors to foreign multinationals and allowing their companies to set-up their organizations abroad. This has stimulated cross border trade between countries and opened markets that were previously unavailable for international companies.

**8. Development of communications and Technology**

Over last few years there has been a tremendous development in communication and technology, which has enabled people sitting at their home at one part of the world to know about demands, products and services offered in other part of the world. Adding to this is the reducing cost of transport and improved efficiency has also led to people expanding their business.

**9. Consumer Pressure**

Innovations in transport and communication as led to development of more aware consumer. This has led to consumers demanding new and better goods and services. The pressure has led to companies researching, merging or entering into new zones.

**10. Global Competition**

More companies operate internationally because

– New products quickly become known globally
– Companies can produce in different countries
– Domestic companies, competitors, suppliers have becomes international

As international companies venture into foreign markets, these companies will need managers and other personals who understand and are exposed to the concepts and practices that govern international companies. Therefore the study of international business may be essential to work in global environment.

**Element of International business**

Globalization

People around the globe are more connected than ever before. Goods and services produced in one part of the world is increasingly available in other parts of the world. This phenomenon is termed as "globalization." Globalization refers to the shift toward a more integrated and interdependent world economy. Globalization has two components which are globalization of production and globalization of markets. Czinkota, Ronkainen & Moffett, 2009).

Globalization of markets refers to the merging of separate and distinct market place into a single market. (Czinkota et al, , 2009). The global acceptance of consumer products such as Sony Walkman, Coca-Cola, Levi's Jeans, Citicorp Credit Cards, MCDonald Hamburgers are all considered as prototypical examples of this trend. By offering a standardized product worldwide they are helping to create a global market. ( Katsioloudes & Hadjidakis, 2007).

Globalization of production refers to the tendency among firms to source goods and services from locations around the world to take global advantage of national differences in the cost and quality of factors of production. (Labor, land, energy and capital) Companies hope to lower overall cost structure by doing so. For example, Boeing Company's jet airliner 777 has 132,500 component parts which are produced around the world by 545 suppliers. (Katsioloudes and Hadjidakis, 2007).

**International Business Environment**

The international business environment is highly characterized and influenced by

International Politics

International Culture

International Trade

International financial markets and Institutions

**International Politics**

International politics is a primary concern for Multi National Enterprises. (MNE's) The past two decades have witnessed dramatic change in their political systems. Most of the countries in the Eastern Europe, in the Americas' are building market economies in varying degrees. MNE's feel more confident in starting up their operations in market driven economy as they are endowed with more freedom to fix prices and more liberty in carrying out their business operations. Until MNE's feel that the government is willing to take the steps necessary to ensure that promises are kept and

they are able to repatriate their funds, they are going to proceed very cautiously with their investment plans. (Rugman & Collinson, 2006).

**International Culture**

Despite the various patterns and processes of globalization, Cultural awareness is a very important aspect for MNE's when it operates in international arena. As an example, the culture, beliefs and etiquettes which are followed in the India is entirely different from that of the western world and the companies and persons who are involved in businesses in India should comprehend the Indian culture to its full extent. 'When going to a business meeting in India, bring family photos. Indians enjoy talking about each other's families, which is seen as building trust and rapport before doing business. '(Czinkota, Ronkainen & Moffet, 2009).

Real Business Case – Saudi Arabia: Many organizations from foreign countries entered into the Saudi Arabian market following the crisis it faced in 1970's. But not all were successful as they failed to understand the Saudi Arabian culture. A major U.S security company won a large contract to install security system for a client in Saudi Arabia. The troubles started when the shipments from the U.S. which landed in Saudi Arabia were not released by the custom officials. The reason behind the detainment of the shipments was that the security devices were wrapped in newspapers which contained fashion photographs of scantly claded women. This offended the cultural sensitivities of the officials of a nation in which majority of the women wear a long garment called 'Abayah'. (Czinkota et al. 2009).

**International Trade**

International trade is a broad term, which includes all commercial transactions that take place between nations. Multinational companies are major players in international trade and account for the major proportion of International trade. Some classic examples for international trade are, Ford which makes gear box in its factory in Bordeaux and exports it to assembly plants in different EU countries. Spain depends upon Nigeria, Algeria and Libya for 99% of its natural gas requirements. ( Czinkota et al. 2009).

**International Financial Markets and Institutions**

Irrespective of whether a company or bank engages in international trade, it is important that its managers understand some key aspects of international financial markets. The euro currency market, international monetary system, the foreign exchange market all influence the functioning of markets for goods and services. The euro currency market may offer a low cost borrowing

opportunity; the international monetary system may set a framework that may affect many firms and the foreign exchange market determines the cost and availability of foreign currencies used in business by many firms. (Rugman & Collinson, 2006).

**Unique Culture**

International business and its by product globalization will ensure and enforce a unique culture around the globe. For example, Pizza which has had its origin in Italy is now widely accepted and consumed all around the world thus integrating the culture and bringing about a unique food culture. Similarly Indian costumes are in high demand these days in the U.S and Europe. So international business is bringing forth a common culture which brushes out all national and cultural barriers. Rugman & Collinson, (2006).

**International Business Management**

International business management is all about developing business operations on an international scale. Rugman & Collinson, (2006). The key features of international business management are, the elements of market analysis which are required to start business operations overseas, guidance on how to influence the international strategy on business, construct a dynamic market entry strategy and easy ways to search for a competitive advantage.

### 2.2.6. IFRS and Foreign Capital Flow in Nigeria

According to Koralai and Assaf (2010) there are three major types of international capital flows: foreign direct investment (FDI), foreign portfolio investment (FPI), and debt. Capital flows that have equity-like features (that is, FDI and FPI) are presumed to be more stable and less prone to reversals. FDI yields more benefits than other types of financial flows because it comes with more direct control of management. In national and international accounting standards, FDI is defined as involving an equity stake of 10% or more. FPI is different from FDI in that it lacks the element of lasting interest and control. The third type of foreign investment - debt flows, consisting of bank loans and bonds, are regarded as more volatile.

Foreign Inflow of Capital and Developmental Issues Developing countries, mainstream economists argue, require more economic integration through trade and investment in order to build a competitive and efficient economy. It is claimed that following such policies would lead towards a surge in exports and attract foreign capital investment to augment domestic savings. It

would ultimately increase the overall domestic investment in developing countries. (IMF, 2010b) Further, it is said that many developing countries face shortages in domestic savings, trade imbalances and a foreign exchange crisis. It is assumed that in the absence of foreign capital, the shortages of external financing are likely to put constraints on the economic growth and living conditions of the people. It is claimed that failing to attract foreign capital implies that national income and living standards will be negatively affected. (IMF, 2010a) The proponents of capital inflows also argue that foreign capital supplements domestic savings and increases the overall investment and rates of growth in the host country. However, foreign capital inflow is volatile and relies on various push and pull factors.

The push factors include lower interest rates and declining marginal efficiency in the capital exporting countries, and also the presence of large amount of surplus capital. The pull factors from the host countries are due to the availabilities of higher interest rates compared to the capital exporting countries. The demand for capital may be another crucial full factor that attracts capital inflows. Koralai and Assaf (2010) find that capital inflows in the 1980s in Latin America were basically driven by recession and the low interest rates in the United States. In developing countries the higher GDP growth rates have increased the demand for capital inflows. The argument is that the inflow of capital benefits developing countries by increasing their investment rates above their savings. This is based on the argument that rich countries have abundant capital and developing countries lack capital. Therefore, if capitals are allowed to move unrestricted across countries, then everyone will benefit. It is expected that the capital inflow from the rich countries would be invested in the poor countries. It is said that international capital mobility would promote economic growth and employment opportunities in developing countries. However, after independence, most developing countries did not assign a major role for foreign capital in their economic development. Then it was widely believed by the policy makers that a strong inflow of foreign capital would undermine the independent industrialization they would like to pursue. In fact, until the 1970s, the private international financial system played only a limited role in recycling financial surpluses to developing countries. Most of the capital flows to developing countries were through official bilateral and multilateral channels. However, at present, foreign capital is thought to be a positive but essential factor in order to achieve rapid growth and industrialization.

Kalim (2014)affirmed that the oil surplus money from oil exporting countries and also the pension funds of developed countries were looking for higher returns. As a result, capital in the form of

debt and equity investment began to flow into those countries, which were able to provide for both secure and higher returns. Since the 1980s, various developing countries have been forced to learn about the power of finance. Thanks to international institutions, pressure for financial liberalization to increase the inflows and outflows of capital (in debt and in stock markets) create boom and bust cycles that often bring uncertainty in the real economies. Moreover, we also find the governments of several developing countries looking nervously for signs of financial markets' approval and formulating polices to meet these expectations. Foreign capital is seen to be a vital source of investment that could affect growth. Hence, the government is expected to attract global capital and should also do everything to prevent capital outflows. After the adoption of policies of economic liberalization, the inflow of foreign capital into developing countries has risen sharply and currently accounts for a significant proportion of their national investment.

### 2.2.7. IFRS and Financial Reporting Quality in Nigeria

The Nigerian Accounting Standard Board (NASB) at its amalgamation as a board gave the introductory collective and professional mind-set with regards to the regulation of accounting profession in Nigeria in 1982. As a faction of a government parastatal, NASB issued some standards which though, were not wholeheartedly followed by all players; served effectively in providing a uniform basis for locally based companies and preparers of financial statements (ICAN, 2012). The major setback of the NASB was the refusal of multinational companies to adopt the SASs as they considered it mere codifications of the extant International Accounting Standards (Nigeria's Financial Hub, 2011). The continual public outcry as well as the urgent need to adopt IFRS therefore, necessitated the need for the enactment of the Financial Reporting Council of Nigeria (FRCN) in 2011. In June 2011, legislative changes were enacted under which the FRCN replaced the NASB as the entity responsible to aid the implementation of IFRS in Nigeria.

The FRCN is now the body corporate solely responsible for the issuance, monitoring and review of Accounting and Auditing Standards in Nigeria. The council is empowered under section 52(1) of the Act to adopt and keep up-to-date accounting and auditing standards, and ensure consistency between Standards issued under IFRS as provided under Part VII of FRCN Act 2011 which dealt with review and monitoring of standards. This is one of the major developments brought by FRCN Act in 2011, where Federal Executive Council approved the adoption of IFRS as the reporting framework to publicly quoted entities by 2012 in Nigeria. In the presentation of a paper in 2012 at

a retreat with Accounting Lecturers in Nigerian University, the Director of FRCN, Jim Osaynade Obazee noted that the "FRCN will require management assessment of internal controls, including Information Systems Controls with independent attestation". He stated further that as part of the FRCN oversight of professionals, "the FRCN requires good code of ethics for financial officers and certification of financial statements by chief executive officers and chief financial officers" of reporting entities (Obazee, 2012). More so, the FRCN will reinvigorate efforts in restoring public confidence in financial reporting as it "issues code of corporate governance and guidelines, and develop a mechanism for periodic assessment of the codes and the guidelines" (Obazee, 2012).

Arguing further for the enactment of the FRCN act, Obazee (2012) states that the development is timely as it expands the scope of financial regulation beyond traditional spheres of accounting and financial reporting and also spans auditing and corporate governance. The increased involvement of government in financial reporting presents a picture that is ardently passionate about the public interest. Although regulatory framework of FRCN is potentially strong to support the on-going mandatory adoption of IFRS, Oduware (2012) argued that, some still consider IFRS for accounting and its implementation lies with the finance function of companies. However, IFRS is more than accounting; rather it is all about the way and manner in which an entity conducts its business after giving consideration to its accounting and financial reporting implications. This agreed with the view of Obazee (2012) who opined that, conversion to IFRS is more than an accounting exercise and will have an effect outside the finance function in areas such as: information technology, human resources; and investor relations. It also has a regulatory implication which is not limited to capital adequacy for bank, and solvency margins for insurance, but it also affects capital management for all entities.

### 2.2.8. Harmonization, Convergence, Adoption and implementation of IFRS in Nigeria

Regardless of IFRS becoming the need of the hour around the world and companies aggressively attempting to globalize their operations, some perplexity still prevails over the difference between harmonization, adoption and convergence with IFRS. However, even in common dictions and contemporary literature, the terms are applied conversely amongst users of IFRS and it is important that in any IFRS discourse, the distinction should be clarified. The term harmonization clearly means "the reconciliation of different accounting and financial reporting systems by fitting them

into common broad classifications, so that form becomes standard while content retains significant differences" (Odia &Ogiedu, 2013).

Ball (2006) believes that accounting harmonization is necessary for the globalization of capital markets. Convergence means to achieve harmony with IFRS; in precise terms, convergence with IFRS means that the country's accounting standard board (e.g. FRCN) in applying IFRS would work in accordance with IASB to develop high quality compatible accounting standards over time. Convergence is the process by which standard setters across the globe discuss accounting issues drawing on their combined experiences in order to arrive at the most appropriate solution; it is actually a gradual process of changing a country's accounting rules towards IFRS. The ultimate objective of convergence is to achieve a single set of internally consistent, high global accounting standards, issued by the IASB and adopted by all the national standard setters (IASB, 2003). Obazee (2007) suggests that convergence could be either by adoption (a complete replacement of national accounting standards with IASB's standards) or by adaptation (modification of IASB's standards to suit peculiarities of local market and economy without compromising the accounting standards and disclosure requirements of the IASB's standards and basis of conclusions).

Another term that raises confusion in the IFRS lexicon is 'adaptation". In simple terms, adaptation is referred to as any transition to IFRS that entails the modification of IASB's standards to suit national/jurisdictional peculiarities of interests even without compromising the accounting standards and disclosure requirements (Odia & Ogiedu, 2013). On the other hand, "adoption" presupposes that national rules are set aside and replaced by IFRS requirement. To a layman, it can be understood that when a country adopts IFRS, it means that the country shall be implementing IFRS in the same manner as issued by the IASB and shall be 100% complaint with the guidelines issued by IASB (Odia & Ogiedu, 2013).

***Adoption of IFRS in Nigeria:*** For a Country to advance in the global financial market, there is a compelling need for a well- proportioned global financial reporting. On that account, most countries have clinched IFRS either by adoption, adaption or convergence. By virtue of recent literature, the cynosure on IFRS was to critically appraise its adoption, challenges and to propose a band aid that would guarantee smooth transition from national standards to IFRS. To operate in the modern day world economy and to realize the full gains of international listing, no individual country can act alone in its financial reporting standards (Garuba & Donwa, 2011). This gave rise to the adoption of IFRS in Nigeria in January 2012. The Adoption has changed the way and manner

in which financial statements are prepared, reported and presented. IFRS adoption is believed to have the most significant impact on accounting and financial reporting functions, enhance greater transparency and disclosures in financial statements and so on (Ball, 2006).

Nigeria's growth in the global business community and the need for international involvement necessitates the regulators and operators in the Nigerian Financial System to take action to ensure a smooth transition from SAS to IFRS with the motive to bring in a higher and improved standard of financial reporting and disclosure (Akindele, 2012). Hinged on the presumption of NASB to promote admissible published financial reports and high quality accounting standards that are uniform with international practices, a Stakeholders' Committee on the Roadmap to the Adoption of IFRS in Nigeria was inaugurated on October 22, 2009. In July 2010, the Nigerian FEC approved the Roadmap to the Adoption of IFRS in Nigeria; IFRS will start by 1 January, 2012 beginning with publicly quoted companies. Other Public Interest Entities (PIES) are to converge to IFRS by 1 January, 2013 and small and medium size entities will converge by 1 January, 2014. it was iterated in the report that, it will be in the interest of the Nigerian economy for reporting entities in Nigeria to adopt globally accepted, high-quality accounting standards by fully converging Nigerian National Accounting Standards with IFRS by following a Phased Transition effective January 1, 2012.

***Arguments Supporting and Opposing IFRS Adoption:*** There are supporters as well as opponents who have arguments for and against the global adoption of IFRS. According to Barth, landsman and Lang (2008), the adoption of a common body of international standard is expected to have the following benefits: i) it enables accountants and auditors preparing financial reports to be familiar with one common set of international accounting instead of various local accounting standards,

ii) financial statements are easily comparable and in uniformity among countries giving ease to investment analysis,

iii) it attracts foreign investors in addition to general capital market liberalization. Ball (2006) stated that many developing countries where the quality of local governance institutions is low, the decision to adopt IFRS will be beneficial. The idea of adopting IFRS has been justified that it will lead to greater transparency, accountability and understanding, lower cost of capital to companies and higher share prices (due to greater confidence of investors and transparent information), reduced national standard setting costs, ease of regulation of securities markets, easier comparability of financial data across borders and accessory investment opportunities. The

adoption of IFRS will also assist the progress of easier international mobility of professional staff across national boundaries. For multinational companies, it will aid in the fulfilment of the disclosure requirement for stock exchanges around the world (Covrig, Defond & Hung, 2007; Daske, Hail, Leuz & Verdi, 2008).

Lipsey and Chrystal (2003) noted that foreign direct investment (FDI) alters country's comparative advantages and improves its competitiveness through technology transfer and effects myriad externalities, domestic investment which can alter a country's volume and pattern of trade in many income enhancing directions. Countries that suffer from corruption, slow-moving, or ineffectual government are likely to resistant the change (La Porta, Lopez-de-Silanes & Vishny, 1999) but in such countries, the opportunity and switching costs are lower which makes the possibility of adopting IFRS advantageous. Kumar (2007) further argues that the foreign capital has the potential to deliver enormous benefits to developing nations. In addition to helping bridge the gap between savings and investment in capital-scarce economies, capital often brings with it modern technology and encourages development of more mature financial sectors. Capital flows have proven effective in promoting growth and productivity in countries that have enough skilled workers and infrastructure. Some economists believe capital flows also help discipline governments' macroeconomic policies. Although many countries have faced challenges in their decisions to adopt IFRS, its wide spread adoption has been promoted by the argument that the benefits outweigh the costs (Iyoha &Faboyede, 2011).

**Objective of Financial Statements**

According to Okoye and Akenbor (2014) the objective of financial statements is to provide information about the financial position (statement of financial position), performance (statement of comprehensive in-come), and changes in financial position (statement of cash flows) of an entity that is useful to a wide range of users in making economic decisions. Users of financial information include present and potential capital providers, employees, lenders, suppliers, customers, and the government.

Financial statements also show the results of management's stewardship of the resources entrusted to it. This information, along with other information in the notes to the financial statements, provides users of financial statements with information about the amount, timing, and uncertainty

of the entity's future cash flows in order that they can make economic decisions. In order to meet this objective, financial statements contain information about assets, liabilities, equity, income and expenses, including gains and losses, contributions by and distributions to owners in their capacity as owners; and cash flows.

The qualitative characteristics of financial statements include-

(i) **Understandability:** Information should be readily understandable by users who have a basic knowledge of business, economic activities, and accounting, and who have a willingness to study the information with reasonable diligence.

(ii) **Relevance:** Relevant information influences the economic decisions of users, helping them to evaluate past, present and future events or to confirm or correct their past evaluations. The relevance of information is affected by its nature and materiality. Information is considered to be material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements.

(iii) **Reliability:** Reliable information is free from material error and bias and can be depended upon by users to represent faithfully that which it either purports to represent or could reasonably be expected to represent. The following factors contribute to reliability:

a) faithful representation;

b) substance over form;

c) neutrality;

d) prudence; and

e) completeness

**Comparability:** Information should be presented in a consistent manner over time and in a consistent manner between entities to enables users to make significant comparisons.

To meet the objectives of financial statements and make them adequate for a particular environment, providers of information must balance the qualitative characteristics in such a way that best meets the objectives of financial statements. The application of the principal qualitative characteristics and the appropriate accounting standards normally results in financial statements that provide fair presentation.

**Elements of Financial Statements:** The following elements of financial statements are directly related to the measurement of the financial position:

(a) **Assets**. Resources controlled by the entity as a result of past events d from which future economic benefits are expected to flow to the entity.

(b) **Liabilities:** Present obligations of an entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

(c) **Equity:** The residual interest in the assets of an entity after deducting all of its liabilities (may be referred to as shareholders' funds).

The following elements of financial statements are directly related to the measurement of performance:

(a) **Income**: Increases in economic benefits during the accounting period in the form of inflows or enhancements of assets, or decreases of liabilities that result in an increase in equity (other than those relating to contributions from equity participants). Income comprises both revenue and gains.

(b) **Expenses:** Decreases in economic benefits during the accounting period in the form of outflows or depletion of assets, or decreases of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

**Initial Recognition of Elements:** Recognition is the process of incorporating in the statement of financial position or statement of comprehensive income an item that meets the definition of an element and satisfies the criteria for recognition. Elements (assets, liabilities, equity. income, and expenses) should only be recognized in the financial statements if- it is probable that any future economic benefit associated with the item will flow to or from the entity; and the item has a cost or value that can be measured with reliability.

**Subsequent Measurement of Elements:** Measurement is the process of determining the monetary amounts at which the elements of the financial statements are to be recognized and carried in the statement of financial position and statement of comprehensive income. The following bases are used to different degrees and in varying combinations to measure elements of financial statements:

(a) **Historical cost**: Assets are recorded at the amount paid or fair value of consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation.

(b) **Current cost:** Assets are carried at the amount of cash and cash equivalents that would have to be paid if the same or equivalent asset were acquired currently. Liabilities are carried at the undiscounted amount of cash or cash equivalents that would be required to settle the obligation currently.

(c) **Realizable (settlement) value:** Assets are carried at the amount of cash and cash equivalents that would be obtained by selling the assets in an orderly disposal. Liabilities are carried at their settlement values, that is, the undiscounted amount of cash or cash equivalents expected to be paid to satisfy the liabilities in the normal course of business.

(d) **Present value assets** are carried at the present discounted value of the future net cash inflows that the item is expected to generate in the normal course of business. Liabilities are carried at the present discounted value of the future net cash outflows that are expected to be required to settle the liabilities in the normal course of business.

**Capital Maintenance Concepts:**

Capital and capital maintenance include:

(a) **Financial capital** is synonymous with net assets or equity; it is defined in terms of nominal monetary units. Profit represents the increase in nominal money capital over the period.

(b) **Physical capital** is regarded as the operating capability; it is defined in terms of productive capacity Profit represents the increase in productive capacity over the period.

### 2.2.9. Impacts of IFRS Adoption, Implementation and Accounting Quality

Accounting quality, according to Bhattacharjee and Islam (2018) is a function of the firm's overall institutional setting, including the legal and political system of the country in which the firm resides. The adoption of IFRS in Nigeria and beyond is aimed at bringing about accounting quality improvement through a uniform set of standards for financial reporting. Land and Lang (2012) opined that accounting quality has improved worldwide since the beginning of the 1990s and attributed it to factors such as globalization and anticipation of international accounting harmonization. IFRS is contingent on at least two factors. First, improvement is based upon the premise that change to IFRS constitutes change to a GAAP that induces higher quality financial reporting. Barth, Landsman, and Lang (2012) find that firms adopting IFRS have less earnings management, more timely loss recognition, and more value relevance of earnings, all of which they interpret as evidence of higher accounting quality. Second, the accounting system is a complementary component of the country's overall institutional system (Ball, 2013) and is also determined by firm's incentives for financial reporting. Literature document improvements in accounting quality following voluntary IFRS adoption (Barth, et al 2008; ) to reduce information

asymmetry between managers and shareholders and it can be evidenced by proper assets and earnings management, lower cost of capital, and high forecasting capability by the investors about firm's future earnings. Barth et al. (2008) suggest that accounting quality could be improved when alternative accounting methods used by managers to manage earnings are eliminated.

**Benefits of IFRS Adoption and Implementation in Nigeria**

Notwithstanding that there may be some challenges to face by countries in their decision to adopt IFRS; its worldwide adoption has been promoted on the premise of its perceived benefits which are considered to outweigh the costs. Proponents of the adoption of IFRS argue that there are a number of benefits which can be gained from greater cross-country comparability of firms' financial reports. Barth (2007), for instance, argues that by adopting a common body of international standards, countries can expect to lower the cost of information processing and auditors of financial reports can be expected to become familiar with one common standard than with various local accounting standards. The argument here is that countries choose to adopt IFRS when they expect to increase the share of foreign capital and trade in the economy. In this sense, even countries with low levels of foreign capital and trade can choose to adopt IFRS if they are expecting growth in those sectors.

**Attracting foreign Direct Investment**

With more reliable and credible financial statements, the propensity to attract foreign direct investments will increase as the nation's risk profile would be known and predictable. In other words, investors are attracted to environments where the rewards are high relative to risks. Availability of reliable information contributes to the lowering of this risk. This view is in consonance with Okpala (2012) who found out that there is a significant relationship between IFRS adoption by companies and FDI in Nigeria which in turn will improve the economy. Credible financial information which makes investment decisions efficient, crucially depend on

the qualitative and quantitative characteristics of information including relevance, reliability, comparability, understandability, full disclosure of underlying accounting policies, etc. As companies, seek investment opportunities in other countries or within the country, their financial statement must be accurate and comparable across industries and jurisdictions to attract the right investment and financial support. Thus, the goal of credible financial reporting must be pursued conscientiously such that no doubts exist about the quality of the financial statements produced by companies in Nigeria. As Odia and Ogiedu (2013) observed, in countries where "doubts exist as

to the quality, consistency or transparency of their rules, a price must be paid for the shortcomings namely lower market values for their shares and/or higher interest rates for their financing. Also, the cost of raising funds depends significantly on the quality of information available to potential and existing investors as well as the basis of accounting policies applied. Indeed, lack of knowledge of the basis of accounting implies higher risks and higher costs of raising funds. Accordingly, the cost of raising funds will be much lower with IFRS statements. Indeed, the use of IFRS will facilitate greater acceptability of financial reports by regulators and this can enhance secondary listings of companies in global stock markets. Inevitably, local stock exchange will become busier and more active as entities with IFRS-based financial reports continue to attract FDIs.

**Bridge Communication gap with Stakeholders**

Accounting and financial information users are numerous so also are their needs different.

Therefore, financial information must be presented in a language that communicates effectively with the various users. IFRS, given its global appeal, enhances this communication with greater Stakeholders. No conversion is required as the language of preparation is internationally understood by current and potential investors. Okpala, (2012) concluded that the adoption of IFRS will increase the level of confidence of global investors and investment analysts in the financial statements of companies in Nigeria. For the multinational companies, it will help them to fulfill the disclosure requirement for stock exchanges around the world Armstrong, Barth, Jagolizer, & Riedl, 2007; Covrig, Defond & Hung 2007).

**Uniformity in Accounting Language**

Adoption of IFRS will lead to uniformity in accounting language across the globe which is a pre-requites for the globalization of business, finance and investment with primary objective of eliminating the unnecessary complexity that exists with multiple reporting languages. As it is common knowledge, there exist differences in the classifications of financial information, levels of disclosure and accounting concepts between countries. Armstrong, Barth, Jagolizer, and Riedl, (2007) opined that accounting terminologies can easily confuse the uninitiated owing to differences in business language. In supporting his view gave an instance on the word stock which, in most North American countries, refers to share ownership, whereas, in the commonwealth countries, the word stock is typically associated with merchandise inventory. The closest word to current in Japanese language is said to be present. While these two words (i.e. current and present)

may appear to convey the same meaning, such may not be the case if used in terms of asset valuation in the preparation of financial statements. While current value is about discounted cash flow measures. In this sense, unsold stock may convey under-subscribed floatation. In commonwealth countries, this will refer to unsold inventory of finished goods. Still on current: whereas the time frame distinguishing a current and non-current liability is typically a year in the Nigeria and in IFAC standards, the cut-off point is commonly four years in Germany. In fact, Abel (2017) said it succinctly when he observed in his presentation at conference that "Accountants inhabit a kind of Tower of Babel where we not only speak different language but also give different interpretations of the same events and transaction".

### 2.2.10. Challenges of IFRS Adoption in Nigeria

Obazee (2007) opined that the principal factors affecting the implementation of IFRS in Nigeria, and the rest of the world are cultural issues, mental models, legal impediments, educational needs and political influences in those countries rather than the most widely perceived technical issues. This goes a long way to explain statistics which show that despite 40% of African country having access to IFAC, only 28% of IFAC members in Africa have adopted IFRS. This then shows that it's not about the technical problem but the other factors as opined by Obazee (2015). This is in consonance with Daske, Hail, Leuz and Verdi (2013) and Ball (2016) Besides there are lots of uneven applications, breeding different IFRS versions (Tsakumis, Campbell & Douphik, 2011). Nobes (2016) has indicated the motivations and opportunities for different IFRS to continue. There must a coordinated regulatory review and enforcement mechanism to facilitate consistent application. The complexity of certain IFRSs and tax orientation of most nations have been identified as the two most significant impediments to convergence (Larson & Street, 2014). Other notable challenges include:

**Economy**

A significant obstacle to international financial reporting standardization is that accounting regulations whether national or international can and do have economic consequences (Nobles & Parker, 2014). Governments of different countries may be unwilling to give up control over a process which has real economic consequences to an international body over which they have little or no influence.

**Politics**

The effect of politics on the adoption and implementation of international accounting standards is directly derivable from the effect of economic factors on accounting regulations. Economic consideration whether on industry- level or at national level reflect on governments' attitude towards international standards, much so as no governments wants to be seen as acting against the interest of those in the position to vote them out of office. Stigler (2002) explains that governments are made up of individuals who are self-interested and will introduce regulations more likely to lead to their re-election. The powers behind standards setting are the special interest groups and lobbyists that could be advocates for the banks, the investors, companies, stakeholders or other political groups or sub-divisions (Enofe, 2013). When an important accounting issue is at stake those who are less favored by the outcome of the event turn to lobbyists to seek for redress. In the past, these lobbying groups have put so much pressure on politicians to prevent standard setters from finding adequate solution to important technical accounting problems. While the adoption and implementation of international accounting standards will enjoy faster pace in countries that had closer or similar socio-political culture with the African countries, the same cannot be expected of former communist and socialist USSR and European countries. Some countries have nationalistic difficulties in abandoning their national standards for foreign ones. This is argued to form the basis of the Nigeria and some other countries' lukewarm attitude towards keying in fully into the adoption of international accounting and auditing standards. In the wake of the global market crisis, the European Commission (EU) pushed for the implementation of IFRS.9, valuation of financial instruments. This, according to Enofe ( 2013), make the politics of accounting standard setting even more pronounced because while the Nigeria preferred the fair value measurement, the Germans preferred different method because of the negative impact of the fair value measurement on the balance sheet of the major banks in their country.

**Culture**

One key factor that adversely affects the adoption and implementation of international accounting and auditing standards is cultural differences, which is differences in accounting reporting culture, language, business tradition, work skill and ethics. An example of this obstacle to harmonization is given by Perera (1989) who, in his assessment of the potential success of transferring accounting skills from African countries to developing countries, notes that: The skill transferred from Anglo-American countries may not work because they are culturally irrelevant or dysfunctional in the

receiving countries' context. Perera further argues that international accounting standards themselves are strongly influenced by Anglo-American accounting models and, as such, these international standards tend to reflect the circumstances and patterns of thinking in the Anglo-American group of countries and that these standards are likely to encounter problems of relevance in countries where different environments from those found in Anglo-American countries exist. Continental Europe and indeed most EU countries which includes majority of German companies continue to rely on 'insider' forms of finance, and Roman law system. These kind of accounting regulations will probably be more appropriate for most of these Continental European Countries than the imposition of a form of Anglo-American accounting system. This perhaps informed Nobes and Parker (2014) to suggest that in such circumstances, it might be more appropriate to have a dual system where all companies in each country are required to prepare financial accounts in accordance with their historically developed domestic system, and companies which raise funds internationally to prepare an additional set of accounts (probably only the consolidated or group accounts) in accordance with Anglo-American style international accounting rules. Language is also a very important aspect of culture. International accounting and auditing standards are originally written in English language. Adopting and implementing these standards in non-English speaking countries entails first, finding translators who are both sufficiently knowledgeable in the subject matter of accounting and auditing and versed in both the English and the local language. A lot of difficulties arise in getting capable translators and even where they exist, some of the English language terms in the standards sometimes may not have any local language equivalent (McGee, 1999). The translation of the international standards is a major challenge in the adoption and implementation of the standards as translators often find it difficult to convey the real meaning of the English text in the translated standards.

**Laws and Regulations**

International Accounting Standards as espoused in IFRS by IASB are principles-based which work within a set of laid down framework. On the other hand, rules-based system regulates issues as they arise. Principles-based system operates within a framework that provides the background of principles within which standards can be developed and the standards so produced are not in conflict with each other. Differences in legal systems and accounting rules among countries have serious implications for the adoption and implementation of accounting standards.

There is a multiplicity of laws and bodies for the regulation of accounting, financial reporting and auditing requirements of companies and other public interest entities in Nigeria, while the main legal framework for corporate accounting and auditing practices in Nigeria is the Companies and Allied Matters Act 2004 (Akhidime, 2010). Strangely, the Nigerian Companies and Allied Matters Act which was last amended in 2007 has remained unchanged to reflect any recognition of IFRS provisions even as IFRS adoption is considered to conflict with some existing Nigerian laws (Izedonmi, 2014). With IFRS conflicting with some of the existing Nigerian corporate financial and auditing laws, the prospect of a smooth transition to IFRS without adequate enforceable statutes remains threatened.

**Educational Institution**

No accounting reform Project is complete without upgrading the accounting curriculums of at least some universities in the country (McGee, 1999). Universities and other tertiary educational institutions are considered to be in the best position to take a lead in the provision of needed academic direction and foundation for training of accountants. The implication of this is that lecturers in this institutions are barely knowledgeable of the modalities and workings of IFRS to effectively educate or transfer the skills to others. As a commonly held view, the trainee (student) cannot efficiently become a master if the trainer is not first a master indeed (Garuba & Donwa, 2011). Izedonmi (2014) asserts that only one out of more than two hundred accounting departments of Nigerian Universities and polytechnics has developed the needed curriculum for international accounting and auditing standards (Izedonmi, 2014). The fact that professional accounting bodies require successful education at the tertiary level as pre-requisite for enrolling into their professional examinations underscores the importance of tertiary education which NASB, (2010) considers "a critical success factor that requires urgent attention". The practical implementation of IFRS understandably therefore, requires adequate technical capacity, particularly among preparers of financial statements and auditors. The Committee on Road Map to the Adoption of International Financial Reporting Standards (CRAIFRS), had envisaged that Nigeria may encounter the shortage of accountants and auditors who are technically competent in the implementation of IFRS (NASB, 2010). The latest study of Isenmila and Aderemi (2013), revealed that even after five years into the implementation of the adoption of IFRS in Nigeria, "Tertiary Educational Institutions have not potentially developed enough to support the ongoing mandatory adoption of IFRS". The very weak Nigerian educational system that is ill-equipped and unprepared to provide the required

theoretical knowledge that are needed for the production of persons to be trained and absorbed into the membership of local professional accountancy bodies portends great danger to the successful implementation of the adoption of IFRS as there is bound to exist situation where there is lack of the required human capacity to drive the transition to IFRS.

**Level of Awareness**

What underscores the low level of awareness by virtually all the stakeholders of IFRS adoption and implementation in Nigeria, in the view of Izedonmi (2014) is the fact that whereas it took the ten (10) leading accountancy bodies 37 years to build the International Accounting Standards, Nigerian opted to implement its adoption after only four (4) years of preparation along an IFRS road map that was designed in 2010. It is therefore, not out of place to consider other challenges against the adoption and implementation of IFRS as likely flowing from the short period it is taking Nigeria to prepare for the transition from GAAP to IFRS. The transition from GAAP to IFRS has serious implications for regulators, users of financial statements, educators, and other stakeholders whose roles in the successful implementation and adoption of the new standards cannot be taken for granted; hence they are required to be appropriately communicated of such implications. While the Committee on Road Map to the Adoption of International Financial Reporting Standards counseled on the need to have a logistical framework of targeted activities aimed at creating awareness amongst the stakeholders (NASB, 2010), it is considered by Garuba and Dowan (2011) that "most users and even the preparers and assessors of IFRS based accounts such as accountants and auditors have very low IFRS awareness and would find difficulty in understanding, appreciating and to correctly implement what they are not current about or sufficiently aware of".

**Professional Accounting Bodies**

Professional accounting bodies have the responsibility of taking a leading role in the orientation of prospective and existing members of their bodies of the demands of IFRS. They have responsibility of giving clear guidance and directions to their members on ways around the difficulties encountered in the application of the standards. However, while much is being done by the two professional accounting bodies in Nigeria, the Institute of Chartered Accountants of Nigeria, ICAN and the Association of National Accountants of Nigeria ANAN, need to upgrade their members knowledge on the requirements of IFRS through Mandatory Continuing Professional Education (MCPE) programmes. These efforts are considered to be largely at pedestal

and expository levels that lack sufficient depth to provide the required level of proficiency among both the preparers and auditors of IFRS based financial statements. The poor professional development and professional retooling of the skills of Nigerian accountants and auditors on the workings of IFRS is a disposing factor to the dearth of knowledgeable professionals that are needed to drive the transition to IFRS in Nigeria, hence a potential threat to the successful transition to IFRS.

**External Auditors**

The transition to IFRS based financial reporting and auditing practice poses enormous capacity building and competence improvement challenges to Nigeria's local external auditors, particularly those who are largely engaged in small and medium enterprises. External Auditors operating in Nigeria can be categorized into three group, the first being those from large audit firms especially those from the big 4 international audit firms which audit up to 90% of listed Nigerian companies and other major Public Interest Enterprises, and second, auditors from large audit firms with international affiliation that audit the remaining 10per cent (World Bank, 2004) and third, auditors from relatively smaller local audit firms that audit Small and Medium Enterprises. While the IFRS skill base and capacity building efforts of the big audit firms (who are credited to have participated in setting up IFRS) adequately march the demands of IFRS, the same cannot be presumed for local Nigerian external auditors who understandably lack sufficient international exposure and the financial capacity to fund extensive training and retraining for themselves and their staff on the reporting demands of IFRS. The study of Isenmila and Aderemi (2013) confirms this position by concluding that Nigerian "local audit firms lack the expertise to foster the smooth transition to IFRS". The inadequacies of local external auditors have far reaching implications for the successful implementation of IFRS for Small and Medium Scale Enterprises whose Accounts are prepared and audited largely by local accountants and auditors, unlike the quoted companies and other public entities that are largely audited by better exposed and trained accountants and auditors from international audit firms.

### 2.2.11. IFRS and the Tax Liability of Multinational Company in Nigeria

According to Okoye and Akenbor (2014) examined the Financial reporting framework in Nigeria and the adoption of the international financial reporting standards and stated that the understanding

tax consequences of IFRS will be important for finance and tax executives to consider - if they'd like to help support appropriate tax results for the organization down the road. As with any tax accounting issue, the effort for an IFRS conversion will require close collaboration between finance and tax departments. According to Deloitte (2008) and Alexander and Britton (2004), the key tax considerations include: (i) Conversion Timing: Consider developments around Financial Accounting Standard No. 109, Accounting for Income Taxes (FAS 109). Should the FASB revise FAS 109, changes to the financial reporting of income taxes may occur in two stages: first the adoption of a revised FAS 109 standard for reporting under GAAP resulting from the convergence project underway by the IASB and FASB; and second the conversion to IAS 12, income Taxes, in place of FAS 109 as a result of a full conversion to IFRS. In the absence of such a revision, adoption of IAS 12 would occur as part of a full conversion. (ii) Differences in Accounting for Income Taxes: Although IAS 12 and FAS 109 have much in common, differences currently exist between the two standards. Many of these differences are expected to be eliminated as a result of the joint IASS, FASS convergence effort. However, some areas of divergence will remain, including, for example, uncertain tax positions, leveraged leases, and deferred taxes related to share-based payments. (iii) Tax accounting methods: Companies that make the most of a conversion to IFRS will approach the undertaking as more than a mere "IAS 12 vs. FAS 109" exercise. It is important to address the tax consequences of the pre-tax differences between FIRS and local GAAP because a conversion to IFRS requires changes to several financial accounting methods. Since the starting point in most jurisdictions for the calculation of taxable income is book income as reported in accordance with local GAAP, companies may need to reevaluate their existing tax accounting methods. (iv) Global tax planning: Global tax planning may need to be revisited to address the potential changes associated with conversion timetables in all jurisdictions and ultimately a full IFRS global conversion For example, tax planning in connection with IFRS should consider changes in the global effective tax rate that may arise as a result of the following; ϖ The requirement under AS 12 rather than FAS 109 to recognize both current and deferred taxes on the intercompany sale of inventory and other assets. ϖ The requirement under IAS 12 to recognize deferred taxes on exchange rate fluctuations for temporary differences of foreign subsidiaries that use the U.S. dollar as their functional currency. A conversion to IFRS may also impact the calculation of the parent's basis in its foreign subsidiaries and thereby influence cash repatriation plans. Proper planning should involve an analysis of the tax results both before and

after an IFRS conversion. Also, to the extent the realization of a tax benefit depends on the pre-tax statutory books, consideration should be given to the desirability and timing of conversion for individual legal entities and jurisdictions.

Finally, IFRS conversion is a global phenomenon. As IFRS standards converge GAAP; the change impacts all entities in jurisdictions filing under IFRS. To the extent that local tax rules are based on accounting standards, there may be a corresponding impact on the tax attributes of a subsidiary in that jurisdiction. Nigeria is not the only jurisdiction contemplating convergence with, or conversion to, IFRS standards. Japan is undertaking several projects to converge its standards with TFRS. Any time a local or global accounting standard changes, there is a potential for an impact on tax attributes of the entities in those jurisdictions. The following are the tax action steps for finance and tax leaders to address: ϖ Determine changes to key tax positions, provisions, processes, and technology. An IFRS tax assessment is likely to identify tax positions and tax accounting methods that may be impacted by changes to financial reporting standards. Tax professionals should consider performing a high level impact analysis that highlights potential changes to the tax provision in the following areas: ϖ Deferred income tax ϖ Current income tax on a country-by-county basis ϖ Indirect tax (VAT) ϖ Based on the results of this analysis, companies can begin to assess the impact of conversion on tax processes and technology.

## 2.3 Theoretical Framework

**The economic theory of networks:**

Katz and Shapiro (2015) state that “there are many products for which the utility that user derives from consumption of the good increases with the number of other agents consuming the good”. They argued that the key idea in network theory is that a network dependent product’s benefits depend upon the number of the other users who are in the same network. They draw a distinction between direct value of the product and network-related value. The authors pointed out that the direct value is generated through a direct physical effect of the number of purchasers on the quality of the product. Regarding the network related value, Katz and Shapiro (2015) considered that a product can be adopted or used even if its direct value is inferior to that of a substitute product. The economic literature sometimes calls the direct value autarky value, while the network-related value is referred to as synchronization value. It is noteworthy that a single set of high quality

accounting standards would provide considerable support for international investors to evaluate the performance of companies across national boundaries.

That is, IFRS standards are likely to lower transaction costs for foreign users of financial statements (Ramanna and Sletten, 2016). From the perspective of economic theory of networks, the benefits that a given country derives from IFRS adoption can be explained by the magnitude of its economic relations with other partner-countries that have already adopted IFRS. In this sense, IFRS standards are considered a network-dependent product.

**Corporate Accountability Theory**

According to Nnaemeka and Rotimi (2012) Accountability is a concept in ethics with several meanings. Regarding corporate governance it means the ethical responsibility to provide an account or reckoning of the actions for which one is held responsible. The contribution of corporate accountability theory is that it helps define the nature of the relationship between corporate managers and the rest of society. It also sets out the arguments as to why companies should report on their environmental, social, and economic performance, not just financial performance.

The early `90s have brought in corporate reporting a new trend of sustainability reporting. The new concept has been adopted especially by the multinational companies. These companies had reorganized their disclosure policy and nearby financial information they started to disclose information regarding their economic, environment and social performance.

**Appling the Corporate Accountability Theory**

This theory is relevant to this study in that it focuses on behavioural aspect of accounting. Accountability is the missing link in the seemingly perpetual level of analysis controversy, the connection between individual decision makers and the collectives within which they live and work. The concept accountability serves as a linkage construct by continually reminding people of the need to:

a. Act in accordance with the prevailing norms.

b. Advance compelling justifications or excuses for conducts that deviates from those norms. The corporate accountability theory recognizes that a large measure of trust and self-accountability is necessary for the smooth functioning of institutions. Therefore, if corporate accountability theory of accountability is properly utilized by the management of companies or institutions in Nigeria, it will fetch a good result on public accountability.

**New Institutional Theory (NIS)**

Institutional theory indicates that, in order for organizations to survive, she must conform to the rules and belief systems prevailing in the environment. In the context of IFRS convergence initiatives, institutionalization can be seen as a social process through which a nation accept that local accounting standards are engrossed in the interests of international accounting harmonization (Rodrigues & Crag, 2007). Wahyunic (2012) added that when a country adopt IFRS and dump their previous accounting standard, the main motive should be economical such as IFRS will bring economic benefit to the country. The economic advantage can be a reduction in the cost of capital or an increase significantly in foreign investors to the country's capital market.

Touron (2005) stated that companies in European Union faced a strong coercive pressure in adopting IFRS in 2003 when European Commission approved the proposal to adopt IFRS in 2005. These institutional factors include National Accounting Standard Board, government, financial reporting council, IFRS oversight body. The researcher therefore concludes that the success of country adopting IFRS should mainly come from the structure available to operate on rather than coercive. Therefore, structural changes should be determinant factors for IFRS convergence by countries.

**Academic Theory**

Academic theories yield mixed predictions on whether the adoption of IFRS is beneficial to a country. Some scholars have argued that international harmonization in accounting can improve capital-market efficiency: a common set of international accounting standards can reduce the information processing and auditing costs to market participants (Barth, 2007; 2008). Other academics argue that accounting standards evolve in the context of domestic cultural, legal, and other institutional features (including auditing): international harmonization in accounting, if it is not accompanied by changes to related capital market institutions, can be costly ( Ball, 2000).5 Our analysis of the cross-sectional variation in country-level IFRS adoption decisions suggests there is evidence consistent with both sets of arguments.

The evidence of a higher IFRS adoption rate among countries with moderate governance standards is consistent with IFRS being adopted for reasons that can be beneficial to a country. At the same time, the evidence that the best governed and most powerful non-EU countries were, as of 2007, less likely to adopt IFRS, suggests that several countries still perceived IFRS as being costly. The existing empirical literature on IFRS has focused largely on the determinants and consequences of

IFRS adoption at the firm level.6 The firm-level studies are conditional on countries' decisions to allow or mandate IFRS, suggesting that studies of IFRS adoption at the country-level can complement firm-level studies. A study by Hope *et al.* (2006) provides some preliminary evidence on country-level IFRS adoptions through 2005 in a sample of 38 countries (including 14 EU countries). Their evidence suggests countries with weaker investor protection and more easily accessible financial markets are more likely to adopt IFRS.

## 2.4 Empirical Review

Abata (2015) studied impact of IFRS on financial reporting practices in Nigeria (a case of KPMG). The study examined the impact of international financial reporting standard (IFRS) on financial reporting practices of corporate establishments in Nigeria. Data were collected from 50 employees of KPMG (a leading professional financial services provider) through the use of structured questionnaire and analyzed using mean scores, standard deviation and Pearson chi-square analysis. The findings revealed that IFRS provides better information for Regulators than GAAP. The finding further showed that IFRS directly affects how earnings and other key aspect of the business are accounted and reported for. However, the results of the study showed that changes in business processes and operations, financial position of companies and reduction in cost of finance were the least contributions of IFRS to financial reporting practices of KPMG.

The results of Pearson chi-square analysis showed that financial reports prepared under IFRS enhanced best practices in a corporate organization; financial statements prepared in line with IFRS provides greater benefits than the former GAAP (SAS); the compliance with IFRS promotes cross border investment and access to and compliance with IFRS will relatively improve the performance of companies. The study therefore recommended that regulatory body should embarked upon enlightenment campaigns on the potential impacts of adopting IFRS in Nigeria.

Umobong & Akani (2015) investigated the differences in the quality of accounting information Pre and post IFRS adoption by manufacturing firms in Nigeria over a five-year period. Multiple regression analysis was performed on accounting quality variables and t-test was carried out for equality of mean to compare pre and post IFRS. Results indicate a decline in accounting quality using earnings management, value relevance, and timely loss recognition as independent variables. Earnings and book value of equity are less value relevant and timely loss recognition is less in post-IFRS compared to pre-IFRS period.

Umobong (2015) studied on IFRS adoption and firm‟s performance: a comparative analysis of quoted food and beverage manufacturing firms in Nigeria. Earnings per share, price earnings ratio and dividend yield were selected as performance criterion. Data were collected and divided into pre and post IFRS- comparative analysis and t test was done to ascertain influence of pre and post IFRS adoption on market performance of the firms. Findings indicate that differences on market performance between pre and post IFRS periods are not significant suggesting a weak correlation between adoption of IFRS and market performance of quoted food and beverage manufacturing firms in Nigeria stock exchange.

Yahaya, Joseph & Safiya, (2015) examined international financial reporting standards‟ adoption and value relevance of accounting information of listed deposit money banks in Nigeria. The paper examines post-IFRS adoption value relevance of accounting information using two models. First, a price model which used proxies such as market price per share, book value of equity per share, earnings per share and cash flow per share. Second, a return-model which used proxies such as annual return, earning per share, change in earning per share, were used. The results show that the explanatory power r2 for the price model specification is 84% for the total sample and that all coefficients are statistically significant. a comparison of coefficients indicates that the EPS of 3.47 has a higher explanatory power than any other variables. The results also demonstrate that explanatory power of accounting numbers increased from preadaptation (60%) to post-adoption (78%). similarly, explanatory power (r2) for the return model specification is 13.4% for the total sample and just coefficient of eps level is statistically significant. the explanatory power for the return model increased from pre-adoption (15.6%) to post-adoption (16.4%). according to both sub-samples just a coefficient of eps level is statistically significant. so, the result of the return model also indicates adoption of IFRS improved relevance of accounting numbers in the deposit money banking sector.

Umoren & Enang (2015) investigated on IFRS Adoption and Value Relevance of Financial Statements of Nigerian Listed Banks. The sample comprises of twelve listed banks in Nigeria. Specifically, financial statement figures of 2010 and 2011 (pre-adoption period) and 2012 and 2013 (post-adoption) were utilized. Descriptive statistics and least square regression were conducted to analyze the effect of IFRS adoption on the accounting quality. The result indicates that the equity value and earnings of banks are relatively value relevant to share prices under IFRS than under the previous Nigerian SAS. Results also indicate that earnings per share is

incrementally value relevant during post-IFRS period while book value of equity per share is incrementally less value relevant during the post-IFRS period.

Okoye, Jane, & Raymond, (2014) Impact of the IFRS Adoption on Stock Market Movement in Nigerian Corporate Organization. Descriptive design was adopted using the stock price and shares traded during two years' periods. SPSS Version 7.0 was also used to obtain the mean, variance and Std. Deviation. It observed that the adoption of IFRS in Nigeria will enhance credible financial statements that will also provide a basis for the strength of a corporate entity in capital market hence is a welcome development in Nigerian economy.

Zeff (1978) first discussed the impact of financial reporting as economic consequences where he studied the impact of accounting reports on the decision making behaviour of business, government, unions, investors and creditors. There are three types of effects in the area of economic consequences in accounting literature: the financial reporting effects, capital-market effects and macroeconomic effects (Bruggemann, Hitz and Sellhorn, 2013). A financial reporting effect is the concern of this study and reflects the immediate impact of the change in standards on properties of financial statements.

The impact of IFRS adoption on key financial ratios is likely to be limited if a firm's institutional environment and the firm-level incentives remains unchanged. In the context of adopting ratio for examining the effects of IFRS adoption on various variables, a number of studies have been carried out.

Zayyad, Ahmad, and Mubaraq (2014) conducted a study to examine the effect of IFRS adoption on the performance evaluation of a case firm using some financial ratios selected from four major categories of financial ratios. The study was conducted through comparison of the ratios that were computed from IFRS based financial statements and Nigerian GAAP based financial statements. The study used the case study research approach and the population of the study was made up of Nigerian firms that were in compliance with IFRS in the year 2013. Oando Plc was the sample used and the years observed was from 2004-2010. The Mann-Whitney U test statistics was employed to test whether a significant difference exists among the ratios calculated from the pair of financial statements. The result of the Mann-Whitney U test showed that there is no significant difference between the pair of ratios at 5% level of significance. The findings showed that the disclosure of IFRS compliant set of financial statements were not attributable to higher performance evaluation through ratios of the case firm.

Ibiamke and Ateboh-Briggs (2014) conducted a study to examine the impact of IFRS adoption by Nigerian listed firms on key financial ratios used by investors. The study employed an innovative design known as "same firm-year" research design to examine how IFRS adoption changes key financial ratios of Nigerian listed firms and the population for the study comprised of 198 firms listed on the Nigerian Stock Exchange as at 31st December 2010. A sample of 60 companies using a filter scale was used. Gray Index was used to find the impact of IFRS adoption on financial ratios while, Paired sample t test and Levene's F were used to test the statistical significance of the differences in mean and variances between ratios under IFRS and NGAAP respectively. The findings caused a negative impact on the financial ratios of Nigerian listed firms, but the impact was not statically significant. The study recommends that analysts and other financial statement users should be mindful of the new features of financial statement when taking economic decisions during this period of transition to IFRS in Nigeria.

Blanchette, Racicot and Girard (2011) provided a preliminary evidence of the impact on financial ratios caused by the transition to IFRS in Canada. The study compared 26 ratios computed from IFRS financial statements and Canada GAAP financial statements. Nine firms were used and the data were extracted from the financial statements prepared for under each accounting standard during the transition years. Their findings show that "IFRS's impact on financial ratios is driven by fundamental differences in application of fair value accounting and consolidation under IFRS and pre-changeover Canadian GAAP", "differences between IFRS and pre-changeover Canadian GAAP do not affect cash flows and most of the financial ratios under IFRS present a significantly higher volatility than those computed under pre-changeover Canadian GAAP".

Lantto and Sahlstrom (2009) conducted a study on the impact of IFRS adoption on key financial ratios of Finnish listed firms. This was achieved by calculating ratios from sampled 91 firms' on Helsinki Stock Exchange. The findings shows that the adoption of IFRS changes the magnitude of the key accounting ratios of Finnish companies; profitability ratios increase by 9.19% and the price-to-earning (PE) ratios decrease by 11%, gearing ratios increase by 2.9% while equity ratios decrease by 0.2%.

Punda (2011) based on Lantto and Sahlstrom (2009) examined the effects of IFRS adoption on key financial ratios of UK listed firms. The study used Non-parametric Wilcoxon Signed-Rank Test to test the statistical significance of the differences between the UK-GAAP based ratios and IFRS ratios. The data of the study was collected from the reconciliation reports, which were

included into the company's annual reports at the year of transition. To exhibit full impact of IFRS adoption on UK-listed companies, five financial ratios; three profitability ratios (operating profit margin (OPM), return on equity (ROE), return on invested capital (ROIC); one liquidity ratio (current ratio (CR); and one market-based ratio. A sample of 250 entities on the Financial Times Stock Exchange (FTSE) was examined and only firms reporting all the information needed were included. The study reported a substantial change in the key performance indicators of these firms post IFRS adoption. In the light of these researches, this study compares the financial ratios of a firm computed from its IFRS compliant financial statements and the Nigerian GAAP based financial statements. The essence is to ascertain whether a significant difference exists and whether such difference, if any, is better for the company by increasing stakeholders' assessment of the company's performance thus increasing its value.

Shuibin and Gigamon (2020) examined IFRS adoption influences and the relationship that exist among foreign direct investment (FDI) and economic growth. Their data consist of 12 developing economies that are the highest recipients of FDI in Africa, and the years of study are from 1996-2018. Using Ordinary Least Square and Generalized Least Square method of estimation, the result shows that IFRS is significantly positive to FDI. With FDI inflows in these countries, the result provides evidence that Non fully-IFRS adopted countries experience higher inflows of FDI than the fully-IFRS adopted countries. We find FDI inflows to also have positive influence on economic growth. The interaction of FDI and IFRS also influences economic growth positively when further analysis was carried on. The results provide evidence of positive relation among FDI, IFRS, and economic growth. IFRS adoption promotes FDI inflows which consequently spurs economic growth. They recommended that there is need for policymakers to ensure adoption and enforcement of IFRS.

Abata (2015) examined the impact of international financial reporting standards on financial reporting practices of corporate establishments in Nigeria. Data were collected from 50 employees of KPMG (a leading professional financial services provider) through the use of structured questionnaire and analysed using mean scores, standard deviation and Pearson Chi-square analysis. The findings revealed that IFRS provides better information for regulators than GAAP (mean = 4.72). The finding further showed that IFRS directly affects how earnings and other key aspect of the business are accounted and reported for (mean = 4.68). However, the results of the

study showed that changes in business processes and operations, financial position of companies and reduction in cost of finance were the least contributions of IFRS to financial reporting practices of KPMG. The results of Pearson Chi square analysis showed that financial reports prepared under IFRSs enhanced best practices in a corporate organization (Pearson Chi-Square = 37.857); financial statements prepared in line with IFRS provides greater benefits than the former GAAP (SAS) (Pearson Chi-Square = 75.763); the compliance with IFRS promotes cross border investment and access to (Pearson Chi-Square = 63.128); and compliance with IFRS will relatively improve the performance of companies (Pearson Chi-Square = 20.417). The study therefore recommended that regulatory body should embarked upon enlightenment campaigns on the potential impacts of adopting IFRS in Nigeria. It also point out that government should support the Nigeria's adoption of IFRS especially in the area of enforcement to compliance as a matter of urgency to enable full attainment of the country's economic potential.

Okpala (2012) investigated the effect of IFRS adoption on Foreign Direct Investment and Nigeria economy. The population consists of quoted companies in Nigeria Stock Exchange (Preparers) and Investment Analysts (Users). Stratified Random sampling method was adopted and primary data used to elicit responses with 123 structured questionnaires administered. Findings showed that IFRS has been adopted in Nigeria but only fraction of companies has implemented with deadline for the others to comply. He perceived that IFRS implementation will promote FDI inflows and economic growth and recommended that all stakeholders should endeavour to have full implementation to reap benefits of the global GAAP and principle - based standards.

However, Damian (2012) investigated the unwanted effect of IFRS adoption on international trade and investment in developing countries, he used regression analysis and found out that the adoption of IFRS does not significantly lead to higher volume if international trade and investment due to different in socio-economy and political economy environment of developing countries compared with that of developed economy and he recommended that the developing countries should not base the improvement of international trade and investment on the adoption of IFRS alone but still work on some other factors that can have influence on their economy.

Renta (2016) investigated the association between mandatory International Financial Reporting Standards (IFRS) adoption and corporate tax avoidance. In his study, tax avoidance is defined as a reduction in the effective corporate income tax rate through tax planning activities, whether these are legal, questionable, or even illegal. Three measures of tax avoidance are used and factors at the

country and firm level (that have already been associated with tax avoidance in prior research) are controlled. Using samples that range from 9,389 to 15,423 publicly-traded companies from 35 countries, covering 1999 to 2014, it is found that IFRS adoption is associated with higher levels of corporate tax avoidance, even when the level of book-tax conformity required in the countries and the volume of accruals are controlled, both of which are considered potential determinants of this relationship. Furthermore, the results suggest that after IFRS adoption, firms in higher book-tax conformity environments engage more in tax avoidance than firms in lower book-tax conformity environments. It is also identified that engagement in tax avoidance after IFRS adoption derives not only from accruals management, but also from practices that do not involve accruals. The main conclusion is that companies engage more in tax avoidance after mandatory IFRS adoption.

### 2.6. Summary

This chapter covers the conceptual issues covering definition of terms and concepts of the variable under study. Also, there were theories explained and also empirical studies that had been carried out by previous researchers were also discussed in this chapter.

# CHAPTER THREE

# METHODOLOGY

## 3.1 Introduction

This study focuses on the relationship between the implementation of International Financial Reporting Standards and Nigeria economic growth. It was discovered that much work has not be carried out in this area both in Nigeria and internationally, majority of the study has been on the adoption of IFRS and Foreign direct investment.

This chapter provided information about the research design, population and sampling technique, and data analyses plan from the bulk.

## 3.2 Research design

Research design refers to the blue print that chart the course of any research. This study adopts survey research design. The ex-post factor design wasused to gather relevant information from the respondents through the use of questionnaire.

## 3.3. Population of the Study

The targeted population of the study was one hundred and fourty three (143) which comprises of entire staff of audit firms (both ICAN and ANAN Firms) located in Kogi State, the accountants, investors and financial analysts. From the population the sample size was determined for the purpose of distributing questionnaires.

## 3.4. Sample Size:

The sample size was determined using the Yaro Yamane statistical formula. The formula is as follows:

$n = N \div (1 + Ne^2)$

where N = population size

n = sample size

e = error unit (normally 5%)

The sample size for the study was based on the accessibility of the users of financial statements, one hundred and five (105) were selected categorized into four (Accountant, Auditor, analyst and investors) using stratified random sampling method due to availability of the information and location of the researcher (Lokoja, Kogi State).

### 3.5. Sampling Techniques

Stratified random sampling technique was used for this study, it was adopted because the study categorized the respondent into four (Auditor, accountant, Analyst and Investors).

### 3.6. Method of Data Collection

According to Olannye (2006), data collection is the gathering of relevant information for addressing the questions raised in the research and the problem statement. The method of data collection used for this study is the primary source of data. Data was sourced from105 respondents out of which 100 respondent submitted, the respondent were categorized into 4 (Auditor, accountant, Analyst and Investors) located in Lokoja, Kogi State through the help of a well-structured questionnaires.

### 3.7. Validity and Reliability Tests

A research design or research/ measuring instrument are said to be valid when it measures the characteristic of the variables it is when it actually measured what is supposed to measure. Thus, validity refers to the authenticity of the research instruments as a measure of behaviors.

The reliability of a research instrument is simply its consistency, accuracy, stability, precision or dependability. It is the consistency between independent measurements of the same phenomenon. Thus a research instrument is reliable when it is consistently measures what it sets to measure. The reliability of a research instrument is measured by correlation or reliability coefficient.

### 3.8. Method of Data Analysis

The demographic data collected from respondents shall be summarized into tables and analysis using descriptive statistic (Mean). In testing the validity and the reliability of the instrument we will use Cronbach's Alpha method to check the internal consistency of the variables and spearman rank correlation was used in testing the hypotheses of the study. Spearman rank correlation is a

non-parametric test that is used to measure the degree of association between two variables. The Spearman rank correlation test does not carry any assumptions about the distribution of the data and is the appropriate correlation analysis when the variables are measured on a scale that is at least ordinal.

The following formula is used to calculate the Spearman rank correlation:

$$\rho = 1 - \frac{6\sum d_i^2}{n(n^2-1)}$$

ρ= Spearman rank correlation

di= the difference between the ranks of corresponding variables

n= number of observations

## CHAPTER FOUR

## DATA PRESENTATION AND ANALYSIS

### 4.1. Introduction

This chapter contain the presentation, analysis and interpretation of the data collected for the study. Consequently it contained the statistical techniques to provide basis for the testing of the research hypotheses. It is a vital part of any research since it form the basis for recommendation and conclusion at the end of the research. The demographic data of the respondent were analyze first follow with the test for reliability and the test of hypotheses. The results are presented and interpreted below**.**

### 4.2. Data Presentation

**Statistics**

| | | Gender | Age | Qualification | status | Work experience | Marital Status |
|---|---|---|---|---|---|---|---|
| N | Valid | 100 | 100 | 100 | 100 | 100 | 100 |
| | Missing | 0 | 0 | 0 | 0 | 0 | 0 |
| Mean | | 1.4800 | 2.0500 | 1.5700 | 1.7600 | 1.6200 | 1.8900 |
| Median | | 1.0000 | 2.0000 | 1.5000 | 2.0000 | 2.0000 | 2.0000 |
| Mode | | 1.00 | 2.00 | 1.00 | 2.00 | 1.00 | 2.00 |
| Std. Deviation | | .50212 | .79614 | .62369 | .75371 | .69311 | .46915 |
| Variance | | .252 | .634 | .389 | .568 | .480 | .220 |
| Range | | 1.00 | 3.00 | 2.00 | 3.00 | 3.00 | 3.00 |
| Sum | | 148.00 | 205.00 | 157.00 | 176.00 | 162.00 | 189.00 |

**Table 4.2.1. (Appendix I)**

Table 4.2.1 in appendix I, which is the descriptive table of value showing the gender of respondents, from the result, it can be ascertain that, the means was 1.4800, the standard deviation was 0.50212 and the variance was 0.252. Hence we concluded that the male respondent are higher than the female respondents.

**Table 4.2.2 (Appendix I)**

Table 4.2.2 appendix I, which is the descriptive table of value showing the age of respondents, from the result, it can be ascertain that the mean was 2.0500, the standard deviation was 0.79614, and the variance was 0.634. Hence we concluded that respondents between the age of 30 to 40years are highest.

**Table 4.2.3. (Appendix I)**

Table 4.2.3 in appendix I, which is the descriptive table of value showing the qualifications of respondents, from the result, it can be ascertain that the means was 1.500, the standard deviation was 0.62369 and the variance was 0.389. Hence we concluded that respondents having HND, BSc./BA were highest .

**Table 4.2.4. (Appendix I)**

Table 4.2.4 in appendix I, which is the descriptive table of value showing the professional status of respondents, from the result, it can be ascertain that the means was 1.7600, standard deviation was 0.75371 and the variance was 0.568. Hence we concluded that accountants were the highest .

**Table 4.2.5. (Appendix I)**

Table 4.2.5 in appendix I, which is the descriptive table of value showing the work experience of respondents, from the result, it can be ascertain that the means was 1.6200, the standard deviation was 0.69311 and the variance was 0.480. Hence we concluded that respondent that has 1-5years were the highest .

**Table 4.2.6 (Appendix I)**

Table 4.2.4 in appendix I, which is the descriptive table of value showing the marital status of respondents, from the result, it can be ascertain that the means was 1.8900, standard deviation was 0.46915 and the variance was 0.220. Hence we concluded that the married were the highest .

**Table 4.2.7**

| **Variables** | **Cranach's Alpha Value** |
|---|---|
| International Financial Reporting standards (IFRS) | 0.967 |
| International business (IB) | 0.935 |
| Foreign Capital flow (FCF) | 0.983 |
| Financial Reporting System (FRS) | 0.967 |
| Tax Liability of Multinationals (TLM) | 0.993 |
| Economic Growth( EG) | 0.99 |
| | |

Using the rule of Geory and Mallery (2003), the table 4.2.7 above which shows the reliability test of the variable. The result for all variable shows an excellent result. Based on this we assumed that the degree to which an instrument yields is consistent.

## 4.3. Test of hypotheses

*Decision rule: we accept the null hypothesis if the probability value for the coefficient alpha rho is >0.05 significant level and otherwise we reject the null and accept the alternate hypothesis*

**Hypothesis 1**

Ho: The implementation of IFRS does not have any significant relationship with the growth of international business in Nigeria.

**Table 4.3.1. Correlations**

| | | | IIFRS_7 | IB_4 |
|---|---|---|---|---|
| Spearman's rho | IIFRS_7 | Correlation Coefficient | 1.000 | .189 |
| | | Sig. (2-tailed) | . | .059 |
| | | N | 100 | 100 |
| | IB_4 | Correlation Coefficient | .189 | 1.000 |
| | | Sig. (2-tailed) | .059 | . |
| | | N | 100 | 100 |

**Source: SPSS output**

From the table 4.3.1 above , focusing on the performance of the correlation coefficient above , we observed that the value for the correlation coefficient is 0.189 which shows a positive but weak relationship and the p value shows 0.059 which means the relationship is statically significant. This implies that there is a positive weak and statically significant relationship between the implementation of international reporting standards and International business in Nigeria. Based on this premises we reject our null hypothesis 1 that says, there is no relationship between IFRS and international business in Nigeria and accept our alternate hypothesis that says there is a significant but weak relationship between IFRS and international Business in Nigeria.

**Hypothesis 2**

Ho: The implementation of IFRS does not have any significant relationship with foreign capital flow in Nigeria.

**Table 4.3.2. Correlations**

| | | | IIFRS_7 | FCF_5 |
|---|---|---|---|---|
| Spearman's rho | IIFRS_7 | Correlation Coefficient | 1.000 | .115 |
| | | Sig. (2-tailed) | . | .253 |
| | | N | 100 | 100 |
| | FCF_5 | Correlation Coefficient | .115 | 1.000 |
| | | Sig. (2-tailed) | .253 | . |
| | | N | 100 | 100 |

**Source: SPSS output**

From the table 4.3.2 above , focusing on the performance of the correlation coefficient above , we observed that the value for the correlation coefficient is 0.115 which shows a positive but weak relationship and the p value shows 0.253 which means the relationship is not statically significant. This implies that there is a positive weak and non-statically significant relationship between the implementation of international reporting standards and International business in Nigeria. Base on this premises we accept our null hypothesis that says that there is no significant relationship between IFRS and foreign capital flow and reject the alternate hypothesis.

**Hypothesis 3**

Ho: The implementation of IFRS does not have any relationship with financial reporting system in Nigeria.

**Table 3.3.3. Correlations**

| | | | IIFRS_7 | FRS_6 |
|---|---|---|---|---|
| Spearman's rho | IIFRS_7 | Correlation Coefficient | 1.000 | .097 |
| | | Sig. (2-tailed) | . | .338 |
| | | N | 100 | 100 |
| | FRS_6 | Correlation Coefficient | .097 | 1.000 |
| | | Sig. (2-tailed) | .338 | . |
| | | N | 100 | 100 |

**Source: SPSS output**

From the table 4.3.3 above , focusing on the performance of the correlation coefficient above , we observed that the value for the correlation coefficient is 0.097 which shows a positive but weak relationship and the p value shows 0.338 which means the relationship is not statically significant. This implies that there is a positive weak and non-statically significant relationship between the implementation of international reporting standards and financial reporting system in Nigeria. Base on this premises we accept our null hypothesis that says that there is no significant relationship between IFRS and financial reporting system in Nigeria and reject the alternate hypothesis.

**Hypothesis 4**

Ho: The implementation of IFRS does not have any significant relationship with the tax liability of multinational companies in Nigeria.

**Table 4.3.4. Correlations**

| | | | IIFRS_7 | TLM_5 |
|---|---|---|---|---|
| Spearman's rho | IIFRS_7 | Correlation Coefficient | 1.000 | -.038 |
| | | Sig. (2-tailed) | . | .707 |
| | | N | 100 | 100 |
| | TLM_5 | Correlation Coefficient | -.038 | 1.000 |
| | | Sig. (2-tailed) | .707 | . |
| | | N | 100 | 100 |

**Source: SPSS output**

From the table 4.3.3 above, focusing on the performance of the correlation coefficient above, we observed that the value for the correlation coefficient is -0.038 which shows a negative relationship and the p value shows 0.707 which means the relationship is not statically significant. This implies that there is a negative and non-statically significant relationship between the implementation of international reporting standards and tax liability of multinationals in Nigeria. Base on this premises we accept our null hypothesis that says that there is no significant relationship between IFRS and tax liability of multinational companies in Nigeria and reject the alternate hypothesis.

**Hypothesis 5**

Ho: The implementation of IFRS does not have any significant relationship with Nigeria economic growth.

**Table 4.3.5. Correlations**

| | | | IIFRS_7 | EG_5 |
|---|---|---|---|---|
| Spearman's rho | IIFRS_7 | Correlation Coefficient | 1.000 | .131 |
| | | Sig. (2-tailed) | . | .195 |
| | | N | 100 | 100 |
| | EG_5 | Correlation Coefficient | .131 | 1.000 |
| | | Sig. (2-tailed) | .195 | . |
| | | N | 100 | 100 |

**Source: SPSS output**

From the table 4.3.3 above, focusing on the performance of the correlation coefficient above, we observed that the value for the correlation coefficient is 0.131 which shows a positive but weak relationship and the p value shows 0.195 which means the relationship is not statically significant. This implies that there is a positive but weak and non-statically significant relationship between the implementation of international reporting standards and Nigeria economic growth. Base on this premises we accept our null hypothesis that says that there is no significant relationship between IFRS and Nigeria economic growth and reject the alternate hypothesis.

### 4.4 Discussion of Findings

The empirical analysis show that there is positive and significant relationship between IFRS implementation and international trade which was also supported the research of Shuibin and Gigamon, (2020) and Abata (2015) but contradict that of Damian (2012). Also exist a positive but

not significant relationship between IFRS implementation and foreign capital flow, economic growth and financial reporting system which support the research work that was carried out by Damian (2012) and contradict that of Okpala (2012). Moreover, a negative relationship exist between IFRS implementation and tax liability of multinational companies in Nigeria.

## CHAPTER FIVE

## SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

### 5.3.Introduction

The study attempted to empirically examine the relationship between the implementation of international financial reporting standards and Nigeria economic growth. This chapter deals with the summary of findings, conclusion and recommendations.

### 5.4.Summary of Findings

The findings of the study can be summarized as follows:

2. There is significant positive but weak relationship between implementation of financial reporting standards and international business in Nigeria
3. There is no significant relationship between implementation of international financial reporting standards and foreign capital flow in Nigeria.
4. There is no significant relationship between implementation of IFRS and financial reporting system in Nigeria.
5. There is no significant relationship between implementation of IFRS and tax liability of multinational companies in Nigeria
6. There is no significant relationship between implementation of IFRS and Nigeria economic growth.

### 6.3. **Conclusion**

While the implementation of IFRS demonstrates the desire to have a consistent, comprehensive and based on clear principles accounting standards that could potentially help developing countries to obtain certain economic benefits from the implementation IFRS, merely adopting is not enough. Other infrastructures that might not be satisfied by developing countries are effective corporate governance practices and strong internal controls, sound auditing practices, and strict enforcement or oversight mechanism (Tweedie, 2005). Also this study

prove this because it was shown that implementation of IFRS has a positive relationship but not significant on the economy growth in which the government must look at other factor like the socio economy and the political economy that can also contribute to the growth of any nation rather than assuming that the implementation of IFRS alone can have a significant effect on the economy growth as it have been assumed by other researchers (Abata, 2015;Okpala, 2012;Shuibin &Gigamon, 2020).

## 5.5 Recommendations

The following policy recommendations were proffered from the findings of this study.

1. Strengthen professional education and training. The professional accountancy bodies should align their continuing professional education requirements with IFAC guidelines. Business ethics should be taught as separate subject in undergraduate accounting and business programmes and revision to university accounting curricula should enable students to gain exposure to practical IFRS application.
2. Strengthen capacity of the regulatory bodies and review adequacy of statutory enforcement provisions. Take necessary steps to strengthen capacity of regulators and improve the statutory framework of accounting and auditing to protect the public interest.
3. Raise awareness of professionals, regulators and prepares to improve the knowledge gape. Issues to be address include the importance of financial statements prepared under IFRS framework and importance of compliance with accounting and auditing requirements.
4. Establish an independent body to set monitor and enforce accounting and auditing standards and codes. The proposed body should be empowered to monitor and enforce accounting and auditing requirements with respect to general purpose financial statements.
5. Adequate resources to be put in place to support the sustainable implementation of IFRS. This include having consultative groups available to respond promptly to concerns users and to provide for their ongoing training.

## 5.5 Suggestions for Further Studies

The following point are suggested for further research:

1. The study only examined the implementation of IFRS and Nigeria economic growth. Future research could examine the same implementation on other developing countries or developed countries, or cross border counties.
2. The study used international business, foreign capital flow, financial reporting system, tax liability of multinational companies. Future research can examined other variables.
3. The study used primary data to source for data. Future research can use primary data
4. Lastly, the study used spearman's rank correlation because we used ordinal data. Future study may decide to use secondary that that are in scale which can warranty change in methodology.

**5.6 Contributions to Knowledge**

The following have been contributed to the knowledge:

1. The study has been able to contribute to literatures and empirical studies that can be consulted by other researcher that we want to carry out research in related areas both locally and internationally.
2. Also, this research has been able to use variables like international business, foreign capital flow, financial reporting system, tax liability of multinational companies in which it has not been used by any other researcher because majority of researcher have used only FDI (Foreign Direct Investment), which really make the study to be unique compare to other studies that has been carried out before.

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## Appendices
## CONFIDENTIALITY AGREEMENT

**Haruna Abdulmalik**

During the course of my activity in collecting data for this research: The management of the adoption of international financial reporting standards by listed companies in Nigeria. I will have access to information, which is confidential and should not be disclosed. I acknowledge that the information must remain confidential, and that improper disclosure of confidential information can be damaging to the participant.

By signing this Confidentiality Agreement, I acknowledge and agree that:

1. I will not disclose or discuss any confidential information with others, including friends or family.
2. I will not in any way divulge, copy, release, sell, loan, alter or destroy any confidential information except as properly authorized.
3. I will not discuss confidential information where others can overhear the conversation. I understand that it is not acceptable to discuss confidential information even if the participant's name is not used.
4. I will not make any unauthorized transmissions, inquiries, modification or purging of confidential information.
5. I agree that my obligations under this agreement will continue after termination of the job that I will perform.
6. I understand that violation of this agreement will have legal implications.
7. I will only access or use systems or devices I'm officially authorized to access and I will not demonstrate the operation or function of systems or devices to unauthorized individuals.

Signing this document, I acknowledge that I have read the agreement and I agree to comply with all the terms and conditions stated above.

***Signature:*** ***Date: Dec. 17, 2019***
**Haruna Abdulmalik**

**Questionnaire**

**IMPLEMENTATION OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ON NIGERIA ECONOMIC GROWTH**

**Section A**

Instruction please tick and fill in as appropriate

**Gender:** (a) Male [ ] (b) Female [ ]

**Age:** (a) below 30years [ ] (b) 30-40 years [ ] (c) 41-50years (d) above 50years [ ]

**Highest education qualification:** (a) HND/BSc./BA [ ] (b) MSc. / MBA [ ] (c) Ph.D. [ ]

**Status:** (a) Auditor [ ] (b) Accountant [ ] (c) Analyst [ ] (d) Investors [ ]

**Work experience:** (a) 1-5years [ ] (b) 6- 10years [ ] (c) 11-15years (d) 16 and above years [ ]

**Marital status:** (a) Single [ ] (b) married [ ] (c) Separated [ ] (d) Divorced [ ]

**Section B**

In this Section, Kindly indicate the extent of your agreement with the statement below by ticking [√] one of the space provided. Where SA = Strongly Agreed, A = Agreed, N = Neutral, DS = Disagreed and SD = Strongly Disagreed

| Items | Statement | SA | A | N | DS | SD |
|---|---|---|---|---|---|---|
| **Implementation of IFRS** | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| IIFRS1 | All Nigeria quoted companies had implemented IFRS | | | | | |
| IIFRS2 | All items on financial statement of Nigeria quoted companies are treated consistently with other countries using IFRS | | | | | |
| IIFRS3 | All Nigeria quoted companies financial statement are presented in a transparent form to investors around the world using IFRS | | | | | |
| IIFRS4 | The financial statement of Nigeria quoted companies are comparable to other companies in other countries around the world using IFRS | | | | | |
| IIFRS5 | All items in the Nigeria quoted companies are using the same accounting language with other companies all over the world that had adopted IFRS | | | | | |
| IIFRS6 | Both local and foreign investors can make use of Nigeria quoted companies financial statement for educated financial analyses and decision | | | | | |
| **International Business** | | | | | | |
| IB1 | There is movement of goods from Nigeria to other countries and vice versa | | | | | |
| IB2 | There are contractual agreement that allow foreign firms to use product, service and process from other countries with Nigeria and vice versa | | | | | |
| IB3 | There is formulation and operations of sales, manufacturing, research and development and distribution facilities in foreign market | | | | | |
| **Foreign Capital Flow** | | | | | | |
| FCF1 | There is increase in Nigeria capital investments. | | | | | |
| FCF2 | There are portfolio investment in either debt or equity securities in Nigeria. | | | | | |
| FCF3 | There is direct investment in domestic quoted companies in Nigeria | | | | | |
| FCF4 | There are favouring changes in international reserves. | | | | | |
| **Financial Reporting Quality** | | | | | | |
| FRS1 | There is increase in understandability of financial statement | | | | | |
| FRS2 | There are more information relevance for economic decision in the financial statement | | | | | |
| FRS3 | Financial statements are free from financial errors | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| FRS4 | There are increase in the level of comparability of financial statement across countries using IFRS | | | | | |
| FRS5 | Financial statement have faithful representation | | | | | |
| **Tax Liability of Multinational Companies** | | | | | | |
| TLM1 | There is uniformity in accounting for income within countries using IFRS | | | | | |
| TLM2 | There is standard global tax planning | | | | | |
| TLM3 | There is reduction in tax burden of multinational companies in Nigeria | | | | | |
| TLM4 | Nigeria tax system attract foreign investment | | | | | |
| **Economic Growth** | | | | | | |
| EG1 | There are increase in personal consumption of individual for the past five years in Nigeria | | | | | |
| EG2 | There is increase in government spending since IFRS has been implemented | | | | | |
| EG3 | There is increase in business investment since implementation of IFRS by quoted companies in Nigeria | | | | | |
| EG4 | Net export of goods and services has been in favour of Nigeria since implementation of IFRS | | | | | |

```
GET
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DATASET NAME DataSet1 WINDOW=FRONT.

GET
  FILE='C:\Users\HP\Desktop\Haruna work\Untitled1 haruna.sav'.
DATASET NAME DataSet1 WINDOW=FRONT.
FREQUENCIES VARIABLES=Gender Age Qualification Status Work_experience
Marital_status
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  /ORDER=ANALYSIS.
```

## Frequencies

**Notes**

| | | |
|---|---|---|
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| | Split File | <none> |
| | N of Rows in Working Data File | 100 |
| Missing Value Handling | Definition of Missing | User-defined missing values are treated as missing. |
| | Cases Used | Statistics are based on all cases with valid data. |
| Syntax | | FREQUENCIES VARIABLES=Gender Age Qualification Status Work_experience Marital_status /STATISTICS=STDDEV VARIANCE RANGE MEAN MEDIAN MODE SUM /ORDER=ANALYSIS. |
| Resources | Processor Time | 00:00:00.00 |
| | Elapsed Time | 00:00:00.00 |

[DataSet1] C:\Users\HP\Desktop\Haruna work\Untitled1 haruna.sav

**Statistics**

| | | Gender | Age | Qualification | status | Work experience | Marital Status |
|---|---|---|---|---|---|---|---|
| N | Valid | 100 | 100 | 100 | 100 | 100 | 100 |
| | Missing | 0 | 0 | 0 | 0 | 0 | 0 |
| Mean | | 1.4800 | 2.0500 | 1.5700 | 1.7600 | 1.6200 | 1.8900 |
| Median | | 1.0000 | 2.0000 | 1.5000 | 2.0000 | 2.0000 | 2.0000 |
| Mode | | 1.00 | 2.00 | 1.00 | 2.00 | 1.00 | 2.00 |
| Std. Deviation | | .50212 | .79614 | .62369 | .75371 | .69311 | .46915 |
| Variance | | .252 | .634 | .389 | .568 | .480 | .220 |
| Range | | 1.00 | 3.00 | 2.00 | 3.00 | 3.00 | 3.00 |
| Sum | | 148.00 | 205.00 | 157.00 | 176.00 | 162.00 | 189.00 |

## Frequency Table

**Table 4.2.1**

**Gender**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | Male | 52 | 52.0 | 52.0 | 52.0 |
| | Female | 48 | 48.0 | 48.0 | 100.0 |
| | Total | 100 | 100.0 | 100.0 | |

**Source: SPSS output**

**Table 4.2.2**

**Age**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | below 30years | 24 | 24.0 | 24.0 | 24.0 |
| | 30-40years | 52 | 52.0 | 52.0 | 76.0 |
| | 41-50years | 19 | 19.0 | 19.0 | 95.0 |

| | | | | | |
|---|---|---|---|---|---|
| | above 60years | 5 | 5.0 | 5.0 | 100.0 |
| | Total | 100 | 100.0 | 100.0 | |

**Source: SPSS output**

**Table 4.2.3**

**Qualification**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | HND/BSc./BA | 50 | 50.0 | 50.0 | 50.0 |
| | MSc./MBA | 43 | 43.0 | 43.0 | 93.0 |
| | Pd.D. | 7 | 7.0 | 7.0 | 100.0 |
| | Total | 100 | 100.0 | 100.0 | |

**Source: SPSS output**

**Table 4.2.4**

**Status**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | Auditor | 40 | 40.0 | 40.0 | 40.0 |
| | Accountant | 47 | 47.0 | 47.0 | 87.0 |
| | Analyst | 10 | 10.0 | 10.0 | 97.0 |
| | Investor | 3 | 3.0 | 3.0 | 100.0 |
| | Total | 100 | 100.0 | 100.0 | |

**Source: SPSS output**

**Table 4.2.5**

**Work experience**

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| Valid | 1-5years | 48 | 48.0 | 48.0 | 48.0 |
| | 6-10years | 44 | 44.0 | 44.0 | 92.0 |
| | 11-15years | 6 | 6.0 | 6.0 | 98.0 |
| | 16years and above | 2 | 2.0 | 2.0 | 100.0 |
| | Total | 100 | 100.0 | 100.0 | |

**Source: SPSS output**

**Table 4.2.6**

**Marital Status**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | single | 16 | 16.0 | 16.0 | 16.0 |
| | married | 80 | 80.0 | 80.0 | 96.0 |
| | seperated | 3 | 3.0 | 3.0 | 99.0 |
| | Divorced | 1 | 1.0 | 1.0 | 100.0 |
| | Total | 100 | 100.0 | 100.0 | |

**Source: SPSS output**

```
RELIABILITY
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  /SCALE('ALL VARIABLES') ALL
  /MODEL=ALPHA
  /STATISTICS=DESCRIPTIVE SCALE CORR
  /SUMMARY=TOTAL.
```

## Reliability

**Notes**

| | | |
|---|---|---|
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| | Weight | <none> |
| | Split File | <none> |
| | N of Rows in Working Data File | 100 |
| | Matrix Input | |
| Missing Value Handling | Definition of Missing | User-defined missing values are treated as missing. |
| | Cases Used | Statistics are based on all cases with valid data for all variables in the procedure. |

| | | |
|---|---|---|
| Syntax | | RELIABILITY<br>/VARIABLES=IIFRS1 IIFRS2 IIFRS3 IIFRS4 IIFRS5 IIFRS6<br>/SCALE('ALL VARIABLES') ALL<br>/MODEL=ALPHA<br>/STATISTICS=DESCRIPTIVE SCALE CORR<br>/SUMMARY=TOTAL. |
| Resources | Processor Time | 00:00:00.02 |
| | Elapsed Time | 00:00:00.03 |

**Case Processing Summary**

| | | N | % |
|---|---|---|---|
| Cases | Valid | 100 | 100.0 |
| | Excluded[a] | 0 | .0 |
| | Total | 100 | 100.0 |

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .967 | .971 | 6 |

**Item Statistics**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| IIFRS1 | 4.1000 | .30151 | 100 |
| IIFRS2 | 4.0500 | .26112 | 100 |
| IIFRS3 | 4.0600 | .23868 | 100 |
| IIFRS4 | 4.0600 | .23868 | 100 |
| IIFRS5 | 4.0600 | .23868 | 100 |
| IIFRS6 | 4.0800 | .27266 | 100 |

**Inter-Item Correlation Matrix**

| | IIFRS1 | IIFRS2 | IIFRS3 | IIFRS4 | IIFRS5 | IIFRS6 |
|---|---|---|---|---|---|---|
| IIFRS1 | 1.000 | .706 | .758 | .758 | .758 | .639 |
| IIFRS2 | .706 | 1.000 | .924 | .924 | .924 | .795 |
| IIFRS3 | .758 | .924 | 1.000 | 1.000 | 1.000 | .857 |
| IIFRS4 | .758 | .924 | 1.000 | 1.000 | 1.000 | .857 |
| IIFRS5 | .758 | .924 | 1.000 | 1.000 | 1.000 | .857 |
| IIFRS6 | .639 | .795 | .857 | .857 | .857 | 1.000 |

**Item-Total Statistics**

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|---|
| IIFRS1 | 20.3100 | 1.448 | .749 | . | .979 |
| IIFRS2 | 20.3600 | 1.445 | .908 | . | .959 |
| IIFRS3 | 20.3500 | 1.462 | .976 | . | .953 |
| IIFRS4 | 20.3500 | 1.462 | .976 | . | .953 |
| IIFRS5 | 20.3500 | 1.462 | .976 | . | .953 |
| IIFRS6 | 20.3300 | 1.456 | .840 | . | .967 |

**Scale Statistics**

| Mean | Variance | Std. Deviation | N of Items |
|---|---|---|---|
| 24.4100 | 2.083 | 1.44317 | 6 |

```
RELIABILITY
  /VARIABLES=IB1 IB2 IB3
  /SCALE('ALL VARIABLES') ALL
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  /STATISTICS=DESCRIPTIVE SCALE CORR
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## Reliability

**Notes**

| | | |
|---|---|---|
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| | Split File | <none> |
| | N of Rows in Working Data File | 100 |
| | Matrix Input | |
| Missing Value Handling | Definition of Missing | User-defined missing values are treated as missing. |
| | Cases Used | Statistics are based on all cases with valid data for all variables in the procedure. |
| Syntax | | RELIABILITY /VARIABLES=IB1 IB2 IB3 /SCALE('ALL VARIABLES') ALL /MODEL=ALPHA /STATISTICS=DESCRIPTIVE SCALE CORR /SUMMARY=TOTAL. |
| Resources | Processor Time | 00:00:00.00 |
| | Elapsed Time | 00:00:00.05 |

## Scale: ALL VARIABLES

**Case Processing Summary**

| | | N | % |
|---|---|---|---|
| Cases | Valid | 100 | 100.0 |
| | Excluded[a] | 0 | .0 |

| | | |
|---|---|---|
| Total | 100 | 100.0 |

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .935 | .939 | 3 |

**Item Statistics**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| IB1 | 4.0200 | .47098 | 100 |
| IB2 | 4.0300 | .43705 | 100 |
| IB3 | 4.0900 | .51434 | 100 |

**Inter-Item Correlation Matrix**

| | IB1 | IB2 | IB3 |
|---|---|---|---|
| IB1 | 1.000 | .929 | .785 |
| IB2 | .929 | 1.000 | .797 |
| IB3 | .785 | .797 | 1.000 |

**Item-Total Statistics**

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|---|
| IB1 | 8.1200 | .814 | .898 | .869 | .880 |
| IB2 | 8.1100 | .867 | .910 | .876 | .877 |
| IB3 | 8.0500 | .795 | .805 | .649 | .962 |

**Scale Statistics**

| Mean | Variance | Std. Deviation | N of Items |
|---|---|---|---|
| 12.1400 | 1.798 | 1.34104 | 3 |

```
RELIABILITY
  /VARIABLES=FCF1 FCF2 FCF3 FCF4
  /SCALE('ALL VARIABLES') ALL
  /MODEL=ALPHA
  /STATISTICS=DESCRIPTIVE SCALE CORR
  /SUMMARY=TOTAL.
```

# Reliability

**Notes**

| | | |
|---|---|---|
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| | Filter | <none> |
| | Weight | <none> |
| | Split File | <none> |
| | N of Rows in Working Data File | 100 |
| | Matrix Input | |
| Missing Value Handling | Definition of Missing | User-defined missing values are treated as missing. |
| | Cases Used | Statistics are based on all cases with valid data for all variables in the procedure. |
| Syntax | | RELIABILITY /VARIABLES=FCF1 FCF2 FCF3 FCF4 /SCALE('ALL VARIABLES') ALL /MODEL=ALPHA /STATISTICS=DESCRIPTIVE SCALE CORR /SUMMARY=TOTAL. |
| Resources | Processor Time | 00:00:00.02 |
| | Elapsed Time | 00:00:00.14 |

## Scale: ALL VARIABLES

**Case Processing Summary**

| | | N | % |
|---|---|---|---|
| Cases | Valid | 100 | 100.0 |
| | Excluded[a] | 0 | .0 |
| | Total | 100 | 100.0 |

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .983 | .983 | 4 |

**Item Statistics**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| FCF1 | 4.1100 | .58422 | 100 |
| FCF2 | 4.1200 | .59084 | 100 |
| FCF3 | 4.1100 | .60126 | 100 |
| FCF4 | 4.1500 | .59246 | 100 |

**Inter-Item Correlation Matrix**

| | FCF1 | FCF2 | FCF3 | FCF4 |
|---|---|---|---|---|
| FCF1 | 1.000 | .927 | .914 | .915 |
| FCF2 | .927 | 1.000 | .986 | .958 |
| FCF3 | .914 | .986 | 1.000 | .917 |
| FCF4 | .915 | .958 | .917 | 1.000 |

**Item-Total Statistics**

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|---|
| FCF1 | 12.3800 | 3.086 | .933 | .872 | .984 |
| FCF2 | 12.3700 | 2.983 | .986 | .990 | .970 |
| FCF3 | 12.3800 | 2.985 | .961 | .982 | .977 |
| FCF4 | 12.3400 | 3.035 | .948 | .950 | .980 |

**Scale Statistics**

| Mean | Variance | Std. Deviation | N of Items |
|---|---|---|---|
| 16.4900 | 5.343 | 2.31157 | 4 |

```
RELIABILITY
  /VARIABLES=FRS1 FRS2 FRS3 FRS4 FRS5
  /SCALE('ALL VARIABLES') ALL
  /MODEL=ALPHA
  /STATISTICS=DESCRIPTIVE SCALE CORR
  /SUMMARY=TOTAL.
```

## Reliability

**Notes**

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| Comments | | |
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| | Active Dataset | DataSet1 |
| | Filter | <none> |
| | Weight | <none> |
| | Split File | <none> |
| | N of Rows in Working Data File | 100 |
| | Matrix Input | |
| Missing Value Handling | Definition of Missing | User-defined missing values are treated as missing. |
| | Cases Used | Statistics are based on all cases with valid data for all variables in the procedure. |
| Syntax | | RELIABILITY /VARIABLES=FRS1 FRS2 FRS3 FRS4 FRS5 /SCALE('ALL VARIABLES') ALL /MODEL=ALPHA /STATISTICS=DESCRIPTIVE SCALE CORR /SUMMARY=TOTAL. |
| Resources | Processor Time | 00:00:00.03 |
| | Elapsed Time | 00:00:00.05 |

## Scale: ALL VARIABLES

**Case Processing Summary**

| | | N | % |
|---|---|---|---|
| Cases | Valid | 100 | 100.0 |
| | Excluded[a] | 0 | .0 |
| | Total | 100 | 100.0 |

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .967 | .967 | 5 |

**Item Statistics**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| FRS1 | 4.1900 | .56309 | 100 |
| FRS2 | 4.1800 | .55741 | 100 |
| FRS3 | 4.1700 | .62044 | 100 |
| FRS4 | 4.1900 | .56309 | 100 |
| FRS5 | 4.2300 | .48938 | 100 |

**Inter-Item Correlation Matrix**

| | FRS1 | FRS2 | FRS3 | FRS4 | FRS5 |
|---|---|---|---|---|---|
| FRS1 | 1.000 | .920 | .890 | .936 | .756 |
| FRS2 | .920 | 1.000 | .904 | .984 | .735 |
| FRS3 | .890 | .904 | 1.000 | .919 | .735 |
| FRS4 | .936 | .984 | .919 | 1.000 | .756 |
| FRS5 | .756 | .735 | .735 | .756 | 1.000 |

**Item-Total Statistics**

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|---|
| FRS1 | 16.7700 | 4.401 | .935 | .886 | .954 |
| FRS2 | 16.7800 | 4.396 | .950 | .969 | .952 |
| FRS3 | 16.7900 | 4.208 | .917 | .853 | .958 |
| FRS4 | 16.7700 | 4.341 | .968 | .977 | .949 |
| FRS5 | 16.7300 | 5.007 | .768 | .598 | .979 |

**Scale Statistics**

| Mean | Variance | Std. Deviation | N of Items |
|---|---|---|---|
| 20.9600 | 6.928 | 2.63205 | 5 |

```
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  /MODEL=ALPHA
  /STATISTICS=DESCRIPTIVE SCALE CORR
  /SUMMARY=TOTAL.
```

## Reliability

**Notes**

| | | |
|---|---|---|
| Output Created | | 11-FEB-2020 21:26:39 |
| Comments | | |
| Input | Data | C:\Users\HP\Desktop\Haruna work\Untitled1 haruna.sav |
| | Active Dataset | DataSet1 |
| | Filter | <none> |
| | Weight | <none> |
| | Split File | <none> |
| | N of Rows in Working Data File | 100 |
| | Matrix Input | |
| Missing Value Handling | Definition of Missing | User-defined missing values are treated as missing. |
| | Cases Used | Statistics are based on all cases with valid data for all variables in the procedure. |

| | | |
|---|---|---|
| Syntax | | RELIABILITY<br>/VARIABLES=TLM1 TLM2 TLM3 TLM4<br>/SCALE('ALL VARIABLES') ALL<br>/MODEL=ALPHA<br>/STATISTICS=DESCRIPTIVE SCALE CORR<br>/SUMMARY=TOTAL. |
| Resources | Processor Time | 00:00:00.02 |
| | Elapsed Time | 00:00:00.08 |

**Warnings**

| |
|---|
| The determinant of the covariance matrix is zero or approximately zero. Statistics based on its inverse matrix cannot be computed and they are displayed as system missing values. |

## Scale: ALL VARIABLES

**Case Processing Summary**

| | | N | % |
|---|---|---|---|
| Cases | Valid | 100 | 100.0 |
| | Excluded[a] | 0 | .0 |
| | Total | 100 | 100.0 |

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .993 | .993 | 4 |

**Item Statistics**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| TLM1 | 4.0000 | .58603 | 100 |
| TLM2 | 4.0200 | .60269 | 100 |
| TLM3 | 4.0000 | .58603 | 100 |
| TLM4 | 4.0000 | .60302 | 100 |

**Inter-Item Correlation Matrix**

| | TLM1 | TLM2 | TLM3 | TLM4 |
|---|---|---|---|---|
| TLM1 | 1.000 | .972 | 1.000 | .972 |
| TLM2 | .972 | 1.000 | .972 | .945 |
| TLM3 | 1.000 | .972 | 1.000 | .972 |
| TLM4 | .972 | .945 | .972 | 1.000 |

**Item-Total Statistics**

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|---|
| TLM1 | 12.0200 | 3.131 | .994 | . | .987 |
| TLM2 | 12.0000 | 3.111 | .969 | . | .994 |
| TLM3 | 12.0200 | 3.131 | .994 | . | .987 |
| TLM4 | 12.0200 | 3.111 | .969 | . | .994 |

**Scale Statistics**

| Mean | Variance | Std. Deviation | N of Items |
|---|---|---|---|
| 16.0200 | 5.535 | 2.35265 | 4 |

## Reliability

## Scale: ALL VARIABLES

## Reliability

**Notes**

| | | |
|---|---|---|
| Output Created | | 11-FEB-2020 21:41:14 |
| Comments | | |
| Input | Data | C:\Users\HP\Desktop\Haruna work\Untitled1 haruna.sav |
| | Active Dataset | DataSet1 |
| | Filter | <none> |
| | Weight | <none> |
| | Split File | <none> |
| | N of Rows in Working Data File | 100 |
| | Matrix Input | |
| Missing Value Handling | Definition of Missing | User-defined missing values are treated as missing. |
| | Cases Used | Statistics are based on all cases with valid data for all variables in the procedure. |

| | | |
|---|---|---|
| Syntax | | RELIABILITY<br>/VARIABLES=EG1 EG2 EG3 EG4<br>/SCALE('ALL VARIABLES') ALL<br>/MODEL=ALPHA<br>/STATISTICS=DESCRIPTIVE SCALE CORR<br>/SUMMARY=TOTAL. |
| Resources | Processor Time | 00:00:00.02 |
| | Elapsed Time | 00:00:00.02 |

## Scale: ALL VARIABLES

**Case Processing Summary**

| | | N | % |
|---|---|---|---|
| Cases | Valid | 100 | 100.0 |
| | Excluded[a] | 0 | .0 |
| | Total | 100 | 100.0 |

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .990 | .991 | 4 |

**Item Statistics**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| EG1 | 4.0900 | .35090 | 100 |

| EG2 | 4.1100 | .37322 | 100 |
|---|---|---|---|
| EG3 | 4.0900 | .35090 | 100 |
| EG4 | 4.0900 | .35090 | 100 |

**Inter-Item Correlation Matrix**

| | EG1 | EG2 | EG3 | EG4 |
|---|---|---|---|---|
| EG1 | 1.000 | .926 | 1.000 | 1.000 |
| EG2 | .926 | 1.000 | .926 | .926 |
| EG3 | 1.000 | .926 | 1.000 | 1.000 |
| EG4 | 1.000 | .926 | 1.000 | 1.000 |

**Item-Total Statistics**

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|---|
| EG1 | 12.2900 | 1.117 | .991 | . | .982 |
| EG2 | 12.2700 | 1.108 | .926 | . | 1.000 |
| EG3 | 12.2900 | 1.117 | .991 | . | .982 |
| EG4 | 12.2900 | 1.117 | .991 | . | .982 |

**Scale Statistics**

| Mean | Variance | Std. Deviation | N of Items |
|---|---|---|---|
| 16.3800 | 1.975 | 1.40547 | 4 |

```
NONPAR CORR
  /VARIABLES=IIFRS_7 IB_4
  /PRINT=SPEARMAN TWOTAIL NOSIG
  /MISSING=PAIRWISE.
```

## Nonparametric Correlations

**Notes**

| | | |
|---|---|---|
| Output Created | | 11-FEB-2020 21:54:30 |
| Comments | | |
| Input | Data | C:\Users\HP\Desktop\Haruna work\Untitled1 haruna.sav |
| | Active Dataset | DataSet1 |

| | | |
|---|---|---|
| | Filter | <none> |
| | Weight | <none> |
| | Split File | <none> |
| | N of Rows in Working Data File | 100 |
| Missing Value Handling | Definition of Missing | User-defined missing values are treated as missing. |
| | Cases Used | Statistics for each pair of variables are based on all the cases with valid data for that pair. |
| Syntax | | NONPAR CORR /VARIABLES=IIFRS_7 IB_4 /PRINT=SPEARMAN TWOTAIL NOSIG /MISSING=PAIRWISE. |
| Resources | Processor Time | 00:00:00.03 |
| | Elapsed Time | 00:00:00.03 |
| | Number of Cases Allowed | 349525 cases[a] |

a. Based on availability of workspace memory

**Correlations**

| | | | IIFRS_7 | IB_4 |
|---|---|---|---|---|
| Spearman's rho | IIFRS_7 | Correlation Coefficient | 1.000 | .189 |
| | | Sig. (2-tailed) | . | .059 |
| | | N | 100 | 100 |
| | IB_4 | Correlation Coefficient | .189 | 1.000 |
| | | Sig. (2-tailed) | .059 | . |
| | | N | 100 | 100 |

```
NONPAR CORR
  /VARIABLES=IIFRS_7 FCF_5
  /PRINT=SPEARMAN TWOTAIL NOSIG
  /MISSING=PAIRWISE.
```

## Nonparametric Correlations

**Notes**

| | | |
|---|---|---|
| Output Created | | 11-FEB-2020 21:56:41 |
| Comments | | |
| Input | Data | C:\Users\HP\Desktop\Haruna work\Untitled1 haruna.sav |
| | Active Dataset | DataSet1 |
| | Filter | <none> |

| | | |
|---|---|---|
| | Weight | <none> |
| | Split File | <none> |
| | N of Rows in Working Data File | 100 |
| Missing Value Handling | Definition of Missing | User-defined missing values are treated as missing. |
| | Cases Used | Statistics for each pair of variables are based on all the cases with valid data for that pair. |
| Syntax | | NONPAR CORR /VARIABLES=IIFRS_7 FCF_5 /PRINT=SPEARMAN TWOTAIL NOSIG /MISSING=PAIRWISE. |
| Resources | Processor Time | 00:00:00.00 |
| | Elapsed Time | 00:00:00.00 |
| | Number of Cases Allowed | 349525 cases[a] |

a. Based on availability of workspace memory

**Correlations**

| | | | IIFRS_7 | FCF_5 |
|---|---|---|---|---|
| Spearman's rho | IIFRS_7 | Correlation Coefficient | 1.000 | .115 |
| | | Sig. (2-tailed) | . | .253 |
| | | N | 100 | 100 |
| | FCF_5 | Correlation Coefficient | .115 | 1.000 |
| | | Sig. (2-tailed) | .253 | . |
| | | N | 100 | 100 |

```
NONPAR CORR
  /VARIABLES=IIFRS_7 FRS_6
  /PRINT=SPEARMAN TWOTAIL NOSIG
  /MISSING=PAIRWISE.
```

## Nonparametric Correlations

**Notes**

| | | |
|---|---|---|
| Output Created | | 11-FEB-2020 21:58:06 |
| Comments | | |
| Input | Data | C:\Users\HP\Desktop\Haruna work\Untitled1 haruna.sav |
| | Active Dataset | DataSet1 |
| | Filter | <none> |

| | | |
|---|---|---|
| | Weight | <none> |
| | Split File | <none> |
| | N of Rows in Working Data File | 100 |
| Missing Value Handling | Definition of Missing | User-defined missing values are treated as missing. |
| | Cases Used | Statistics for each pair of variables are based on all the cases with valid data for that pair. |
| Syntax | | NONPAR CORR<br>/VARIABLES=IIFRS_7 FRS_6<br>/PRINT=SPEARMAN TWOTAIL NOSIG<br>/MISSING=PAIRWISE. |
| Resources | Processor Time | 00:00:00.00 |
| | Elapsed Time | 00:00:00.00 |
| | Number of Cases Allowed | 349525 cases[a] |

a. Based on availability of workspace memory

**Correlations**

| | | | IIFRS_7 | FRS_6 |
|---|---|---|---|---|
| Spearman's rho | IIFRS_7 | Correlation Coefficient | 1.000 | .097 |
| | | Sig. (2-tailed) | . | .338 |
| | | N | 100 | 100 |
| | FRS_6 | Correlation Coefficient | .097 | 1.000 |
| | | Sig. (2-tailed) | .338 | . |
| | | N | 100 | 100 |

```
NONPAR CORR
  /VARIABLES=IIFRS_7 TLM_5
  /PRINT=SPEARMAN TWOTAIL NOSIG
  /MISSING=PAIRWISE.
```

## Nonparametric Correlations

**Notes**

| | | |
|---|---|---|
| Output Created | | 11-FEB-2020 22:00:37 |
| Comments | | |
| Input | Data | C:\Users\HP\Desktop\Haruna work\Untitled1 haruna.sav |
| | Active Dataset | DataSet1 |
| | Filter | <none> |

| | | |
|---|---|---|
| | Weight | <none> |
| | Split File | <none> |
| | N of Rows in Working Data File | 100 |
| Missing Value Handling | Definition of Missing | User-defined missing values are treated as missing. |
| | Cases Used | Statistics for each pair of variables are based on all the cases with valid data for that pair. |
| Syntax | | NONPAR CORR /VARIABLES=IIFRS_7 TLM_5 /PRINT=SPEARMAN TWOTAIL NOSIG /MISSING=PAIRWISE. |
| Resources | Processor Time | 00:00:00.00 |
| | Elapsed Time | 00:00:00.00 |
| | Number of Cases Allowed | 349525 cases[a] |

a. Based on availability of workspace memory

**Correlations**

| | | | IIFRS_7 | TLM_5 |
|---|---|---|---|---|
| Spearman's rho | IIFRS_7 | Correlation Coefficient | 1.000 | -.038 |
| | | Sig. (2-tailed) | . | .707 |
| | | N | 100 | 100 |
| | TLM_5 | Correlation Coefficient | -.038 | 1.000 |
| | | Sig. (2-tailed) | .707 | . |
| | | N | 100 | 100 |

```
NONPAR CORR
  /VARIABLES=IIFRS_7 EG_5
  /PRINT=SPEARMAN TWOTAIL NOSIG
  /MISSING=PAIRWISE.
```

## Nonparametric Correlations

**Notes**

| | | |
|---|---|---|
| Output Created | | 11-FEB-2020 22:03:00 |
| Comments | | |
| Input | Data | C:\Users\HP\Desktop\Haruna work\Untitled1 haruna.sav |
| | Active Dataset | DataSet1 |
| | Filter | <none> |

| | | |
|---|---|---|
| | Weight | <none> |
| | Split File | <none> |
| | N of Rows in Working Data File | 100 |
| Missing Value Handling | Definition of Missing | User-defined missing values are treated as missing. |
| | Cases Used | Statistics for each pair of variables are based on all the cases with valid data for that pair. |
| Syntax | | NONPAR CORR /VARIABLES=IIFRS_7 EG_5 /PRINT=SPEARMAN TWOTAIL NOSIG /MISSING=PAIRWISE. |
| Resources | Processor Time | 00:00:00.02 |
| | Elapsed Time | 00:00:00.01 |
| | Number of Cases Allowed | 349525 cases[a] |

a. Based on availability of workspace memory

**Correlations**

| | | | IIFRS_7 | EG_5 |
|---|---|---|---|---|
| Spearman's rho | IIFRS_7 | Correlation Coefficient | 1.000 | .131 |
| | | Sig. (2-tailed) | . | .195 |
| | | N | 100 | 100 |
| | EG_5 | Correlation Coefficient | .131 | 1.000 |
| | | Sig. (2-tailed) | .195 | . |
| | | N | 100 | 100 |