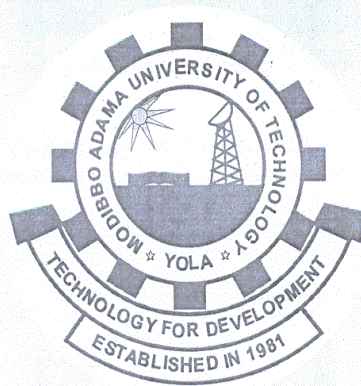


NIGERIAN JOURNAL OF ACCOUNTING & FINANCE (NIJAF)



VOLUME 1,
NUMBER 6,
DECEMBER, 2011

ISSN: 278-188-237-9

Department of Accountancy
Modibbo Adama Federal
University of Technology
Yola, Adamawa - Nigeria

Nigerian Journal of Accounting and Finance

(A bi – annual publication of the Department of Accountancy, Moddibo Adama University of Technology, Yola, Adamawa State- Nigeria)

EDITORIAL BOARD

Prof. A.S. Kantudu Department of Accounting Bayero University Kano	Managing Editor and Chairman Editorial Board
Prof. A.S. Mikailu Department of Accounting Usman Danfodiyo University, Sokoto	Member
Prof. Sheik Ahmad Abdullah, OON Department of Business Administration Ahmadu Bello University, Zaria	Member
Prof. Olanrewaju Moshood Nasar Department of Management and Accounting Obafemi Awolowo University, Ile Ife.	Member
Prof. K.N. Nwogu Department of Information Technology Moddibo Adama University of Technology, Yola.	Member
Prof. G.I. Olowononi Department of Economics Ahmadu Bello University, Zaria	Member
Prof. K.I. Dandago (Associate Professor) Department of Accounting Bayero University Kano	Member
Dr. E.B. Ekoja Department of Accounting University of Jos	Member
Dr. A.A Malgwi Department of Accounting University of Maiduguri	Member
Mal. Ahmad B. Bawa Department of Accounting Moddibo Adama University of Technology, Yola	Business Editor
Mr. Ishaya John Dabari Department of Accounting Moddibo Adama University of Technology, Yola	Circulation Editor
Mohammed Abba Department Accounting Moddibo Adama University of Technology, Yola.	Secretary 1
El –Maude Jibrin Gambo Department of Accounting Moddibo Adama University of Technology, Yola.	Secretary 2

TABLE OF CONTENTS

	Page
Determinants of Cost of Financial Intermediation in Nigeria's Pre-Consolidated Banking Sector Muhammad Auwalu Haruna	1
Capital Budgeting Tools and its Application to Small Scale Enterprises Anono, Z.A.N, D.B. Vincent, & A.A Hamidu	12
The Joint Information Content of General Purchasing Power and Current Cost Accounting Ahmad Bello Ph.D	20
Good Governance: A roadmap For Vision 20:2020 Masoyi Dadi Aliyu, Ph.D	28
The Impact of Skilled Personnel on Effective Internal Revenue Generation in Selected Local Governments in Yobe State Maryam Isyaku Muhammad	39
Financialization and Economic Growth in Nigeria: A Granger Causality Test Muhammad Auwalu Haruna	53
An Assessment of Personal Income Tax Administration in Adamawa State Ishaya John Dabari	67
Audit Committee and Equity Return in the Nigerian Insurance Industry Anifowose Mutalib & Lukman Ojedele Lawal	75
An Optimal Predictor-Corrector Method for Inventory Problems with a Linear Demand Over a Finite Time Horizon Osagiede F. E. U.	85
Combating Financial Crimes in Nigeria: The Role of Forensic Accountants Ibrahim M. Barde, PhD,	90
Towards the Adoption of IFRS: A study of the Relationship between Business Performance and Level of Compliance with Nigeria Accounting Standards Abubakar Sadiq Kasum Ph.D.	98
Auditors' Report and Investor Confidence in the Nigerian Capital Market: An Empirical Analysis Abdullahi Danjuma Zubairu, PhD & Ismaila Olotu Abdullahi	111
Internal Audit Function and Internal Control Systems in Kano Metropolis Local Governments Prof. Aliyu Sulaiman Kantudu, Ph.D & Naja'atu Bala Rabi	124
A Critique of the Contributory Pension Scheme in Nigeria Muhammad Shehu Tijjani	142
Global Financial Crisis, African Trade And The Revival Of African Economies Kabir Tahir Hamid, PhD	153
Enterprise Growth, Employment Generation And Energy Crisis In Kano-Nigeria Ahmad Muhammad Tsauni PhD and Halima Sadiya Aliyu	172
Marketing Strategies of Some Selected Private Secondary Schools in Metropolitan Kano Mukhtar Halliru PhD and Aliyu Mukhtar Daneji	198
Just-In-Time Production System: Review of Concepts and Experiences Musa, Inuwa Fodio (PhD) and Ibrahim, Abdullateef	209

TOWARDS THE ADOPTION OF IFRS: A STUDY OF THE RELATIONSHIP BETWEEN BUSINESS PERFORMANCE AND LEVEL OF COMPLIANCE WITH NIGERIA ACCOUNTING STANDARDS

Abubakar Sadiq Kasum Ph.D., ACA.
Department of Accounting and Finance
University of Ilorin Nigeria

Abstract

Nigeria is in the process of transiting to International Financial Reporting Standard (IFRS). Before now, the local GAAP faced some problems of compliance. Some companies comply relatively well while some did not comply enough. This study evaluated the relationship between performance of companies and their level of compliance to accounting standards. Forty-three companies that existed since beginning of standardization in Nigeria in 1982, with complete record with the Nigeria Stock Exchange were selected for the study. Some relevant financial data of the selected companies were extracted from their financial statements, while other data were collected from records of The Nigeria Stock Exchange. Compliance was measured based on the requirements that are verifiable on Financial Statements. Pearson Product Moment and Spearman's Rank Correlation statistics were used to analyze data collected. The study revealed that performance, based on key financial indicators, do not determine compliance and therefore company of any size and any level of performing company can comply or fail to comply. The study therefore recommended that the activities of the agency responsible for ensuring compliance to the incoming IFRS should not be selective, but to cover all categories of companies.

INTRODUCTION

Since early 1930, various accounting standards have been issued globally and countries adopt one of some alternatives to determine the accounting standards that preparers of accounts are required to comply with. The alternatives tend to shrink lately because majority of countries of the world are adopting the International Financial Reporting Standards (IFRS). In Nigeria, the Statement of Accounting Standards (SAS) were issued for preparers of company accounts to comply with until 2010 that the country adopted the IFRS, with a reporting date of 2012.

Complying with accounting standards, especially in the IFRS era, means a lot. It implies that a lot of disclosure will be required. Great deal of technical competence will be required and very significant direct and indirect cost will be involved. It will, therefore not going to be a very easy task for organizations and different degrees of challenges will face different types of companies. Also, related to these is the fact that penalties shall be awarded to none complying companies, which is a cost itself. Companies make comparative analysis of cost of complying and cost of not complying

and based on this, we have companies that comply and some that do not comply.

It therefore follows that technical and financial consideration in addition to strength of enforcement influence the level of compliance. It may be easier for a big company that has money to pay for the service of knowledgeable person in the standard than a smaller company that cannot. A company with affiliate in a country that has previously adopted IFRS may find it easier to comply than a local or a company that does not have a link in an adopter country. On the reverse, a small company that will incur a percentage fine that will not significantly affect finances may choose not to comply, when a bigger company may not have the kind of advantage. It is also possible that a small company is able to better and easily comply owing to the fact that few number of items, with much less complexities are contained in their financial statements.

The summary of the above is that it may a big company that is better complied or a small one. It may also be a high performing company that is complying or vice versa. This study therefore set to study the relationship between performance of companies and their level of compliance, using the most popular performance indices. The remaining part of this paper is divided into three sections. The next section is dedicated to literature review, the third section is for the research methodology and the last section is for the results.

LITERATURE REVIEW

Conceptual Framework

Accountants are responsible for preparation of accounts and financial statements. Accountants bring knowledge and skills to bear in carrying out these acts. Although there may not be anything ordinarily wrong with this, it meant that accountants the world over used and applied varying accounting principles in treatment of accounting

transactions, as long as such principles were not contravening the Generally Accepted Principles in Accounting (Oghuma and Iyoha, 2006). In addition, some accounting issues require judgment. The judgment can be based on individual skill, experience and the knowledge of the person passing the judgment. These variables involve individual differences and may affect the judgment. Different accountant, therefore, can produce different balance sheets for identical companies with similar characters and in the same industry (Oghuma and Iyoha, 2006).

In addition to this, the accounting profession needed more in terms of proper record keeping, transparency, compatibility and enhanced public confidence, in financial reporting. Arising from the above, standards were developed as a guiding tool, which defines how companies should display transactions and events in their financial statements. This is to ensure the needed uniformity of practice, enlightenment of users of financial reports, and provision of a framework for preparation, presentation and interpretation of financial statement (Kantudu, 2005; Oghuma and Iyoha, 2006).

The global body for the issuance of accounting standards is the International Federation of Accountants (IFAC). The International Accounting Standard Board (formerly Committee) is the arm of IFAC that is charged with the responsibility of developing the standards and the Board has been responsible for the issuance of over fifty Standards as International Accounting Standards (IASs) or International Financial Reporting Standards (IFRSs). Countries the world over chooses between adopting the International Standard directly, developing their own standard to reflect what the International standards have provided, with or without domestication modification, or produce different domestic standards. Nigeria is currently transiting from local standards to IFRS.

Empirical studies

Oghuma and Iyoha (2006) investigated the level of compliance of listed insurance companies to accounting standards. They evaluated 15 out of the 25 listed insurance companies based on their compliance with 11 relevant standards. Their result was that quoted insurance companies generally comply with disclosure requirement of statement of accounting standards. However, in few situations where they did not comply, the concerned company preferred to pay penalty, because to pay penalty is cheaper than compliance (Oghuma and Iyoha, 2006). Izedomin (2001) that investigated the level of compliance to accounting standards in the banking industry concluded that banks could be said to be complying, significantly but not totally, with the requirements of the standards. Nigeria-ROSC (2004) was about observance of standard and codes of accounting and auditing by Nigerian companies. It observed some compliance gaps between IAS and the National Standards. The study reported that most of the entities reviewed complied with limited number of national disclosure requirements and that disclosures by companies are summarily inadequate. It, however, concluded that banks generally comply with national accounting standards, despite their contravention of Bank and other Financial Institutions Act. The result of interviews in the report is contrary to the findings of financial statement review. Interview revealed that presentation and disclosure in financial statement is good with confirmation that the statements are, however, not free from biases and errors. In similar manner, Kasum (2011a) studied the perception of stakeholders on corporate compliance. The result was that stakeholder of corporations agreed that companies do comply with accounting standards. Adeyemi (2005) showed 74% compliance by Nigerian companies, which according to him is below the international benchmark of 91%. Kantadu, (2005) assessed the level of compliance with the requirement of 'SAS

No 2' 'information to be disclosed in financial statement' by Nigerian Quoted Companies. Based on a study of 25 sample firms' data for 5 years, between 1998 and 2003, the study found that gap exists between requirement of the standard and disclosure practice of listed firms. The work of Kantadu (2006) was to investigate the impact of enforcement power given to Nigerian Accounting Standard board on compliance, specifically, with the standard on employees' retirement benefits. The investigation was based on 10 years study of 30 companies and his result was that the Act has significantly influenced the application index. The study, however, showed that there is less variability on the application of accounting standard on employee retirement benefit between quoted firms in Nigeria.

Kasum (2011b) studied the impact of compliance on profitability and asset. The study showed that Nigerian companies could be said to be complying with the standards issued by the Nigerian Accounting Standard Board and compliance with accounting standards leads to improved profitability. The study also revealed that as companies comply, assets of the business grew. Adeyemi (2005) studied the impact of accounting standards on financial reporting. On the impact of compliance on financial reporting, the study found 'that there is a significant positive impact of the extent of equity participation of multinational companies on the extent of compliance with accounting standard' and that 'there is no significant relationship between audit firms' size and compliance with accounting standards in Nigeria'. Adeyemi (2005) is similar to Wallace (1988) that also examined disclosure practice by Nigerian companies, in compliance with Nigerian accounting standards. The study found that company size, ownership structure, company age, multinational affiliation, auditor's size, number of employees, stock exchange listing and profitability are associated with disclosure level.

Bradshaw, Bushee and Miller (2004) examined the relationship between accounting method choice and US institutional investors' ownership of non-US firms. The study was about investigating choice by non-US firms between US GAAP and non US Accounting Standards. Their lead-lag regressions suggests that increases in US GAAP conformity precede increase in US investment, but changes in the institutional holdings do not precede changes in accounting method. Positive relationship was also observed between GAAP conformity and US investment holdings, but with greater impact among firms already visible to US investors. Covrig, Defond and Hung (2006) investigate whether voluntary adoption of IAS enhances ability to attract foreign capital, based on data of mutual fund managers. They found out that average foreign mutual fund ownership is significantly higher among IAS adopter. They also found out, that IAS adopters in poorer information environments with lower visibility have higher level of foreign investment. Hung and Subramanyam (2007) studied 80 German firms for the financial statement effects of adopting International Accounting Standards in Germany. They investigated the effect of adopting the international accounting standards on financial statements and their value relevance, for a sample of German firms, between 1998 and 2002. They first compared relative value relevance of book value and net income alternatively measured under German Domestic Accounting Standard (DAS) and under IAS. They also examined incremental value relevance of adjustments made by IAS to German DAS book values and net incomes. The study found out that German rules are stakeholder-oriented while IASs' are shareholder friendly. IAS adjustments to book value are generally value relevant, while their adjustments to income are not. Petreski (2006) investigated the effect of International Accounting Standard adoption on firms. The basis of measurement in his

management on the one hand and their influence on financial statement on the other. The latter is more relevant here, and on it, the study investigated the impact IAS adoption on financial statements generally and on balance sheet and income statement specifically, using case study. On balance sheet, the study discovered that some standards have caused equity to decrease and net-debt to increase, thereby increasing gearing ratio. On income statement, he observed increase in sales and operating income and consequently net income.

All the studies focused on compliance and impact of compliance. The current study therefore, deviates from this pattern to investigate the influence of accounting figures on the extent of compliance to accounting standards.

METHODOLOGY

Analytical Framework

In this study, we investigated the relationship between performance (using some performance variables) and the level of compliance with accounting standards. The performance indices considered are Net profit after tax; Net asset; Number of shares and Share price. The extent of compliance on the other hand is the average of the aggregate of scores by each company on each compliance point from each of the standards considered.

One hundred companies were listed on the stock exchange around 1983 and two hundred and seventeen are listed as at time of this study (2009). Between that 1983 and the time of this study, companies liquidated and by implication left the market and some merged to form new companies. New companies also got listed within the period. For the purpose of this study, forty-three (43) listed companies were sampled. The companies that qualified for the study were

still surviving and listed at the time of this study. The 2006 financial statements of all the companies that meet these criteria and with complete financial data with the Nigerian Stock Exchange were collected.

Similarly, we collected some of the accounting standards in issue as at the time of study that are applicable to all the industries and whose impact of compliance could be verified on financial statements. The standards were collected from the records of the Institute of Chartered Accountants of Nigeria and the Nigeria Accounting Standard Board. The standards

$$\text{Compliance score} = \frac{\text{point scored}}{\text{Maximum possible score}}$$

Summation of score per standard divided by number of standards applicable to the companies produced the aggregate compliance score for the individual company under study.

The financial statement collected, thus served two purposes. First, they provided some of the performance variables that were considered for analysis and secondly the documents were inspected to determine the level of compliance with accounting standards revealed in them. Only the share price was collected from the record of the Nigeria Stock Exchange. The average share price for the year was used.

Pearson product moment and Spearman ranked correlation coefficients statistical methods were used to investigate if profitability, asset worth, share value and number of share unit determine level of compliance. Whereas Pearson correlation evaluated the relationship based on absolute figures, Spearman's correlation evaluated same based on their rankings.

Statement of Hypotheses

The following hypotheses, stated in positive form are tested in this study.

were subjected to content analysis, with the aim of determining, on a point-by-point basis, what the provisions there in are. Consequently, the requirements of the standards from companies were determined. By these, each point of compliance was identified and scores were assigned to each of the points.

To be able to quantify the extent to which companies are or are not complying with the accounting standards issued by the standard setting body, this exercise computed the degree of compliance index, relying on the identified compliance points as:

$$* 100$$

Hypothesis 1: Positive significant relationship exists between profitability and level of compliance with accounting standards.

Hypothesis 2: Positive significant relationship exists between net asset and level of compliance with accounting standards.

Hypothesis 3: Positive significant relationship exists between share price and level of compliance with accounting standards.

Hypothesis 4: Positive significant relationship exists between unit of shares and level of compliance with accounting standards.

Decision Rule

A hypothesis will be accepted if the coefficient is positive and the P-value is within 0.05.

RESULT

Data Used

The financial statements of the companies under study were collected at the Nigeria

Stock Exchange Lagos. The daily official listing documents were also consulted and the relevant accounting numbers were extracted from them. The numbers extracted are presented in table 1 below.

Table 1: Presentation of Performance Data

	Company Name	PROFIT N	NET ASSET N	Shr.Pr N	Share Units
1	A G LEVENTIS	468,000,000	4,046,651,000	1.47	2,206,075,000
2	AFPRINT	11,974,000	832,370,000	0.65	561,199,398
3	A P	2.16153b	2,455,230,000	42.17	788,788,000
4	BERGER PAINT	81.678b	965,293,000	3.38	217,368,000
5	CADBURY	-4.665459b	2,181,121,000	51.23	1,000,840,000
6	CAPL	312,748,000	857,065,000	19.71	210,000,000
7	CFAO	127,946,000	1,057,169,000	10.50	196,876,000
8	CAPPA	-1.225053b	328,187,000	3.66	416,000,000
9	CHALLARAMS	72,500,000	2,015,407,000	1.21	361,464,000
10	COSTAIN	-1.488639b	-1,349,945,000	1.81	159,920,000
11	MEYER	60,753,000	163,357,000	3.59	291,490,000
12	DUNLOP	-667,356,000	6,900,327,000	3.05	756,000,000
13	FIRST	21.833b	64,277,000,000	50.88	5,238,669,388
14	GSK	1.08229b	4,193,075,000	13.44	956,701,190
15	GUNNESS	7.440102b	20,947,782,000	129.50	1,179,940,000
16	INCAR	1.008b	323,879,000	3.89	310,948,000
17	JOHNHOLT	-476,000,000	2,311,000,000	1.20	390,000,000
18	LBN	-1.617615b	3,953,348,000	17.27	3,026,638,000
19	LIVESTOCK	748,424,000	-343,406,000	1.89	1,199,999,418
20	MOBIL	1.716208b	2,833,678,000	173.00	240,398,000
21	MORRISON	8,147,000	119,955,000	0.89	91,307,250
22	NBC	766,248,000	20,047,083,000	49.38	1,308,734,000
23	NIG BREWERY	10.900524b	36,249,393,000	39.66	7,562,564,000
24	NIG ENAMEL	6,343,000	118,088,000	3.97	28,800,000
25	NIG ROPES	22,754,000	286,269,000	2.18	263,668,000
26	NIG WIRE	-18,969,000	223,175,000	2.24	15,000,000
27	N.N. FLOUR	55,071,000	846,220,000	24.49	148,500,000
28	PSM	8,427,000	219,224,000	7.80	40,000,000
29	PZ	3.235587b	27,055,099,000	22.57	2,541,106,000
30	PHAMADEKO	8,216,000	423,288,000	3.66	94,960,000
31	POLYPRODUCT	725,000	240,169,000	1.00	240,000,000
32	R T BRISCOE	531,776,000	2,207,970,000	9.61	363,126,000
33	ROADS	11,957,000	42,280,000	1.01	20,000,000
34	SCOA	733,000,000	787,000,000	0.73	493,000,000
35	SPN	55,095,000	944,447,000	1.58	80,000,000
36	TOTAL	2.516693b	5,765,754,000	193.98	339,522,000
37	UAC	3.2036b	16,099,200,000	23.81	2,569,248,000
38	UBA	11.55b	48,535,000,000	20.06	7,060,000,000
39	UTC	52,561,000	688,828,000	0.99	1,121,250,000
40	UNION BANK	10.802b	100.5b	27.27	9,022,823,648

41	VITAFOAM	275,118,000	962,274,000	4.11	655,200,000
42	VONO	134,000	268,209,000	1.60	300,000,000
43	WAPCO	10.678b	25,015,000,000	41.51	3,001,600,004

Source: Financial Statements and Daily official listing of Nigerian Stock Exchange, 2006

The study review the financial statements of the companies under study for the extent to which the statements incorporated the rules prescribed in each of the accounting standards under consideration. A company earns a point on compliance with a requirement and the aggregate point earned is divided by the highest obtainable points to get the compliance ratio. Full compliance, therefore, earns one of one point and non-compliance earns zero of one point. Where a standard is not relevant to a company, the score is NA and it is not considered in determining level of compliance.

The compliance statistics presented in table 2 below, showed a minimum individual compliance index of 25% and maximum of 100%. On the aggregate result presented in table 3, scores were between 61% for the lowest scoring to 92% for the highest scoring companies. 93.2% of the companies studied scored above 75% on compliance with Nigerian Accounting Standards. This is tree-quarter of the whole and it is considered a good enough compliance. Nigerian companies, therefore, can be regarded as complying with accounting standards.

Table 2: Compliance Statistics

S. No	Company Name	SAS2	SAS3	SAS4	SAS6	SAS7	SAS8	SAS9	SAS11	SAS13	SAS18	SAS19	SAS21
1	AG LEVENTS	0.81	1.00	0.86	0.67	0.83	0.67	1.00	0.67	0.75	0.90	0.67	0.80
2	AFPRINT	0.55	0.80	0.67	0.75	0.67	0.33	0.85	NA	0.50	0.72	0.50	0.40
3	A P	0.81	1.00	0.83	1.00	0.67	0.80	1.00	0.80	1.00	0.86	0.69	0.75
4	BERGER	0.81	1.00	0.83	NA	0.83	0.50	1.00	0.60	0.50	1.00	0.69	1.00
5	CADBURY	0.83	1.00	0.86	1.00	0.83	0.83	1.00	NA	1.00	0.90	0.92	1.00
6	CAP Plc	0.81	0.90	0.83	1.00	0.83	0.83	0.85	0.25	0.50	0.89	0.77	0.80
7	CFAO	0.79	1.00	0.83	NA	0.83	0.83	1.00	NA	0.50	1.00	0.77	1.00
8	CAPPA	0.86	0.90	0.86	0.50	0.83	0.67	0.92	NA	1.00	0.86	0.85	1.00
9	CHALARAMS	0.79	0.80	0.67	0.67	0.83	0.83	0.85	0.80	0.83	0.10	0.75	1.00
10	COSTAIN	0.86	1.00	0.67	0.75	0.83	0.67	1.00	NA	0.80	0.82	0.62	0.75
11	MEYER	0.76	1.00	0.86	NA	0.83	0.67	1.00	0.25	NA	0.88	0.92	0.75
12	DUNLOP	0.79	1.00	1.00	0.75	0.83	0.71	1.00	0.50	0.50	0.85	0.77	0.75
13	FIRST Bank	0.79	1.00	NA	0.80	0.67	0.67	1.00	0.50	0.50	1.00	0.85	1.00
14	GSK	0.90	1.00	1.00	NA	0.83	0.83	1.00	0.80	1.00	1.00	0.77	0.75
15	GUNNESS	0.86	1.00	0.83	1.00	0.83	0.83	1.00	0.50	NA	0.85	0.92	1.00
16	INCAR	0.81	1.00	0.83	NA	0.83	0.83	1.00	0.50	NA	0.85	0.92	1.00
17	JOHNHOLT	0.86	0.90	0.86	NA	0.83	0.83	1.00	0.25	0.40	0.75	0.85	0.75
18	Unilever	0.81	0.90	1.00	0.80	0.67	0.78	0.92	NA	NA	0.85	0.62	1.00
19	LIVESTOCK	0.76	1.00	0.83	0.80	0.83	0.83	1.00	0.25	NA	0.83	0.77	1.00
20	MOBIL	0.93	1.00	0.71	1.00	0.83	0.67	1.00	0.75	1.00	0.92	0.93	1.00
21	MORRISON	0.71	1.00	1.00	NA	0.83	1.00	1.00	0.25	NA	0.90	0.77	0.75
22	NBC	0.83	1.00	0.86	0.86	0.83	0.83	NA	1.00	1.00	0.85	0.92	1.00
23	N.BREWERY	0.86	1.00	0.86	0.67	0.83	0.88	1.00	NA	0.67	0.83	0.92	1.00
24	N. ENAMEL	0.76	0.60	0.83	NA	0.83	0.83	0.69	0.25	NA	0.80	0.92	0.75
25	NIG ROPES	0.81	1.00	0.71	NA	0.83	0.83	1.00	NA	NA	0.88	0.92	1.00
26	NIG WIRE	0.79	1.00	0.86	0.67	0.83	0.83	1.00	1.00	NA	0.89	0.54	0.75
27	N.N. FLOUR	0.81	1.00	0.71	NA	0.83	0.67	1.00	NA	0.50	0.89	0.92	1.00
28	P.S.Mandress	0.83	0.80	0.67	NA	0.83	0.50	0.85	0.75	1.00	0.75	0.92	1.00
29	PZ	0.83	1.00	0.86	NA	0.83	0.83	1.00	0.25	1.00	0.92	0.92	1.00
30	PHAMDEKO	0.79	1.00	0.83	0.60	0.83	0.83	1.00	1.00	NA	0.92	0.85	1.00
31	POLY PROD.	0.86	1.00	0.71	NA	0.83	0.83	1.00	0.60	1.00	0.90	0.92	1.00
32	R.T.BRISCOE	0.83	1.00	0.86	0.67	0.83	0.67	1.00	0.25	0.50	0.85	0.92	1.00
33	ROADS Nig.	0.81	1.00	NA	1.00	0.83	0.67	1.00	NA	0.80	0.80	0.85	0.75
34	SCOA	0.86	0.90	1.00	1.00	0.83	0.67	0.92	1.00	0.25	0.86	0.50	1.00
35	SPN Pakaging	0.83	0.80	0.71	0.75	0.71	0.67	0.85	NA	0.50	0.86	0.85	1.00
36	TOTAL	0.86	1.00	0.86	NA	0.83	0.92	0.83	NA	0.50	0.86	0.79	1.00
37	UAC	0.79	0.90	0.60	0.75	0.83	0.67	0.92	NA	0.83	0.89	0.62	0.75
38	UBA	0.71	1.00	NA	NA	0.83	0.67	1.00	1.00	0.50	1.00	0.77	0.75
39	UTC	0.86	1.00	0.86	1.00	0.83	0.83	1.00	0.25	0.50	0.86	0.62	0.75
40	UNIONBANK	0.76	1.00	NA	0.75	0.82	0.67	1.00	0.83	0.50	0.50	0.71	1.00
41	VITAFOAM	0.83	1.00	0.83	0.80	0.83	0.67	1.00	0.25	0.67	0.82	0.92	1.00
42	VONO	0.76	0.90	0.86	0.60	0.83	0.83	0.92	0.50	NA	0.82	0.92	1.00
43	WAPCO	0.86	0.90	0.86	0.60	0.83	1.00	0.92	0.25	0.80	0.86	0.93	1.00

Source: Author's Field Study, 2009

Table 3: Aggregate compliance statistics of companies

.SN.	Company Name	Aggregate score percentage	Remark
1	A G LEVENTIS	80	Very Good
2	AFPRINT	61	Good
3	A P	85	Excellent
4	BERGER PAINT	80	Very Good
5	CADBURY	92	Excellent
6	CAP Plc	77	Good
7	CFAO	84	Very Good
8	CAPPA	86	Excellent
9	CHALLARAMS	74	Good
10	COSTAIN	80	Very Good
11	DN MEYER	79	Good
12	DUNLOP	79	Good
13	FIRST Bank	80	Very Good
14	GSK	90	Excellent
15	GUNNESS	87	Excellent
16	INCAR	75	Good
17	JOHNHOLT	85	Excellent
18	LBN(Unilever)	84	Very Good
19	LIVESTOCK	82	Very Good
20	MOBIL	90	Excellent
21	MORRISON	82	Very Good
22	NBC	91	Excellent
23	NIG BREWERY	87	Excellent
24	NIG ENAMEL	73	Good
25	NIG ROPES	89	Excellent
26	NIG WIRE	83	Very Good
27	N.N. FLOUR	83	Very Good
28	P.S.Mandres	82	Very Good
29	PZ	86	Excellent
30	PHAMADEKO	88	Excellent
31	POLYPRODUCT	88	Excellent
32	R. T. BRISCOE	78	Good
33	ROADS Nig.	85	Excellent
34	SCOA	82	Very Good
35	SPN Parkaging	78	Good
36	TOTAL	85	Excellent
37	UAC	78	Good
38	UBA	82	Very Good
39	UTC	78	Good
40	UNION BANK	78	Good
41	UNTL	85	Excellent
42	VITAFOAM	80	Very Good
43	VONO	81	Very Good
44	WAPCO	82	Very Good

Source: Author's Computation, 2011

Correlation Statistics

Each of the performance variable (Net Profit, Net Asset, Share Price and Units of Share in issue) were correlated with compliance indices one after the other in Bivariate analyses, using both Pearson

Product Moment and Spearman's Rank coefficient statistics. The analyses are two-tailed tests conducted based on 5% level of significance. The results of the analyses are presented in table 4 below.

Table 4: Correlation Results

Correlation		N. Profit	N. Asset	Share Price	Share Units
Pearson	Corr Coef	-0.062	-0.002	0.353*	0.014
	P- Value	0.694	0.992	0.020	0.931
Spearman	Corr Coef	-0.041	0.151	0.341*	0.062
	P- Value	0.795	0.333	0.025	0.691

Source: Author's Computation, 2011

Table 4 above shows that the coefficients for the Pearson Product moment correlation for the relationship with net profit and net asset are negative, but positive for share value and unit of shares. The results for net profit, net asset and unit of shares are however not statistically significant because they are not significantly different from zero and their P-values are significantly greater than 0.05. The positive result for share price correlation is statistically significant at 5% level.

In the same table, the coefficient for the Spearman's Rank correlation for the relationship with net profit is negative, while the coefficients for net asset, share value and unit of shares are positive. The results for net profit, net asset and unit of shares are also not statistically significant because they are not significantly different from zero and their P-values are significantly greater than 0.05. Just like for Pearson Product moment correlation, the positive result for share price correlation is statistically significant at 5% level.

Testing of Hypotheses and Interpretation of Results

Coefficients of correlation for Hypothesis 1 are negative. The implication of these is that a negative relationship exists between level of profitability and level of compliance. However, the P-values are significantly greater than 0.05, which imply that the negative relationship is not statistically significant. Based on this, the study fail to accept the hypothesis that 'positive that the relationship is statistically significant. Based on this, the study accepts the hypothesis that 'positive significant relationship exists between share price and

significant relationship exists between profitability and level of compliance with accounting standards'. The meaning of the above decision is that the level of profitability is not a significant determinant of level of compliance. As much as a highly profitable company can comply, so also is a less profitable or a loss making company, and vice versa.

Pearson product moment correlation coefficient for Hypothesis 2 is negative, while the Spearman's rank correlation coefficient is positive. The implication of these is that one correlation shows that negative relationship exists between level of net asset and level of compliance, while the other shows a positive relationship. However, the P-values for both are greater than 0.05, which imply that both results of correlation are not statistically significant. Based on this, the study fails to accept the hypothesis that 'positive significant relationship exists between net asset and level of compliance with accounting standards'. The meaning of these is that the level of net asset is not a significant determinant of level of compliance. Both companies with high asset value and companies with low asset values can comply or decide not to comply.

The two coefficients of correlation for Hypothesis 3 are positive. The implication of these is that a positive relationship exists between share value and level of compliance. The P-values too are significantly lower than 0.05, which imply

level of compliance with accounting standards'. The result here point to the fact that companies with higher share value comply with accounting standards better

than companies with relatively low share value.

The two coefficients of correlation for Hypothesis 4 are positive, but the P-values are significantly greater than 0.05. These relationship exists between units of share and level of compliance with accounting standards'. The meaning of the above decision is that the unit of shares is not a significant determinant of level of compliance.

Conclusions

The study showed that significant measures of performance like profitability and asset worth are not significant determiners of the level of compliance. The meaning is that compliance with accounting standards and failure to comply with them is not dependent on prosperity of companies. A small company may comply, while a big one may fail to. On the other hand, company with large volume of transaction and with more work to do may find time to comply, while the company with very little data to process, which should leave more time for other issues like compliance, can fail to comply. The conclusion, therefore, is that any company could be found not complying with accounting standards, irrespective of time availability, resources and competence.

The study concluded that unit of share in issue is not a factor in compliance. This may be connected to the fact that information on unit of share may not practically determine governance, especially for listed stocks. The study shows that higher share value relates to higher level of compliance. The relevant conclusion here is that as company's share price grows, the company increases in her compliance with accounting standards. Factor like stock market regulation and other externalities affects share price. It is an established fact that share price movement significantly respond to speculations, which usually have nothing to do with actual finances of the company.

imply that the positive relationship that exists between units of share and level of compliance is not statistically significant. Based on this, the study fails to accept the hypothesis that 'positive significant

The general implication of the result of this study therefore, is that the activities by the agency responsible for ensuring compliance with the incoming IFRS cannot be selective. All levels and categories of companies that are expected to comply should be given the deserved attention. It is expected that all companies are sensitized, educated, supported and above all monitored to ensure compliance. The regulatory agency should not prioritize enforcement activities by virtue of size, performance or competence. Rather, a scientific means should be determine to ensure effective coverage of the companies, while utilizing minimal resources.

REFERENCES

- Adeyemi, S. B. (2005), The Impact of Accounting Standard on Financial Reporting, Unpublished Ph. D. Thesis, Department of Accounting, University of Lagos.
- Bradshaw, M., B. Bushee and G. Miller (2004) "Accounting Choice, Home Bias, and US Investment in Non-US Firms" *Journal of Accounting Research*, 42(1): 795- 841.
- Covrig, V., M. Defund and M. Hung (2007), "Home Bias, Foreign Mutual Funds Holdings, and Voluntary Adoption of IAS", *Journal of Accounting Research*, 45(2): 41-70.
- Hung, M. and K. R. Subramanyam (2007), "Financial Statement Effects of Adopting International Accounting Standards: The Case of Germany", *Review of Accounting Studies*,

- Forthcoming. Available at SSRN:<http://ssrn.com/>, Retrieved in February 2009.
- Izedonmi, F. O. (2001), An Evaluation of The level of Banks' Compliance with Accounting Standards Issued by Nigeria Accounting Standard Board, *The Nigerian Bankers*, 24 (4): 12-15.
- Kantudu, A. S. (2005), "The Degree of Compliance with the Requirement of Information to be Disclosed in Financial Statement by Listed Firms in Nigeria", *Abuja management Review*, 3(1): 26-46.
- Kantudu, A. S. (2006), "Impact of Nigerian Accounting Standard Board Act 2003 on Compliance with Accounting Standard on Employee Retirement Benefit in Nigeria", Working paper Series, Accounting Department, Bayero University Kano, Nigeria, www.ssrn.com, Retrieved in February 2009.
- Kasum, A. S. (2011a), "Stakeholders' Perception of the Impact of Corporate Compliance with Accounting Standards on Shareholders' Wealth", *Academy of Taiwan Business Management Review*, 7 (1), 100 – 110.
- Kasum, A. S. (2011b), "The Impact of Compliance with Nigerian Accounting Standard on Asset and Profitability of Nigerian Quoted Companies", *The Journal of Commerce*, 3 (3), 57 – 68.
- Oghuma, R. and F. Iyoha (2006), "Compliance with Accounting Standards by Quoted Insurance Companies in Nigeria: An Empirical Investigation", *Nigerian Journal of Education Research*, 7(2): 18 – 27.
- Petreski, M. (2006), *The Impact of International Accounting Standard on Firms*, AAA 2006 Financial Accounting and Reporting Section (FARS) Meeting Paper, www.ssrn.com, Retrieved in January 2009.
- Wallace, R. S. O. (1988), "Corporate Financial Reporting in Nigeria", *Accounting and Business Research*, 18(72): 352-362.
- Statement of Accounting Standard No.2: Nigeria Accounting Standard Board, 1984.
- Statement of Accounting Standard No.3: Nigeria Accounting Standard Board, 1984.
- Statement of Accounting Standard No.4: Nigeria Accounting Standard Board, 1986.
- Statement of Accounting Standard No.6: Nigeria Accounting Standard Board, 1986.
- Statement of Accounting Standard No.7: Nigeria Accounting Standard Board, 1988.
- Statement of Accounting Standard No.8: Nigeria Accounting Standard Board, 1990.
- Statement of Accounting Standard No.9: Nigeria Accounting Standard Board, 1991.
- Statement of Accounting Standard No.11: Nigeria Accounting Standard Board, 1991.
- Statement of Accounting Standard No.12: Nigeria Accounting Standard Board, 1992.