

VOLUME 8, NUMBER 2, DECEMBER 2014

ISSN: 0331-0000

BAYERO INTERNATIONAL JOURNAL OF ACCOUNTING RESEARCH



Published by
The Department of Accounting
Bayero University, Kano-Nigeria

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Impact of International Financial Reporting Standards (IFRS) on Quality of Financial Reporting in the Nigerian Banks

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Abstract

Accountants all around the world decided to adopt the same accounting language and present the same financial statement format which will result in uniform accounting standards across the world. International Financial Reporting Standards (IFRS) is the approach selected. This paper examined the effect of the adoption of International Financial Reporting Standards (IFRS) on the quality of financial statements of banks in Nigeria. Specifically, it investigated the impact of the change in the standards of preparing the financial statement on the quality of the report, also accessed the level of compliance of the banks to the requirement of the standards using both primary and secondary data some stakeholders and Commercial Banks financial report, through the computation of various ratios, plotting of graph. Also the questionnaire was analysed using regression analysis. This study found out that IFRS has actually improved the quality of the report. The level of compliance to IFRS requirement by the Nigerian commercial banks was low; this is because a lot of changes were observed at the adoption of IFRS and there were lot of differences which needed direction of experts. This study concludes that IFRS has improved the quality of preparation and disclosures of financial statement compared to GAAP era and recommends training and enforcement of professionals both in the industry and academic environment in order to be well equipped in the delivery of their duties regarding the preparation of the financial statement and teaching of the standards.

Keywords: IFRS, Compliance, Quality, Banks, Financial Reporting

Introduction

The rapid increase in the Internationalization of economic trade and globalization of businesses has made obsolete the financial statements prepared according to a nation's local (Generally Accepted Accounting Principle) GAAP, this is so because such financial statement hardly meet the needs of investors especially the international investors, the idea of adopting a common language for financial reporting to develop international comparability subsequently came up and has become widespread. Accountants all around the world decided to adopt the same accounting language and present the same accounting format which will result in uniform presentation

accounting statement across the world. Of all the possible ways of implementing a single financial reporting language, International Financial Reporting Standards was the approach selected by Accountants in Europe and many other countries.

The International Financial Reporting Standard is aimed at solving the problem of comparison and uniformity in the financial statements of firms globally and all nations are expected to adopt it. The International Financial Reporting Standards (IFRS) adoption is an issue of global relevance among various countries of the world because of its uniformity, reliability and comparability of financial statements of

companies, (Rakesh, 2013). As part of plans of the Nigerian Government to meet international standards, the Federal Government has disclosed that the new accounting system, the international financial reporting standard (according to Umoru and Ismail, (2010), as cited by Ezeani and Oladele (2012)) will take off in Nigeria on 1st January, 2012.

In Nigeria, adoption of IFRS was launched in September 2010, by the then Honourable Minister, Federal Ministry of Commerce and Industry, Senator Jubril Martins-kuye (OFR). The adoption was organized such that all stakeholders use the IFRS by January 2014. The adoption was scheduled to start with Public Listed Entities and Significant Public Interest Entities who are expected to adopt the IFRS by January 2012. All Other Public Interest Entities are expected to mandatorily adopt the IFRS for statutory purposes by January 2013, and Small and Medium-sized Entities shall mandatorily adopt IFRS by January 2014. (Abdulkadir, 2011)

Also the Nigerian Accounting Standard Board (NASB) was renamed in 2011 as Financial Reporting Council to formulate Accounting Standards (ASs) based on the IFRSs keeping in view the local conditions including legal and economic environment, which have recently been notified by the Companies and Allied Matters Act 1990. According to Michel, Francois and Girard (2011) Over 100 countries across the globe including Nigeria had already implemented IFRS instead of their National Standard.

Statement of Problems

The International financial Reporting Standards was developed with the sole aim of combating the interpretation, understanding, uniformity and comparability problems among organizations in the same industry of same and different countries of domain, again because of the multinational companies for the parent company to easily

understand and interpret the report of a subsidiary company that resides in another country from parent country since it is prepared in the same form. Also to eliminate the diversity of the accounting principles and rules governing the preparation of reports which give room to a lot of financial scandals e.g. lever Brothers scandals in the late 90s in Nigeria and Enron in the U.S in 2001. Oseni,(2013).

Therefore to overcome all the problems above, the International Financial Reporting Standards is introduced, and will not be effective if it is not properly applied by the organisations. It is pertinent that, to be able to measure the impact of this new standard on the financial report, it should be properly applied as required by the new standards. This study seeks to investigate the compliance in terms of the requirements of the standards in measurement, recognition, disclosure and presentation, and the overall impact of IFRS on the quality of reports by the Nigerian banks on the mandatory adoption of the standards.

Research Question

In an attempt to address the problem identified above this study provide answers to the following research question

- i. Do the changes in the standards of preparing the financial report by the Nigerian Banks affect the quality of their report.
- ii. Do the banks in their report comply with the requirement of measurement, recognition, disclosure and presentation as specified by the new standard?

Objectives of the Study

The main objective of this paper is to investigate if the convergence of the Nigerian Banks to International Financial Reporting Standards has effect on their report. While the specific objectives of the study are to:

- i. examine the effect of international financial reporting standards on the quality of the financial report upon the adoption of the standards
- ii. investigate the level of compliance with the requirement in measurement, recognition, disclosure and presentation as specified in the standards by the banks

Research Hypotheses

Base on the research question the following null hypotheses were formulated

Ho₁: There is no significant change in the standards of preparing the financial report by Nigerian banks and the quality of financial report.

Ho₂: There is no significant relationship in the level of banks compliance with the requirement of measurement, recognition, disclosure and presentation demanded by IFRS.

Justification

Since the introduction of IFRS, many countries have embraced it including Nigeria. Also a lot of empirical works have been done on this subject by different authors to measure its impact on different aspect of the corporate annual report. Susana et al. 2007 measured the impact on ratio of listed companies in Canada, Thomas and Herve 2008 measured its impact also on earnings. This study seeks to investigate the impact of IFRS on Nigerian banks annual report to justify the need for the mandatory adoption of the standard.

Scope of the study

The scope of this study is the financial reports for year 2011 and 2012 respectively of all the twenty-one (21) commercial banks listed on the Nigerian stock exchange and the samples was picked using the convenient sampling method, this make use

of the financial report of those banks whose reports were available as at October 2014 that the research is being carried which is used as the secondary data source, while questionnaire is used as the primary data source which request the opinions of the accountants, academics and the Auditors to give their views base on the recent reports of the banks in Nigeria.

Literature Review

This section consists of the conceptual framework, theoretical background and the Empirical Studies.

Conceptual Framework and Regulating Framework, International Financial Reporting Standards (IFRS)

Since the 1960s, business has become more and more global and thus lost a significant part of its national identity. The world is becoming economically more closely connected; financial markets acquire global scale; the trans-national corporations are extending their area of activity. The concept of standardisation of accounting procedures is realised within the framework of accounting unification and the standard for uniformity in the accounting profession globally is being conducted and performed by the International Accounting Standards Board (IASB); through the International Accounting Standard Committee (IASC).

The instrument used by this board is the IAS (International Accounting Standard) this board formulates different standards on the way accounting report should be prepared. These standards are reviewed from time to time because of the evolving issues that kept on coming up in the profession. Nigeria's global players are reporting to global finance market, therefore it makes sense to have global financial reporting benchmarks. Nigeria has joined the over 100 countries that require,

permit, or is converging with the goal of adopting IFRS. According to Rebecca, John, Jennifer, Patricia and Sam (2008) "Historically, multinational and global companies were required to prepare separate financial statements for each country in which they did business, in accordance with each country's generally accepted accounting principles".

Leonardo, (2010) is of the opinion that Unification of accounting means the elimination of differences between the methods of accounting for business transactions, events and conditions. Along with the unification of accounting methods the necessity for defining the terminology of objects of accounting in an accurate way occurs. The process of unification usually is understood either as harmonisation, or as standardisation. In 1973, the International Accounting Standards Committee (IASC) was formed in response to the growing need to develop a set of common financial standards to address the global nature of corporate financing. The term IFRS has both a narrow and broad definition. Narrowly, it refers to the specific set of numbered publications issued by the IASB. Broadly it refers to all publications approved by the IASB, including standards and interpretations issued by its predecessor, the IASC (Wen, Michelle, and Judy (2012).

The IFRS is a set of principles-based and high-quality financial reporting standards issued by the International Accounting Standards Board (IASB). The standards are widely recognised for producing more accurate, comprehensive and timely financial accounting information leading to more informed valuation in the equity markets and hence lower risk for investors (Barth, Landsman, and Lang, 2008, Cheong, 2010). According to Ann, Guillermo, and Andrew (2010) study, Framework sets out agreed concepts that

underlie IFRS financial reporting. The Objective of General Purpose Financial Reporting, Qualitative characteristics Elements of financial statements Recognition, Measurement, Presentation and disclosure

Financial Reporting Framework

The issues relating to financial reporting could be traced back to civilization with the advent of what was then known as corporate report. In Nigeria, following the increasing demand for financial information on companies, financial reporting has now assumed an appreciable position because it provides information that is useful to current and potential investors, creditors and other users in making rational investment, credit, and other financial decisions. It also enables users to assess the amount, timing, and uncertainty of prospective cash receipts about economic resources, the claims to those resources and the changes in them.

Financial reporting may be defined as communication of published financial statement and related information from a business enterprise to the third entity (ICAN 2009). (ICAEW, 2010) states that Financial Reporting is the process of providing financial information about an entity to external users that is useful to them in making economic decisions, and for assessing the effectiveness of the entity's management, also Pius and Cletus concludes that financial statement is the preparation of published report for users of financial statements. (Olakunori, 2009) comments that, to achieve the basic objectives of financial reporting, there is need for an acceptable coherent framework.

Financial reporting framework therefore, refers to fundamental accounting assumptions, principles and methods used to prepare, present, and report financial statements for a wide variety of entities,

including publicly traded and privately – held companies, non-profit organizations, and governments. The framework for financial reporting include locally applicable accounting laws, regulations, rules and standards, that are determined by regulatory authorities such as the Nigerian Accounting Standard Board (NASB), which operates under a set of assumptions, principles, and constraints.

According to Yusuf (2006), accounting framework, which is commonly describe as Generally Accepted Accounting Principles (GAAP), should not be seen as a constitution but mere guidelines to preparers of financial statements. This is listed below:

- i) To identify the essential concepts underlying the preparation and presentation of financial statements;
- ii) To guide standard setters in developing new accounting standards and reviewing existing standards;
- iii) To assist preparers in the preparation of financial statements and dealing with topics that is not covered by a specific international financial reporting standard (IFRS);
- iv) To assist auditors in forming an opinion as to whether a set of financial statements conforms with IFRS;
- v) To assist users in interpreting the financial information contained in a set of financial statements that comply with IFRS.

Accounting Regulations in Nigeria

Accounting is the language of business while financial reporting is the medium through which the language is communicated. Accounting and financial reporting are regulated by Generally

Accepted Accounting Principles (GAAP) comprising of accounting standards, company law, stock market regulations, and so on. GAAP for accounting and financial reporting gives answers to differences in business communication between countries. Nigerian Accounting Standards Board (NASB) sets local accounting standards under the Nigerian Accounting Standards Board Act of 2003. Development of accounting and accounting standards in Nigeria could be traced to the then Association of Accountants of Nigeria - AAN (now ICAN). The AAN was formed on the 17th of November 1960 and granted official recognition on 28th September 1965, under the Federal Parliament Act number 15 of 1965, to regulate accountancy profession in the country. History suggests that ICAN was responsible for the formation of the Nigerian Accounting Standard Board (NASB) originally established in 1982 as a private sector initiative housed in the Institute of Chartered Accountant of Nigeria (ICAN), before it was taken over by government, in 1985. NASB became a government agency in 1992 and reports to the Federal Minister of Commerce. The standards referred to as SAS Statement of Accounting standards that are controlled by the Nigerian Accounting Standard Board.

The Nigerian Accounting Standard Board (NASB) Act, 2003 was repealed and Financial Reporting Council of Nigeria Act 2011 Enacted. Mary et al.(2012). According to Ikpefan, and Akande, (2012) Nigerian businesses are making more and more international transactions, cross border listing is now common place, accounting firms are beginning to follow their growing corporate clients into other countries in order to maintain services and governments are engaging in wide range reviews that recognize the importance of reassuring the markets and the public at large that corporate reporting and governance

frameworks are sufficiently robust. The adoption of IFRS in Nigeria will create opportunities for a broader finance transformation for banks in Nigeria, increase centralization of their process and assist in the realization of economies of scale.

Theoretical Background

Theory of Isomorphism

The theory of isomorphism defines the "constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions" (Hawley, 1968 cited in DiMaggio and Powell 1983). DiMaggio and Powell assert that "organizational characteristics are modified in the direction of increasing compatibility with environmental characteristics; the number of organizations in a population is a function of environmental carrying capacity; and the diversity of organizational forms is isomorphic to the environment diversity".

This theory in practice implies that, the features of an organization can be tuned to some extent for the sake of compatibility and uniformity to suit the surrounding environment of the organization in question. Also in most instances, even the numerical value of organizations in an environment, according to the theory is as a result of the capacity or the ability of the environment to contain such organizations. The identity, complexity or even the simplicity of the structure of an organization is a function of the diversity of the environment in which it operates. This theory so reflect in the convergence to IFRS in that the complexity of organizations around the world that is not adopting IFRS will be less popular and will be limited in some business areas especially in the international business world.

Empirical studies

Susana, Jos'e I. and Jos'e A., (2007) using ratio then testing the ratios with t-test and the Wilcoxon signed-ranks test conclude that the economic and financial positions of Spanish firms, reflected in accordance with IFRS, are significantly different from the image presented by local accounting standards. (Michel, François-Éric and Jean-Yves, 2011) their methodology was Financial ratio after which were tests for equality of means, medians and variances between each series of ratios to ascertain if the distributions differ under IFRS and Canadian GAAP. Least-square regressions were also used to analyze the relationship between the IFRS and Canadian GAAP ratios. They found out that the variance of several ratios based on IFRS is significantly different from the variance of the same ratios based on Canadian GAAP. This means that there is a significant difference in the distribution of values around medians in the categories.

Thomas and Hervé. 2008. Used Descriptive statistics and univariate tests through Wilcoxon rank-sum test (equality test on unmatched data) which compares medians before and after the application of IFRS came out with their findings which confirm that sharing rules is not sufficient in itself to create a common business language. This is consistent with the idea that management incentives and national institutional factors play an important role. Edward and Colin (2013) in their studies concludes that International Financial Reporting Standards convergence increased the value relevance of earnings more for firms with the most need to attract capital from external investors.

Oseni, (2003) in his study discovered that, the adoption of International Financial Reporting Standards is aimed at promoting transparency, increasing quality and efficiency of financial reporting, providing

financial statements that will engender investors' confidence (due to the robust disclosure requirements of IFRS) and facilitating cross-border stock exchange listing. The IFRS has changed the way and manner in which financial statements are prepared, reported or presented. Globalization of capital markets requires a unified global accounting, reporting and disclosure set of standards. As a result of increasing volume of cross border capital flows and the growing number of foreign direct investments via mergers and acquisitions in the globalization era, the need for the harmonization of different practices in accounting and the acceptance of worldwide standards has arisen.

The International Accounting Standards Board adopted the IFRS framework on 1 April, 2001, following which the standards were adopted by over 90 countries around the world. Akinyemi, (2012) Kenneth (2012) believes that adoption of International Financial Reporting Standards is a right step in the right direction. Although there are many issues and challenges facing the implementation, the benefits outweigh the challenge. With adoption, Nigeria companies will produce a more credible financial statements that will not only be uniformed but also provide a basis for better interpretation. This invariably will boost investors' confidence and attract cross border financial transactions which is the basis for economic growth.

Many authors have describe the adoption of IFRS in various ways, in developing and developed economies and the bottom line is that it introduced uniformity and easy comparison, though the impact have been measured in various ways including earnings, required disclosure and many more but the perspective of the compliance of the users base on the requirements of the standards and the overall quality of the

financial report at the adoption of the new standards has not been well looked into especially since its adoption by Nigerian Companies and this is what this paper aim at investigating.

Research Methodology

Research design

The research design adopted is the descriptive design method because the data is a cross sectional data. The study was conducted using both primary and secondary data

Method of Data Collection

The instrument for data collection used was both primary and secondary data collection method. While Questionnaire is used to generate the primary data which examine of the banks to the requirements of the standards, financial reports of sample banks was used as the secondary data, the reports were collected and the financial statements sections of the annual report are used to measure the overall effect of the adoption of IFRS on their report.

Sampling method

The population of this study is the twenty-one (21) commercial banks listed on the Nigerian stock exchange; the sampling technique adopted is the convenient sampling method based on the availability of the audited financial statement of the banks. The study was carried out only on those banks whose annual financial report for the periods under study were available, only thirteen banks annual financial reports were used as the sample which included Access Bank plc, Diamond Bank plc, Eco Bank plc, Fidelity Bank plc, FCMB plc, GTB plc, Skye Bank plc, Standard Chartered Bank plc, Sterling bank plc, United Bank of Africa plc, Unity Bank plc, Wema Bank plc, and Zenith Bank plc, the financial statement of those sample Banks in Nigeria for 2011 and 2012 respectively are used.

Also various journals and research papers related to this study have been personally consulted; in order to have their thoughts on the problems and findings in this regards. Again, questionnaire was designed to get the view of some stakeholders like Accountants of Banks, Academicians and External Auditors working in audit firms on the compliance of the banks to the requirement of the standards in terms of measurement, recognition, presentation and disclosure. 100 questionnaires were sent out

and only 60 which represent 60% were filled and returned and was used for the research analysis.

Method of Data Analysis

The secondary data was tested by computing ratios and the average for the banks, for graphical understanding of the different ratios computed were plotted comparing the GAAP and IFRS era. While for the primary data regression analysis was used.

Analysis of Secondary Data

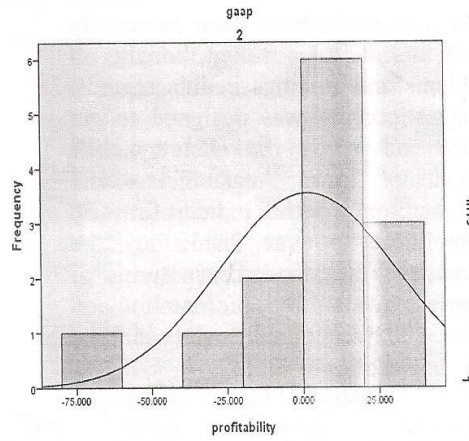
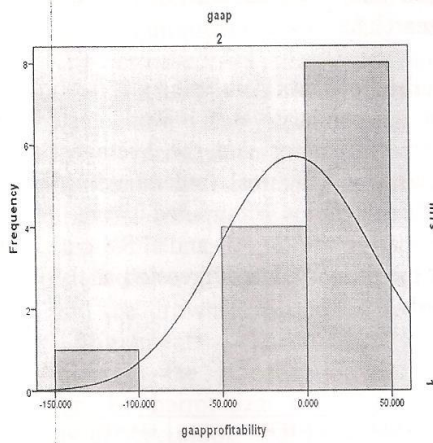
Table 1: Computation of Ratios Average

SNo	GAAP Profitability	IFRS Profitability	GAAP liquidity	IFRS Liquidity	GAAP Investment	IFRS Investment	GAAP Gearing	IFRS Gearing
1	-31.126	-34.578	1.874	2.152	-0.270	0.277	0.803	0.820
2	5.508	3.168	2.446	2.434	0.050	0.029	2.661	0.456
3	14.271	15.622	1.355	2.073	0.232	0.240	0.674	0.671
4	-11.971	-5.502	2.205	2.011	-0.025	0.024	0.533	1.006
5	-147.072	-72.251	1.605	1.702	-0.127	0.001	7.833	9.587
6	7.043	7.529	2.197	2.203	0.133	0.141	1.205	1.218
7	13.403	19.963	2.226	2.029	0.048	0.068	0.920	0.920
8	28.825	32.541	2.320	2.449	0.081	0.096	0.155	0.352
9	30.241	30.813	2.823	2.514	0.027	0.026	1.280	1.297
10	7.863	3.352	2.347	2.436	0.077	0.031	0.451	1.070
11	-15.260	-13.930	2.437	2.484	0.142	0.135	0.470	0.397
12	-3.838	29.625	2.269	2.057	-0.008	0.069	1.140	1.022
13	11.409	4.363	2.342	2.098	0.084	0.064	0.735	0.388
Average	-6.97762	1.593462	2.188154	2.203231	0.034154	0.092385	1.450769	1.477231

Source: Author's Computation 2014

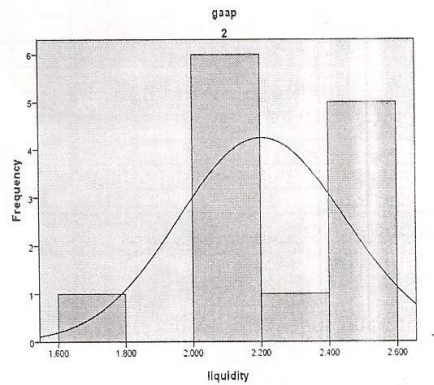
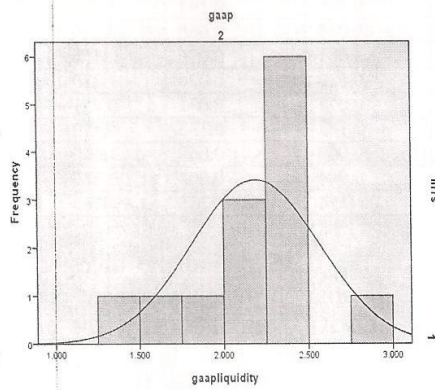
From the table above it is interesting to note that when the average of profitability in GAAP gives a negative figure that of IFRS gives a positive figure. Also, in the liquidity ratios computed the average figure shows that the banks are a bit more liquid than the GAAP era though the difference isn't much. Again, in Investment Ratio it shows

that in the IFRS period the investor have better returns on their investment compare to the GAAP period. Finally, the gearing ratio shows that both in the IFRS and GAAP era low geared, yet IFRS era is still high. The following graphs are presented to further buttress the findings.

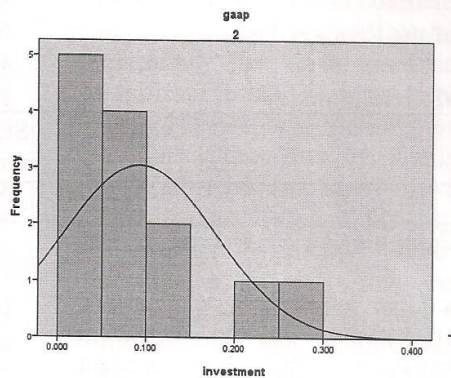
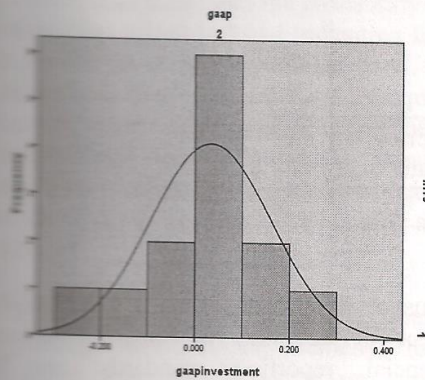


The profitability graph plotted for the two eras indicates that the IFRS era is better than GAAP era this is because IFRS era

shows a more visible result than the GAAP era.

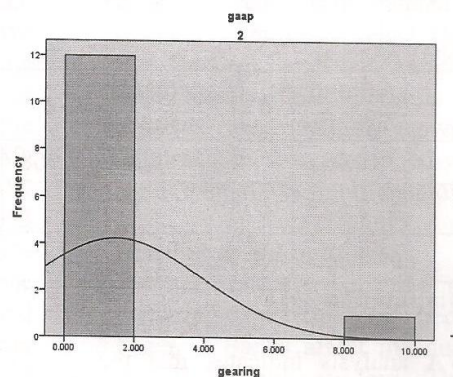
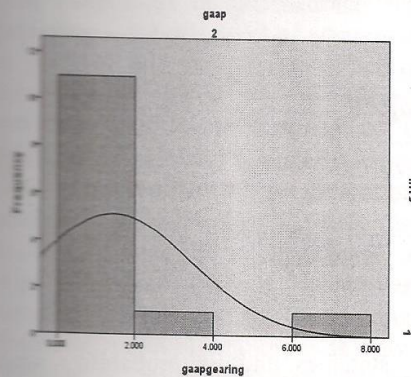


The graph indicates that though not stable in both eras the level of available cash during the IFRS era is a bit higher than GAAP.



The investment graph for both shows a low investments but IFRS is more systematic and has the potential to grow in its level of

investment as a result of the increase in liquidity graph above it allows for investment of idle cash.



The gearing graph shows that the banking industry is lowly geared and too low because. It is observed that in the IFRS Era the banks are improving on this.

The result from the ratio analysis and the graph plotted shows that there is significant

difference because as seen both in Ratio average and graph the difference is not very high but gives room for improvement in the IFRS Era. Therefore the H_{01} is rejected

Model Specification

A multiple regression model was used for a cross sectional data:

$$Y = a + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + e$$

$$FR = AQ + SR + AW + EN + e$$

Where:

Y = dependent variable which represents the financial report

B_1x_1 = independent variable 1, IFRS adoption improve quality

B_2x_2 = independent variable 2, IFRS standard Requirement

B_3x_3 = independent variable 3, Awareness

B_4x_4 = independent variable 4, IFRS Enlightenment

E = Error term

Analysis of the Primary Data

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.550 ^a	.303	.252	.932

Authors Computation 2014

The R^2 and the adjusted R^2 explain the amount of variation in the dependent variable that is shown by the independent variables. In this model the independent variables explains 30% of the variation in the dependent variable as indicated by the R^2 while about 25% as indicated by the

adjusted R square. This implies that the effect of adoption of the international financial reporting standards on the financial report quality is only 30% but with time when there is better understanding of the standards the quality will increase.

Table 3: ANOVA^b

Model	Sum of Squares	d f	Mean Square	f	Sig.
Regression	2 0.758	4	5.190	5.968	.000 ^a
Residual	4 7.825	5 5	.870		
Total	6 8.583	5 9			

Authors Computation 2014

The ANOVA analysis indicates that the model is in good fit as suggested by the F-

value statistics and its probability which shows a significant F-value statistic

Model	Unstandardized Coefficients		Standardized Coefficients	F	Sig.
	B	Std. Error	Beta		
(Constant)	.495	1.203		.411	.682
IFRS adoption Improve Quality	.395	.192	.239	2.057	.044
Standards requirement	.338	.165	.255	2.043	.046
Awareness	.389	.177	.273	2.193	.033
IFRS Enlightenment	-.364	.208	-.201	-1.747	.086

Authors Computation 2014

The Coefficient of international financial reporting standards to improving the quality of report has a positive and significant

effect on the adoption of IFRS as the standard of preparing the financial statement by the Nigerian Banks with a

magnitude of 0.395. This is evident from its coefficient of 0.395 and the probability of *t* (Sig) which is 0.044 indicating that it is significant at 5% significant level. It is shown here that financial statement quality has improved since the adoption of the international financial reporting standards and there is room for increase in the quality as the level of coefficient now is only about 40%.

The Coefficient of international financial reporting standards requirements has a positive and significant effect on the adoption of IFRS as the standard of preparing the financial statement by the

The Coefficient of international financial reporting standards level of awareness have a positive and significant effect on the adoption of IFRS as the standard of preparing the financial statement by the Nigerian Banks with a magnitude of 0.389. This is evident from its coefficient of 0.389 and the probability of *t* (Sig) which is 0.033 indicating that it is significant at 5% significant level. Here it indicates that the level of awareness of the international financial reporting standards is only about 39% it is necessary that the level of awareness to increase because it have a direct effect on the quality of the report.

The Coefficient of international financial reporting standards as an enlightened agent has a negative and significant effect on the adoption of IFRS as the standard of preparing the financial statement by the Nigerian Banks with a magnitude of 0.364. This is evident from its coefficient of 0.364 and the probability of *t* (Sig) which is 0.086 indicating that it is significant at 10% significant level. Though it has a significant result but the level of its significance is above the accepted level in the social sciences this could be as a result of low level of awareness and low level of clarity on the application of the standards.

Nigerian Banks with a magnitude of 0.338. This is evident from its coefficient of 0.338 and the probability of *t* (Sig) which is 0.046 indicating that it is significant at 5% significant level. The report implies that the banks has prepared there report according to the requirements by the international financial reporting standards in term of measurement, recognition, disclosure and presentation. Although there level of compliance is still low because the coefficient is only 34%, there is room for improvement and improvement is very essential this is because as the compliance level increase the quality of the financial report also increases.

Base on the result stated above the researcher therefore reject the hypothesis that the banks will not comply with IFRS requirements, the hypothesis was rejected because the result shows that the requirements were complied with and it is significant at 5% significant level

Discussion of Findings

Do the changes in the standards of preparing the financial report by the Nigerian Banks affect the quality of their report? Yes but very low. The changes of preparation standard affect the quality by improving the quality due to it request for more exposure but the margin is still very low but there is room for improvement. IFRS and Nigerian GAAP are related in some areas which give fewer problems on adoption: the two standards have the financial statement in common but differ in their volume of exposure. Also, there are some areas that IFRS requires that were not in the Nigerian GAAP, this is bringing about some difficulties in the preparation of the financial statement and if these areas are not well spelt out to give a better understanding to the professionals in Nigeria it may end up defeating the purpose for its adoption.

Do the banks comply with the requirement of measurement, recognition, disclosure and presentation as specified by the new standard? Yes, although the level of compliance is very low which implies that the requirement by the changes in the preparation of the report as not being fully complied with. This is so because there is no broad knowledge about the standard in the industry. There is room for improvement as training is ongoing towards a broader knowledge of the standard and its application.

Again, the quality was also tested and it gives a positive and significant effect on the quality of report at the adoption of IFRS. The level of awareness was also examined and it indicates that the level is also low but has room for increase.

Summary and Conclusion

In summary this paper has been able to investigate the effect of IFRS on financial statement compare with GAAP. The study has confirmed and has refused to accept the hypothesis that "changes in the standards of preparing the financial report by Nigerian banks do not affect the quality of financial report" this is because improvement was observed in the study, though relatively low but it can be improved upon. The paper also examine the level of compliance to the requirements of the standards and it report that the banks complied with the requirement.

It is concluded from this work that there are was a low effect of IFRS adoption on the financial report; this is because lot of more information were required to be disclose in IFRS than it is in the GAAP, lot of balances were not in line with GAAP. Based on this work it is to be noted that IFRS has improved the quality of preparation and disclosures of financial statement compared to GAAP. However the levels of compliance to the requirements of the standards are still very low.

Recommendation

This study recommends that the professional and the preparers of the financial statement should get a better understanding of the new standards; this is because in the analysis of the data there is no significant impact which is the effect of little knowledge about the applications of the standard. Training and retraining is required and also the teachers in this field should also get the required training in other to produce professionals with the adequate skill needed to be able to deliver.

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