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Consumer Goods Companies in Nigeria: A Comparison of International Financial Reporting Standards and Nigerian Generally Accepted Accounting Principles

Ajayi, M.A.; Daramola, I. E¹ & Odediran, T. H.

Department of Finance, University of Ilorin; Department of Accounting, University of Ilorin;
Department of Accounting, University of Ilorin
E-mail: ibidundara@gmail.com

Abstract

This study examined the difference in the performance of Nigerian consumer goods companies by comparing financial ratios prepared under International Financial Reporting Standards (IFRS) period and Nigerian Generally Accepted Accounting Principles (Nigerian GAAP) period. Secondary data sourced from published annual reports and accounts of 12 consumer goods companies quoted on the Nigerian Stock Exchange from 2010 to 2014 were used for the study. The estimation technique used for analysis was Mann-Whitney U test. The study revealed that while there are differences in liquidity and profitability ratios for both Nigerian GAAP and IFRS periods, the results are however not statistically significant except for current ratio that decreased in IFRS period with a p-value of 0.02. In conclusion, IFRS relies on fair value accounting which affects assets, liabilities and equity items in the Statement of Financial Position. Accounting for leases, impairment and employee benefits also affect expenses, liabilities and equity items. However, only current ratio showed a significant difference at 5%. It was recommended that regulatory authorities should continue to monitor compliance with IFRS requirements in its totality by companies in Nigeria.

Keywords: International Financial Reporting Standards, Nigerian GAAP, Performance, Nigerian Consumer goods companies

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¹ Corresponding Author

Introduction

International Accounting which is aimed at harmonizing accounting standards globally has been of much interest in recent years due to economic and financial globalisation that has brought the need for truly global accounting standards. Local accounting standards were suitable in past years because companies borrowed funds and investors invested mostly in their home countries. As the capital markets became integrated, the need for a single, high quality accounting language to increase transparency and comparability that would allow investors make better informed investment decisions became inevitable.

In 1973, the International Accounting Standards Committee (IASC) was formed in London through an agreement made by professional accountancy bodies from Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the United Kingdom and Ireland, and the United States of America in response to the growing need to develop a set of common financial standards to address the global nature of business. In 2001, the IASC was reorganized as the International Accounting Standards Board (IASB) and developed International Financial Reporting Standards (IFRS) (Fay, Brozovsky, Edmonds, Lobingier & Hicks, 2008).

The process of adoption received a major boost in 2002 when the European Union adopted regulation 1606/2002 which required all public companies in Europe to convert to IFRS beginning from 2005 (Iyoha & Faboyede, 2011). 132 nations and reporting jurisdictions including Nigeria require or permit IFRS for domestic listed companies (Deloitte, 2017).

Prior to the adoption of IFRS, most countries had their own standards which were developed and issued by local bodies. The Nigerian Accounting Standards Board (NASB), renamed Financial Reporting

Council of Nigeria (FRC) in 2011 was the body responsible for developing and issuing standards known as Statements of Accounting Standards (SAS) or Generally Accepted Accounting Principles (GAAP), and also the regulatory body overseeing the adoption and implementation of IFRS in Nigeria.

Nigeria, with an estimated population of 178.52 million in 2014 (worldometers, 2015), has the largest economy in Africa and the 26th in the world and also a nominal Gross Domestic Product (GDP) of U.S. \$509.9 billion (about ₦92.8 trillion) (Ujah, Elebeke, Ovuakporie, Ewepu & Ayansina, 2014). The Nigerian Stock Exchange (NSE) had 189 listed companies with a combined market capitalization of ₦16.88 trillion (about U.S. \$90.68 billion) as at December 31, 2014 (NSE, 2014). Despite this statistics, Nigeria did not maximize its capacity for economic growth. This in part is as a result of limited foreign investment, with limited financial reporting and disclosures (due to the application of Nigerian GAAP) made by reporting entities in Nigeria (NASB, 2010).

The adoption of IFRS in Nigeria therefore facilitates the competitive environment for potential investors as IFRS was developed with the aim of having more accurate, comprehensive and timely financial statements information, better accounting quality, value relevant information and timely loss recognition. International and national investors will be better placed to make rational economic decisions when financial information is uniform and comparable among countries competing for foreign investments. Common standards cut the costs of doing business across borders by reducing the need for supplementary information.

There has been evidence in other countries especially those from the European Union and Nigeria, on how IFRS has impacted performance of firms with

financial ratios as the measure of performance. Most studies have however based their analysis on the comparison of accounting figures and financial ratios computed under IFRS and local GAAP for the same period as IFRS 1 requires that at least one year of comparative prior period financial information be presented. Figure before financial information would be presented. This study however established the difference in Performance of Consumer Goods Companies in Nigeria (owing to the importance of the real sector of the economy), comparing IFRS and Nigerian GAAP over a period of five years and not just one year comparative figure. The consumer goods industry sector is an important sector across the globe and also in Nigeria as it has witnessed steady growth since the industrial revolution accounting for two-thirds of the volume of trade in the world economy and also the source of a significant portion of the GDP of many countries (Global Edge, 2014). As at December 2014, the market capitalization of the consumer goods industry sector in Nigeria stood at ₦3.11 trillion which was second only to the industrial goods sector with market capitalization of ₦3.77 trillion (NSE, 2014). Consumer goods sector represented about 18.4% of the total market capitalization and there are more companies in this sector than the industrial goods sector which informed its preference in this study.

The main objective of this study was to examine if there is any difference in the performance of Nigerian consumer goods companies by comparing financial ratios prepared under IFRS period and Nigerian GAAP period. Specific objectives were to:

- i. examine if there is any significant difference in IFRS liquidity ratios and those of Nigerian GAAP for consumer goods companies in Nigeria,

- ii. assess if there is any significant difference in IFRS profitability ratios and those of Nigerian GAAP for consumer goods companies in Nigeria,

The study tested the following null hypotheses:

H₀₁: There is no significant difference between IFRS liquidity ratios and those of Nigerian GAAP of consumer goods companies in Nigeria.

H₀₂: There is no significant difference between IFRS profitability ratios and those of Nigerian GAAP of consumer goods companies in Nigeria.

Literature Review

Conceptual Issues

International Financial Reporting Standards (IFRS)

IFRS has both narrow and broad definitions. Narrowly, it refers to the specific set of numbered publications issued by the International Accounting Standards Board (IASB). Broadly, it refers to all publications approved by the IASB, including standards and interpretations issued by its predecessor, the IASC (Fay et al., 2008). IFRS represents a unified global commitment to developing a single set of high quality, global accounting standards with the aim of providing transparent and comparable information that is in the public interest through general purpose financial statements (Herbert 2010). Adejola (2011) asserted that IFRS is a set of standards promulgated by the IASB and can therefore be described as Standards and Interpretations adopted by the IASB which include, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) formerly known as Standing Interpretations Committee (SIC).

Blanchette, Racicot and Girard (2011) noted that IFRS is a principle-based set of accounting standards designed by IASB to improve the comparability of financial statements internationally and the main characteristics of IFRS include principle-based approach, fair-value accounting, concept of comprehensive income, the entity theory underlying consolidation, and improved transparency. Ball (2006) affirmed that IFRS purported to be a set of rules that ideally would apply equally to financial reporting by public companies worldwide.

IFRS can therefore be referred to as standards and interpretations issued by the IASB and those by its predecessor, the IASC, which are aimed at providing transparent and comparable financial statements information across globe.

Nigerian GAAP

An entity is normally required to prepare financial statements in compliance with the accounting requirements for the country in which it is registered. The accounting standards with which financial statements were prepared in Nigeria up till December 31, 2011 were Statement of Accounting Standards (SAS) or Nigerian GAAP issued by the Nigerian Accounting Standards Board (NASB). SAS was developed through a formal system of due process involving wide national consultation and a thorough consideration of local laws, current practices and standards of other countries, most especially, those of International Accounting Standards Board (IASB, 2010). The NASB issued about 30 SAS before it was replaced by the Financial Reporting Council (FRC) of Nigeria which was established by Act of Parliament no. 6 of 2011 in line with global best practices. According to Owolabi (2012), the FRC now holds the responsibilities of developing accounting and financial reporting standards

for entities both in the public and private sectors of the Nigerian economy. The FRC is also responsible for the adoption of IFRS in Nigeria.

Key Differences between Nigerian GAAP and IFRS

The differences appearing in financial statement presentation such as change in equity, income statement and significant management estimates and judgments are concepts that are not addressed in Nigerian GAAP. There are also significant differences in property, plant and equipment, related parties, segment reporting, leases, impairment and risk management disclosure. Significant differences are also found in other areas such as financial guarantees, scope of consolidation and employee benefits.

Financial Ratios as Measure of Performance

McLeary (1992) defined financial ratio as an expression of a relationship between any two figures or groups of figures in the financial statements of an enterprise. Financial ratios are important tools for business analyses and predictions. According to Ketz, Doogar & Jensen (1990) as cited by DeVaney (1994), financial ratio analysis is often used to compare the present ratio with the past and expected future ratios for the same company or firm, and also to compare one firm with those of similar firms or with industry averages at some point in time. Australian Shareholders Association (ASA) (2010) stated that financial ratio analysis has been used to assess company's performance almost since modern share markets have been around and the methods are based on tried and true accounting ratios, which have been in place for a very long time. Financial ratios that are based on accounting information are widely used in practice. Investors, bankers, brokers and other stakeholders use them to

analyse the financial condition and performance of a company, establish covenants in lending agreements or for other commercial arrangements (Blanchette et al., 2011). Ratio analysis is also a useful tool for business owners as it helps to measure the performance of the business, detect potential problems and see how well it is doing over time (Spathis & Doumpos, 2002).

The Consumer Goods Industry Sector

Global Edge (2014) opined that the consumer goods industry is hard to define because of its diverse nature and close relationship to many other industries. They therefore described the sector as enveloping practically every item an individual can purchase, especially in the areas of toiletries and cosmetics, appliances, electronics, beverages and food, and other generic household items. They also noted that analysts often divide it into two categories, durable and non-durable. The former includes items with staying power, like home furnishings, while the latter includes more ephemeral products, with a life expectancy of lesser than three years, like personal care items.

The consumer goods industry sector according to NSE (2015), comprises companies that are engaged in the production and manufacturing of final goods. In essence, these products and services are classified as personal use, specifically intended for the mass market. This sector includes goods that are consumed rather than used in the production of other goods, and consist of both durable and non-durable consumables. Included in this sector are manufacturers of automobiles/auto parts, household durable goods, textiles and apparel, as well as manufacturing food, beverages and tobacco products.

Consumer goods sector, therefore, comprises companies involved in the

production and manufacturing of durable and non durable goods that are not intended for the production of other goods but rather for personal use.

Theoretical Framework

This study adopted agency theory as the theoretical basis. Jensen and Meckling (1976) defined an agency relationship as a contract under which one or more persons (the principal) engage another person (the agent) to perform some services on their behalf, which involves delegating some decision making authority to the agent. If both parties to the relationship seek to maximize their utility functions, it is expected that the agent will not always act in the best interests of the principal. The principal can limit divergences from his interest by establishing appropriate incentives for the agent.

Accounting standards are important in a well-developed capital market because they help to resolve a serious agency problem (Brown, 2011). The decision to adopt IFRS could be a mechanism to reduce conflicts of interest between the shareholders (principal) and the managers (agent). Shareholders are interested in adopting IFRS because it limits the discretionary accounting choices of managers and also reduces their opportunistic behaviour (Cuijpers & Buijnik, 2005). For instance, IAS 1 'Presentation of Financial Statements' requires sensitive information, such as managerial judgements and assumptions while forming the entity's accounting policies as well as sources of estimation uncertainty that may have a material impact on the entity's financial statements, to be appropriately disclosed and reported in the annual reports (Latridis, 2010). Shareholders' interests are also to create wealth for the company and reach beneficial results. Hence, the application of IFRS can

lead to a positive increase in equity and reported income. For instance, Jermakowicz (2004) argued that the application of IFRS in Belgium led to a significant change in shareholders' equity and net income.

Empirical Review

Prior studies, especially in the United Kingdom have provided empirical evidence on IFRS adoption and performance of firms. Latridis (2010) found that the implementation of IFRS has positively affected the performance of firms in the United Kingdom with profitability and growth as the main ratios tested. Blanchette et al. (2011) compared 26 ratios computed from IFRS financial statements and Canadian GAAP financial statements. Nine firms were analyzed using data extracted from the financial statements prepared under each accounting standard during the transition years. Their findings showed that IFRS' impacts on financial ratios were driven by fundamental differences in application of fair value accounting and consolidation under IFRS and Canadian GAAP. Differences between IFRS and Canadian GAAP did not affect cash flows and most of the financial ratios under IFRS presented a significantly higher volatility than those computed using Canadian GAAP. They also found out that returns on asset and equity improve with the adoption of IFRS in Canada. Lannto and Sahlstrom (2009) investigated the impact of IFRS on financial ratios in Finland by comparing ratios calculated using IFRS and those of Finnish GAAP in the same period. They discovered liquidity ratios decreased under IFRS (due to additional current liabilities that resulted from lease accounting under IFRS- IAS 17) while leverage and profitability ratios increased. Leverage ratios increased as more liabilities were recognized under IFRS under lease accounting (IAS 17), employee benefit obligations (IAS 19) and financial

instruments (IAS 32 and 39). Profitability ratios increased due to higher profit under IFRS due to business combinations (IFRS 3) and the combined effects of other standards. Stent, Bradbury and Hooks (2010) found that adoption of IFRS in New Zealand led to a significant increase in liabilities and a decrease in equity for private sector entities. Adjustments to income taxes, employee benefits and financial instruments were the main reasons for increases in liabilities and decreases in equity. Pallavi, Javaid and Barnali (2017) assessed the impact of IFRS adoption on key financial ratios of a case firm in India. The data was analysed using Wilcoxon Signed Rank Test. The empirical results of the study indicated that there were significant differences between the ratios computed under Indian GAAP and IFRS except for debt equity ratio and current ratio.

In Nigeria, Abdul-Baki, Uthman and Sanni (2014) examined the effect of IFRS adoption on the performance evaluation of a case firm using financial ratio analysis. The study was conducted through comparison of the ratios that were computed from IFRS based financial statements and Nigerian GAAP based financial statements. It was concluded that the disclosure of IFRS compliant set of financial statements was not attributable to higher performance evaluation, through ratios, of the case firm. Tanko (2012) assessed the effect of compliance with the regulation and provisions of IFRS on the performance of some selected quoted Nigerian banks. The study tested the impact of IFRS adoption on profitability, growth, leverage and liquidity ratios. The study found that profitability ratio such as earnings per share increased in IFRS period. Ibiamke and Ateboh-Briggs (2014) examined the impact of IFRS adoption by Nigerian listed firms on key financial ratios used by investors. The study employed

same firm-year research design to examine how IFRS adoption changed key financial ratios of Nigerian listed firms. 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 Nigerian GAAP respectively. The study revealed that IFRS adoption caused a negative impact on the financial ratios of Nigerian listed firms, but the impact was not statistically significant.

In summary, most studies on the impact of IFRS on performance focused on the year of adoption of IFRS with comparative figures of both GAAP and IFRS for the same year (IFRS 1 requires that at least one year of comparative prior period financial information be presented). This study contributes to literature by comparing the performance of consumer goods companies in Nigeria over a period of five years for both Nigerian GAAP and IFRS.

Methodology

Mann-Whitney U-test was used for analysis in order to determine the difference in IFRS and Nigerian GAAP performance of consumer goods companies in Nigeria. The choice of this method of analysis stemmed from the fact that Mann-Whitney U test can compare two independent groups that do not require large normally distributed samples and also the two samples under consideration may not necessarily have the same number of observations. The value of U is calculated as:

$$U = n_1 n_2 + \frac{n_2(n_2+1)}{2} - \sum R_i \quad (1)$$

Where:

n_1 = Sample size one (Nigerian GAAP)

n_2 = Sample size two (IFRS)

R_i = Rank of the sample size.

The Rank table is the first table that provides information regarding the output of Mann-Whitney U test. It shows mean rank and sum of ranks for the two groups tested (Nigerian GAAP period and IFRS period for this study). The table is essential as it indicates which group can be considered as having the higher overall performance; that is, the group with the higher mean rank. The test statistics table shows the actual significance value of the test indicating the test statistic, U statistic, as well as the asymptotic significance (2-tailed) p -value.

The ratios adopted for this study are liquidity and profitability ratios.

a. **Liquidity Ratios:** Liquidity ratios show whether a company has the ability to pay off short-term debt obligations (debts due to be paid within one year) as they fall due. Generally, a reasonable level of liquidity is essential for the company to meet debt obligations. The two liquidity ratios used in this study are current ratio and quick ratio as these are the most common liquidity ratios.

b. **Profitability Ratios:** Profitability ratios measure a company's performance and provide an indication of its ability to generate profits. It measures the overall efficiency of a business. As profits are used to fund business expansion and pay dividends to shareholders, a company's profitability and how efficient it is at generating profits is essential to shareholders. The profitability ratios used in this study are Return on Capital Employed (ROCE), Net Profit Margin and Earnings per Share (EPS).

Table 1 Formulas for Financial Ratios

FINANCIAL RATIOS	FORMULA
1. Current Ratio	Current Asset/Current Liabilities
2. Quick Ratio	$\frac{\text{Current assets} - \text{Inventory}}{\text{Current liabilities}}$
3. ROCE	$\frac{\text{Profit before interest and tax (PBIT)}}{\text{Capital Employed}}$ Where Capital Employed = Non-current liabilities + Shareholders fund
4. NPM	Net Profit/ Net Sales
5. EPS	$\frac{\text{Profit after tax (PAT)}}{\text{Number of shares in Naira}}$

This study made use of secondary data for both pre-adoption and post adoption periods of IFRS consistent with the study of Umobong and Akani (2015). This ensured that performance of companies was compared over a five year period. Based on studies, such as Harris and Muller (1999) and Leuz (2003) that examined profitability, growth, leverage, liquidity, firm size and investment performance, this study examined liquidity and profitability performance.

Annual reports and audited financial statements were sourced from the Nigerian Stock Exchange (office and website) and companies' websites. Accounting figures relating to income, liabilities, assets, number of shares and sales were manually collected from the annual reports, audited financial statements and related notes to the accounts. Financial ratios were then computed from 2010 to 2014 representing Nigerian GAAP period and IFRS period.

The population of this study was the 28 consumer goods industry sector firms quoted on the Nigerian Stock Exchange as at 2014 (NSE, 2014).

The study adopted a purposive sampling technique. From the population,

some companies defaulted in rendering their audited financial statements for one or more years from 2010 to 2014, hence, their non-inclusion in the study. Mandatory IFRS adoption for publicly listed firms in Nigeria was 1st January 2012 but most companies with financial year end earlier than 31st December, 2012 adopted IFRS in 2013. Hence, companies that did not adopt IFRS by either 2012 or 2013 were excluded from the sample. The selection of a company as having adopted IFRS to prepare its financial statements was based on the independent auditor's explicit and unreserved statement of compliance as contained in the independent auditor's report. Companies that reported losses in the income statement and also had negative shareholders' fund for three or more consecutive years were excluded from the sample. Blanchette et al., (2011) noted that companies with reported net losses in the income statement and comprehensive losses introduced limitations to the empirical analysis of their study, hence their non-inclusion in this study.

Data Presentation, Analysis and Interpretation

Table 2: Descriptive Statistics for Nigerian GAAP and IFRS Periods

	GAAP Min	IFRS Min	GAAP Max	IFRS Max	GAAP Mean	IFRS Mean	GAAP Std Dev	IFRS Std Dev
Liquidity	0.31	0.24	2.34	2.32	1.11	0.89	0.52	0.53
Profitability	0.04	0.02	21.21	28.08	1.60	1.68	3.87	4.79

Source: Author's computations, 2015

The descriptive statistics in table 2 shows that the minimum value for liquidity ratios in GAAP period (GAAP Min) was 0.31 as against 0.24 for IFRS period (IFRS Min). Therefore, IFRS period had a lower reported figure. The maximum value for liquidity ratios in GAAP period (GAAP Max) was 2.34 which was higher than 2.32 for IFRS period (IFRS Max). Hence, GAAP period had a higher reported figure. GAAP mean value of 1.11 was higher than IFRS mean value of 0.89, while IFRS standard deviation (IFRS Std Dev) of 0.53 was slightly higher than GAAP figure of 0.52.

The minimum value for profitability ratios in GAAP period (GAAP

Min) was 0.04 as against 0.02 for IFRS period (IFRS Min). Therefore, IFRS period had a lower reported figure. The maximum value for profitability ratios in GAAP period (GAAP Max) was 21.21 which was lower than 28.08 for IFRS period (IFRS Max). Hence, IFRS period had higher reported figure. IFRS mean of 1.68 was higher than GAAP mean of 1.60, while standard deviation of 4.79 in IFRS period was higher than 3.87 in GAAP period.

The null hypothesis one is restated and tested as follows: H_{01} : There is no significant difference between IFRS liquidity ratios and those of Nigerian GAAP of consumer goods companies in Nigeria.

Table 3 Mann-Whitney Rank Test and Test Statistics for Current Ratio and Quick Ratio

Mann-Whitney Rank Test		Mean Rank		Sum of Ranks	
	N	CR	QR	CR	QR
Financial Reporting (GAAP)	30	35.85	32.97	1075.50	989.00
(IFRS)	30	25.15	28.03	754.50	841.00
Total	60				
Mann-Whitney Test Statistics		CR	QR		
Mann-whitney U		289.500	376.00		
Wilcoxon W		754.500	841.00		
Z		-2.373	-1.094		
Asymp- Sig (2 tailed)		.018	.274		

Author's Computations (excerpt from SPSS), 2015

Table 3 shows that the mean rank of 35.85 for GAAP period is higher than mean rank of 25.15 for IFRS period. This indicates that IFRS period had a lower performance in terms of current ratio (CR) than the GAAP period. The p -value of 0.018 indicates that

the result is significant at 5%. This therefore implies that there is significant difference between the CR of GAAP and IFRS with GAAP having higher performance.

Table 3 also shows that the mean rank of 32.97 for GAAP period is higher than mean rank of 28.03 for IFRS period.

This indicates that GAAP period had a higher performance in terms of quick ratio (QR) than IFRS period. The *p*-value of 0.274, however indicates that the result is not statistically different at any level smaller than 27.4%. Hence, this result is not statistically significant.

The null hypothesis two is restated and tested as follows: H_{02} : There is no significant difference between IFRS profitability ratios and those of Nigerian GAAP of consumer goods companies in Nigeria.

Table 4 Mann-Whitney Rank Test and Test Statistics for ROCE, NPM and EPS

Mann-Whitney Test	Rank	Mean Rank			Sum of Ranks		
		N	ROCE	NPM	EPS	ROCE	NPM
Nigerian GAAP	30	31.28	28.88	29.43	938.50	866.50	883.00
IFRS	30	29.72	32.12	31.57	891.50	963.50	947.00
Total	60						
Mann-Whitney Test Statistics							
		ROCE	NPM		EPS		
Mann-whitney U		426.50	401.50		418.00		
Wilconxon W		891.50	866.50		883.00		
Z		-.348	-.719		-.473		
Asymp- Sig (2 tailed)		.728	.472		.636		

Author's Computations (excerpt from SPSS), 2015

Table 4 shows that the mean rank of 31.28 for GAAP period is higher than 29.72 for IFRS period. This indicates that GAAP period had a higher performance in terms of ROCE than IFRS period. The *p*-value of 0.73, however, indicates that the result is not statistically significant.

Table 4 also shows that the mean rank of 32.12 for IFRS period is higher than the mean rank of 28.88 for GAAP period. This indicates that IFRS period had a higher performance in terms of NPM than the GAAP period. The *p*-value of 0.47 however, indicates that the result is not statistically significant.

Table 4 indicates that the mean rank of 31.57 for IFRS period is higher than the mean rank of 29.43 for GAAP period. This indicates that IFRS period had a higher performance in terms of EPS than GAAP period. The *p*-value of 0.64 however indicates that the result is not statistically significant.

The result of hypothesis one revealed that both current ratio and quick

ratios decreased in the IFRS period. The lower IFRS liquidity performance is consistent with the study of Lannto and Sahlstrom (2009) who found that liquidity ratios decreased under IFRS due to additional current liabilities that resulted from lease accounting under IFRS- IAS 17. The result was however only significant for current ratio.

The result of hypothesis two revealed an increase in two of the profitability ratios; NPM and EPS in IFRS period. This is consistent with studies of Lannto & Sahlstrom (2009) and Tanko (2012) as a result of higher profits during IFRS period. The difference was however not statistically significant. Hence, H_{02} : There is no significant difference between IFRS profitability ratios and those of Nigerian GAAP of consumer goods companies in Nigeria was rejected.

Conclusion

IFRS relies on fair value accounting which affects assets, liabilities and equity items in the Statement of

Financial Position. Accounting for leases, impairment and employee benefits also affect expenses, liabilities and equity items. The study revealed that Nigerian consumer goods companies had a higher performance in respect of their current ratio, quick ratio and ROCE under GAAP period, while NPM and EPS had higher performance under IFRS period. However, only current ratio showed a significant difference at 5%. The reason for this might be attributed to the fact that Nigerian GAAP was to a large extent an adaptation of IAS whereas other local GAAPs were independently developed by the respective local accounting standards setting bodies.

The Financial Reporting Council should continue to monitor compliance with IFRS requirements in its totality by companies in Nigeria. This will ensure that financial statements reflect the true performance of entities. Also, since companies incur additional current liabilities under IFRS, which may reduce liquidity ratios, they should ensure they reduce other current liabilities like trade and other payables as much as possible so as to keep their liquidity ratios at reasonable levels. Future studies can extend this paper by considering other financial ratios such as activity and solvency ratios.

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