



THE EMPIRICAL EXAMINATION OF IFRS ADOPTION ON FINANCIAL REPORTING QUALITY OF LISTED CONSUMER GOODS COMPANIES IN NIGERIA

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ABSTRACT

The study examined the pre and post of IFRS adoption and firm's financial reporting quality using data obtained from 15 companies of consumers goods companies trading on the Nigeria stock exchange for the period 2005 to 2019 dependent variable is share price (SHP), while the independent variable are BVPS, CFPS and EPS the result presented in the table 4.4 show that the F statistics in both pre and post IFRS periods are significant at one percent which shows fitness of the models in the two periods. But the F statistics value of 522.986 in the post IFRS is higher than the pre IFRS which is 206.598. The coefficient of correlation (R) and coefficient of determination (R^2) also show high explanatory power in the post-IFRS period than in the pre-IFRS period. In the price model shown in table 4.4 above, earnings per share for the study firms are significant at one percent in both the pre- and post-IFRS periods. However, this coefficient is smaller for all the companies in the pre IFRS period which is 17.606 as compared with the coefficient of 29.733 in the post IFRS period. Book value of equity is insignificant in both the post- and pre-IFRS period even though significant at 10% in the pre IFRS period. The beta coefficient of earnings per share which is -0.591 for the post IFRS period is relatively higher than the pre IFRS period which is -1.18. The cash flow of selected firms in the industry has a higher beta coefficient of 4.021 in the post IFRS period. This study no doubt presents a developing economy perspective on the quality of financial reporting quality differences between pre and post IFRS. Findings indicate that the F statistics in the pre and post are significant at one percent which shows fitness of the model in the period. We recommend regulators overhaul of corporate governance mechanisms, staff training on IFRS, and internal audit empowerment to meet up with the global challenges.

Keywords: IFRS adoption, financial reporting quality, BVPS , CFPS EPS and share price

INTRODUCTION

International financial Reporting Standards (IFRS) are a set of high-quality pronouncements issued by International Accounting Standard Board (IASB). Accounting standard connotes an information system through which financial and monetized information is generated for economic, social and political decisions (Lzedonmi, 2001).

The corporate information environment arises as a consequence of information asymmetries and agency problems between investors, entrepreneur and managers. Investors are not in a position to directly assess the performance of the company in which they intend to invest as they usually depend on financial statements prepared by the management of the company. Rational Investors use financial reports and disclosures to assess the risk and the value of the firm (Karunaratne & Rajapakse, 2011)

Financial statements as prepared by accountants should produce a true and fair view, and communicate information to users to take informed decision. There are set of rules and regulations that guide the practice of accounting and reporting in different countries (Ikpefan & Akande, 2012). While financial reporting is for communicating the information and they are both regulated by standards setting bodies to monitor the practice of accounting.

The IFRS was issued as the need for uniform financial statement across borders arises. Many economies adopt the International Financial reporting standard as it is considered to be a system supported by strong governance, high quality standards and sound regulation frameworks which is keys to economic development.

In Nigeria, Adoption of IFRS was launched in September 2010, by the Honorable, Senator Jubril Martins kuye OFR. The adoption was organized such that public listed Entities and significant public Entities, which are expected to adopt 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 (Mandawaki, 2019).

The adoption of uniform standards is perceived to cut the cost of doing business across borders; by reducing the need for supplementary information. They make information more comparable enhancing evaluation and analysis by users of financial statements (Adekoy, 2011) user become more confident of the information they are provided with and presumably this reduces uncertainly, promotes efficient allocation of resources and reduces capital cost (Ahmed, 2011).

The quality of financial reporting is measured broadly by two main categories. One is value relevance (Ashbaugh & Olsson 2002, Bartor et al 2002) and secondly, Earnings management, magnitude (Kinnunen & Koskela 2003, Leuzet al 2003, Tendeloo & Vanstraelin, 2005). In studying value relevance of accounting information, the earnings of a firm and the book value of equity are the basic accounting number that are used in literatures to present accounting information. Talebnian Valipour and Askari (2011) opined that earnings and book value per share are measures those different individuals, investors and financial analyst use to evaluate the performance of the enterprise. While earnings provide a measure of how the firms' resources are currently used, book value provides a measure of the value of the firm's resources independent of how the resources are currently used.

Furthermore, Chalmers, Dinch and Godfrey (2010) are of the opinion that value relevance of book value and earning is a natural place to look for impact of IFRS adoption on accounting information given the paramount role equity valuation

plays in IFRS conceptual frame work. In agreement to this, Aksoy (2008) opined that the relationship between stock price and accounting issue for researchers as well as managers, investors and other stakeholders of firms for several decades and the interest have focused on accounting earning and its relationship with stock price or returns. This in turn confirms the argument of beaver (1989) that no other figure in the financial statement receives more attention by the investment community than earnings per share (EPS). Therefore, research on value released by firms provide high-quantity and valuable accounting information that enables users and investors to make informed decision (Alfaraiih & Alanezi, 2011).

The Nigerian consumers goods companies are listed in the Nigerian Exchange Group. They are highly organized because corporate governance is seriously taken into consideration. The particular effect of IFRS in food and Beverages is a motivating factor for carrying out this research in the food and Beverages (consumer goods). With the adoption of international financial Reporting standard, financial instruments, classification, impairment, recognition, definition of Debt versus Equity have changed in food and beverages and they give a signal of change in the degree of financial Reporting quality presented by the consumer goods companies in Nigeria.

The researcher, therefore, seek to examine financial Reporting quality in pre and post IFRS Era. This involves making clear the impact of IFRS on earnings per share (EPS) , cash flow per share (CFPS) and book value per share (BVPS) of selected, listed food and Beverages in Nigeria and how they affect investment decision

The accounting information of the National GAAP was based on historical accounting. Historical accounting report past event which do not reflect the present reality of the firm's operation can be easily manipulation. The National GAAP also does not have a uniform way of reporting items such as debt and equity investment, consolidation, transfer of financial assets, provisions, taxation, loans, derivatives, own shares and bond, real estate investment, impairment, foreign currency as it is based on individual judgment and as such could be easily manipulated to present a good financial position of the firm even when it is not so.

Since the national GAAP was inconsistent, standard setting body came together to solve this problem by introducing a single set of high quality reporting standard called the IFRS which has been shaped to provide for recognition, measurement, presentation and disclosure requirement relating to accounting transactions and events that are reflected in the financial statements.

The uncertainty as to whether the reporting quality in the adoption of IFRS will be better in comparison pre and post adoption in conjunction with the National GAAP is the motivating factor behind this research.

Objective

The main objective of this study is to determine the extent to which adoption of international financial reporting standards (IFRS) enhance financial reporting quality of listed firms in consumer goods Nigeria. The specific objectives are:

- i. To assess the incremental quality of financial statements in book values of listed consumer goods firms in Nigeria during IFRS era.
- ii. To investigate the earnings per share of financial statements in reported accounting quality of listed consumer goods firms in Nigeria during IFRS era.

- iii. To examine whether quality of cash flow financial statements of listed consumer goods firms in Nigeria during IFRS era.

The Concept of financial reporting quality (FRQ)

FRQ is a subjective concept that reflects the extent to which financial information is free of manipulation and accurately indicates an enterprise's financial position and operating performance

(Tang et al., 2008). Biddle et al. (2009) define FRQ as “the precision with which financial reports convey information about the firm’s operations, in particular, its cash flows, in order to inform equity

investors”. The Conceptual Framework for Financial Reporting (IASB) contemplates adherence to financial information's objective and qualitative characteristics as a basic prerequisite for FRQ.

. They further suggest that FRQ should serve the dual purpose of meeting user needs and investor protection. This practice exploits the discretion permitted by accounting standards and distorts the usefulness of earnings to its potential users. The motives behind earnings management include capital market motivations, management compensation and debt covenants, which result in lower quality of financial information (Gomariz and Ballesta, 2014).

The financial statements prepared by entities may look similar from one country to another, but there are differences due to social, economic and legal circumstances. There are no generally accepted measures of FRQ and empirical researchers measure it through certain attributes of financial information (Francis et al., 2008). Accrual quality is most extensively used in this respect as firms use discretionary accruals to manipulate earnings leading to poor FRQ (Dimitropoulos and Asteriou, 2010). Jones (1991), Dechow et al. (1995) and Kothari et al. (2005) are the models most widely used in corporate governance studies to measure FRQ. The study contributes to literature by employing these commonly used models to measure and compare a developed and emerging economy's FRQ.

Financial reporting is one of the most important products of Accounting system that tries to provide necessary information for users to make economic decision on the evaluation of an economic enterprises profitability and performance measuring and providing information that make it possible to evaluate the past performance and effectively assess and predict the possible future profitability and anticipated activity can be considered as a prerequisite for achieving this goal (Bolo, 2007).

Financial reporting qualities includes the accuracy of reported information to better describe a firm operation (Accounting Standard Board). Practically, investors are generally interested in firm cash flow. Therefore Accounting Standard Board asserts that one of the objectives of financial reporting is to inform potential creditors and investors to make reasonable decisions and evaluate the expected cash of the firm.

Financial reporting quality is the precision with which financial reporting conveys information about a firm’s operations (Biddle, Hilary & Verdi, 2009). Financial reporting quality encompasses both financial information and non-financial information useful for decision making included in the financial reports (Akeju & Babatunde, 2017). Decision-useful information is information concerning the reporting entity that is valuable to equity investors (present and potential), lenders and other stakeholders in making decisions in their capacity as capital providers and stakeholders (IASB, 2010). Hence, the higher the information usefulness of the financial report, the higher the quality of the financial report and vice

versa. The quality of financial reporting is influenced by the quality of accounting standards and the corresponding regulatory enforcement of the standards, accounting method used by management; and management judgment and estimates in applying the selected substitutes.

The main indicator of financial information quality from the perspective of developers of accounting standards are relevant and reliability which make information useful for decision makers.

Attribute of Relevance

Relevance is the ability of accounting information to influence users. Relevance can increase investors' ability to control the investment decision. Therefore it is expected that high quality financial reporting reduces excessive and wasting investment (Biddle et al., 2009). Outline the relevance of financial information (Zariffard, 2008). This includes:

- a. Decision making: this is the ability of financial information to enable users to take informed decisions regarding investment.
- b. Timeliness: that is financial information should be provided yearly and at a particular time to enable users of information take accurate decision.
- c. Predictive ability: this is the ability of financial information to help users predict the future event due to current event.
- d. Feedback: this is the ability of financial information to help users correct and confirm past predictions. It enables users to attest to past information which must contain honesty of accounting information, verifiability and impartiality.
- e. Information asymmetry: this is the ability of financial information to reduce information asymmetry firms and financiers outside the firm. High quality financial reporting may force the firm to obtain positive net present value (NPV) in order to attract investors' capital. On the other hand, the financial reporting quality limit managers motivations for engaging in activities that of little or negative NPV.

Overview of International Financial Reporting Standards Regime

IFRS are set of guidelines and rules issued by the International Accounting Standard Board (IASB) that companies and organizations when compiling financial statement (Psarouslis, 2011).

Since financial information is a medium of communicating financial transactions, it become imperative that different countries accounting standards be harmonized to form a single set of accounting standard to improve the rate at which investment and credit decisions are taken and aid international comparability of company's performance both within and outside the reporting countries (Herbert et al. 2013)

The idea of international financial reporting started in 1973. When the International Accounting Standard Committee (IASC) was formed by 16 professional bodies from 10 different countries namely United State of America, United kingdom, France, Canada, Germany, Areland , Australia, Japan, Netherlands and Mexico all over the world. (Garuba and Donwa, 2011). In 2001, (IASC) was taking over by the International Accounting Standard Board (IASB) and as well as develop accounting standard and related interpretations jointly refers to as International Financial Reporting Standards (IFRS).

In 2002, the dominance of IFRS further improved when the United State Financial Accounting Standard board (FASB) and IASC undertook to work closely based on their agreement to develop high quality compactible accounting standards that could be advance adopted for both domestic and cross boarder financial reporting to bridge the gap between national Generally Accepted Accounting Principle (GAAP). These Bodies so far achieved their objectives and are far advance in IFRS US GAAP convergence.

Although, many developing countries who do not want to be left behind took a cue from the world major economics to either adopt or converge IFRS base on their need and ability (Azobi, 2010).

The IASB was formed with an objective to develop global standard and related interpretations. The Board (IASB) adopted the existing International Accounting Standard IAS and refers to them as IFRS including the new standards.

The IFRS interpretation Committee is the interpretative body of the IASB The committee mandate is to review on a timely basis wide spread accounting issues that are arising within the context of IFRSs and to provide authoritative guidance on those issues.

The International Financial Interpretation committee (IFRIC) comprises of 14 voting members appointed by the trustees and drawn from a verity of countries and professional backgrounds in developing interpretations. The committees are to work closely with similar national committees and follow a transparent, thorough and open due process (Akpaka, 2015).

International Financial Reporting Standard and Nigeria Adoption

In Nigeria adoption of IFRS, was lunch in September 2010 by the Honorable Minister, Federal Ministry of Commerce and Industry, Senator Jubril Martins-Kuye OFR. The adoption was organized such that all stakeholders would use IFRS by January 2014 as follows

- a. All public listed entities and significant public entities will adopt IFRS by January 2012.
- b. All other public interested entities are to mandatorily adopt IFRS by 2013.
- c. All small and medium scale enterprise are to mandatorily adopt IFRS by January 2014.

This call for a better understanding and appreciation of the risk involved and would necessitate those financial statements prepared in Nigeria irrespective of the sector use global financial reporting bench mark (Garuba et al, 2011). The adoption statement is as follows;

It is the best interest of the nation to adopt the IFRS. A phase transition over a period of three years is recommended (committee on roadmap, 2010). this is anchored on the understanding that the nation will follow milestones and laid down timelines. The transition should be phased so that the objectives are achieved within the time frame as outline in the roadmap (Ayuba, 2012)

Benefit of Adopting IFRS

The adoption of IFRs has the following benefit as enumerated by Okere (2009); Adekoya (2011); Ahmed (2011); Okafor and Ogiedu (2011); Demaki (2013); Omoye and Obaretin (2013) are as follows:

- a. Production and presentation of a single set of high quality and globally accepted financial statements.
- b. Promotion of the compilation of meaningful data on the performance of various reporting entities at both public and private levels thereby encouraging comparability, transparency, efficiency and reliability of financial reporting in Nigeria.

- c. Replacements of local standards that are partly outdated and are not sufficiently comprehensive enough to become a basis for preparation of high quality financial statements. The adoption of IFRS will result in high quality, transparent and comparable financial statements that are based on modern accounting principles and concepts that are being applied in global markets.
- d. Assurance of useful and meaningful decision on cross border investment portfolio. Investors can easily compare financial results of corporations irrespective of national decisions. Also comparison is made easier with foreign competitors if a company presents its financial statement according to IFRS.
- e. Attraction of foreign direct investment (this is one of the major perceived benefits of IFRS adoption). Countries attract investment through greater understanding and transparency of financial reports, and a lowest of capital for potential investors.
- f. There are companies which have subsidiaries in countries that permit IFRS. This would facilitate easy consolidation of financial information of the parent company and their subsidiary offices in different countries. Multinationals would avoid the hassle of restating their accounts in local GAAPs to meet the requirements of national stock exchange and regulators, making the consolidation of accounts of foreign subsidiaries easier and lowering the overall cost of financial reporting.
- g. Adoption of IFRS would assure easier access to external capital for local companies and also reduce the cost of doing business across borders by eliminating the need for supplementary information from informational companies.
- h. Adoption of IFRS bill has reduced information asymmetry between investors and the companies thereby restoring investors' confidence in published financial statements.
- i. Also the adoption of IFRS would lead to better quality financial information for supervisory authorities. Thereby empowering government to be able to better access the tax liabilities of multinational companies.
- j. Help companies to take advantages of alternative form of finance Delloite (2009).
- k. It considers the opportunity to make some strategic improvements to your finance systems and processes.

Challenges of IFRS Adoption

The Adoption of IFRS has benefits yet it is not free from challenges. The following are challenges identified and way out.

- a. **First Time Adoption Challenges:-** This entails the problems to be faced by organization adopting IFRS for the first time. An example would be IFRS focus on fair value accounting (which is relatively subjective) in relation to Financial Assets and liabilities in contrast to SAS where such are basically reported at their cost or net book value.
To overcome this challenge, the transition plan to IFRS and its implications for preparers and users of financial statements, regulators, educators and other stakeholders therefore has to be effectively coordinated and communicated.
- b. **Cost of Implementation:** Adopting IFRS would incur additional cost such as hiring financial and accounting personnel who are familiar with the global standard to train other accountants, government officials, financial analysts, auditors, tax practitioners, regulators, accounting lecturers, stock brokers etc. to be knowledgeable in the new standard.
- c. IFRS is a principle based standard requiring interpretation. According to Wensveen (2000) IFRS have some complexities especially in measurement and evaluation.

d. **Tax Consideration:** Tax consideration associated with the conversion to IFRS, like other aspects of a conversion are somewhat complex. IFRS conversion calls for a detailed review of tax laws and tax administration. A point in note would be tax laws which limit relief of tax losses to four years. Transition adjustments may result in huge losses that may not be recoverable in four years as stipulated by extant laws. The immediate tax implication would be a function of items contained in the statement of comprehensive income.

E **Local legislation:** Local legislation regulating accounting practice in Nigeria for instance, Companies' and Allied Matters Act (CAMA) 2020, SAS 2014, issued by (NASB), Nigerian Exchange Group Act (2023) etc. may contain some legislation which is not recognized by IFRS. The local legislation therefore should make necessary amendment to these laws in order to ensure a smooth implementation of IFRS.

Review of Empirical Literature

Omoye and Obaretin (2013) analyse the fundamental issues in IFRS adoption along with its challenges and benefits. They gathered and compared materials sourced from journals and other relevant literatures. They opined that the harmonization of financial reporting standard would promote convergence, pose changes, promote transparency and reduce information asymmetry between managers and shareholders. The study recommend that the harmonization of financial standards should be voluntary rather than mandatory and that proper and timely training should be given to finance and account staff.

Okafor and Ogiedu (2011) examined the potential effects of the adoption and implementation of IFRS in Nigeria. they found that International Financial Reporting standard have the potential for yielding greater benefits than current GAAP, improved business performance management and impact on other business functions apart from financial reporting. They also found that IFRS adoption will add to financial reporting complexities and increase compliance with accounting standards.

Hao (2019), analysed the impact of the adoption of IFRS standards on the accounting practices of listed companies, using a case study of Zimbabwe. Results of the study revealed that these standards have particular importance for developing counties with emerging financial market. Zen and bdelbaki (2013) however, asserted that developing economies most likely to adopt IFRS were those that had high prevailing levels of and tendencies for economic growth along with a legal system of common law and advanced educational system.

In recent years many studies have been done on the relationship between the financial reporting quality (disclosure levels in annual reports) and firm characteristics. The following are some of these researches. Buzby (1974), Cooke (1989), Hassan, tan and Adams (1994), Wallace, Naser and Mora (1994); Lang and Lungholm (1993). McNally, Eng and Hasseldine (1982). Having review the annual report of firms, it is known that the quality of information disclosed in such reports is different. Differences in firms disclosure are likely the results of manager's thinking and their thinking philosophy as well as their discretion regarding disclosure for investment purposes. On the other hand, decisions on financial disclosure are not usually done in vacuum and financial reporting is one of the ways by which information is transmitted.

Furthermore, combination of communication resources and the quantity and quality of disclosed information under the influence of many factors which need voluminous research theorizing and empirical evaluation of variables affecting

mandatory disclosure can create a room that help to improve the quality of disclosure (Noravesh, 1998). A research conducted by (Bushman and Smith, 2001) shows that high quality financial reporting increases the investment efficiency.

In another study Nwosu (2015) concluded that firms with high quality financial reporting present high level of investment efficiency and low levels of cash investment sensitivity. These results trigger another question which aims to find out the relationship between higher quality financial reporting and over-investment and under investment.

Jensen (1986) investigated the financial reporting quality and found that financial reporting quality influenced the characteristics of firms including financial leverage investment, auditing quality and financial structure (Fengchen et al, 2010). Examine the impact of financial reporting reduced investment and agency cost.

Akeju (2017) conducted a study titled investigating the impacting of non-financial characteristics on the financial reporting quality of listed firms in Tehran Stock Exchange and concluded that firm size firm life and type of industry and significant and position relationship with the financial reporting quality and financial reporting quality was negatively related to the ownership structure.

Gassen and Smith (2013) and Luez and Verrechia (2000) have shown that the adoption of IFRS has resulted in a reduction of information asymmetry between informed investors and those uninformed. Similarly, Gassen and Sellhorn (2006) study indicated that firm that adopted IFRS shows ranges lower prices than other firms that have applied to German standard.

Hogdon et al (2009) indicates that IFRS compliance is positively associated with audit quality. Ashbough and Pincus (2001), Ewest and Magnhofer (2005) and Bartov, Goldberg and Kim (2005) provide evidence that reported earning based on IFRS enhance accounting quality by limiting managers opportunistic discretion in determining accounting amount. Bream (2013) in the UK indicated that firms audited by big-4 audit corporations are associated with high quality accounting disclosures and are less prone to earning manipulation.

Dobija et al(2010) declared that IFRS has improved the quality of accounting information in the Greek capital market since they report a statistically significant association between audit quality and transition of IFRS by Greek listed firms.

Barth et al (2008) using a sample form 21 countries found that firms operating under IFRS exhibit more family recognition of losses compared to the non-IFRS firms. Therefore we predict that firms will report large losses with frequency during the post IFRS period compared to pre-IFRS period.

In a study carried out by Nwakaeze (2010) title “regulation of financial reporting for accountability in public companies in Nigeria, sought to correlate the non compliance with the financial standards and governance code in 20 selected public quoted companies in the Nigerian Stock Exchange (NSE) in the Delta State. The study revealed that there is a general problems of accurate financial reporting of accounting of some public companies which result in misleading of the prospective investors and the general public at large. The authors recommend that stipulated penalties go to deolants as to enforce a credible reporting system.

Jean, Jean and Stolowy (2008) found that the adoption of IFRIS does not reduce the earning management of Australian and English Companies. In contrary, the IFRS introduction increases the use of the practice in France similarly Christensen et al (2009) showed that the IFRS adoption does not improve the earning quality of a firm.

Barth et al., (2008) argue that high-quality accounting is the product of accounting standards which requires recognition of amounts that faithfully represent a firm underlying economies. They verify this hypothesis by examining the value relevance of income and the book value of equity between firms following IRS and local GAAP. Their findings, indicate a higher association of accounting amounts with stock returns for those firms that adopted IFRS.

Recent evidence by Ahmed, Neel and Wang (2010) suggests that IFRs adoption results in more earning smoothing, more aggressive reporting of accruals and a reduction in timelines of loss recognition relative to gain recognition. They attribute this finding to the minimal implementation guidance on IFRS to managed incentives to manipulate earnings and to weak enforcement mechanisms.

According to Latridis (2010) in the UK and further verified by Doukakis (2010) in Greece suggest that IFRS has impacted on the variability and persistence of earnings and a reduction of income smoothing practices which obviously results in higher reporting quality.

Blanchette et al (2011) compare 26 ratios computed from IFRS financial statements and Canada GAAP financial statements. Nine firms were used and the data were extracted from the financial statement prepared for under each accounting standard during the transition years. Their findings show that “IFRS’s impact on financial ratios is driven by fundamental differences in application of fair value accounting and consolidation under IFRS and pre-change over Canadian GAAP do not affect cash flows and most of the financial ratios under IFRS present a significantly higher volatility than those computed under pre-change over Canadian GAAP”.

In the same way, Cascino and Gassen (2015) assessed the economic consequences of the adoption of IFRS in Finland. This was achieved by calculating ratios from sampled 91 firms on Helsinki Stock Exchange. The result shows that after the adoption of IFRS, profitability ratio increased, liquidity ratio decreased and there was a decrease observed in a market base financial ratio – the profitability ratio.

According to Leung (2010), two main benefits of instituting a single set of global accounting standards are potential improvements in the quality of reported information as well as convergence benefits such as greater ease of comparing financial statements of companies across countries and consistency in auditing practices.

Yurisandi and Puspitasari (2015) found that comparability of financial reports increased after IFRS adoption at 1% level of significance. Barth, Landsman and Lang (2011) found that the value relevance of earnings and equity book value is more comparable among non-U.S. firms after the application of the International Accounting Standards than when local accounting standards were used.

Theoretical Framework

There are many literatures that explain the relationship between accounting figures and stock valuation. In general the studies regarding this issue can be classified into event studies and regression studies. Even studies focuses on the investors reaction on events and regression studies focuses on accounting-figure and their explanatory power on the market measure of value as used by (Amir et al., 1993; Barth 1994; landsman 1986).

Regression study is splatted into returns and price model. The return model assumes that earnings have information linked to future cash flow. Price model explain earnings and book value of equity.

Capital Needs Theory: Capital needs theory states that companies that have some growth opportunities in the capital market seek external financing opportunities from the capital market (Core 2001). This they achieve by issuing most

share or borrowing from external parties. “Therefore such finance requires some kinds of competition among these companies in order to obtain corporate capital as cost effectively as possible under the conditions of uncertainty by disclosing more information to outside investors in order to inform them about the corporate position and to increase the certainty of their future cash flow.

This theory is use because it demonstrates theoretically that the value of a firm can be derived from financial statement information. Financial statement information is historical, therefore information derived from the financial statement is both reliable and relevant to this study as it is timely gathered and verifiable. unlike information derived from questionnaire which can be formulated and may not be verifiable.

METHODOLOGY

Research Design

This study employs correlational research design in examining IFRS adoption and Financial Reporting quality of listed consumers goods companies in Nigeria. Correlational Design is used for establishing meaningful relationship between variable. Using correlational research design, the study seeks to determine the quality of financial reporting Quality using Earning per share (EPS), Book value per share (BVPS) on stock price, cash flow per share (CFPS) Historical data of earning and book value collected from annual report and regressed on the consequent end of year share price (SHP).

Population and Sample

The population of the study consists of all the 26 consumers goods companies listed on the Nigerian Stock Exchange as at 2005. The sample for the study consists of 15 consumers goods companies after the filtering. The filter technique used in arriving at the sample is as follows;

- i. The company must have been listed under the Nigerian Stock Exchange prior to 2005.
- ii. The share of the company must have been constantly traded within the period of the study.
- iii. The company must have adopted IFRS in 2012 and adjusted the financial statement of 2011.

Sources and Methods of Data Collection

Historical data of earnings per share and book value per share , collected published annual report and Nigerian Stock Exchange FACT books. Also share price data were collected form data base of cash craft asset management and daily price listing of NSE. These are secondary data and the most suitable for good empirical finding in IFRS, primary data would only produce suggestive and forecasted outcome which is bias. The data EPS, BVPS and CFPS were collected for the period of Seven years before IFRS adoption and Seven years after IFRS adoption

Techniques of Data Analysis

The study adopted the price model in order to make inference on value relevance of pre and post IFRS adoption in the consumer’s goods company in Nigeria. EPS ,BVPS and CFPS were the independent variable in the study while SHP is the dependent variable. The study analyzed this set of variables each for pre IFRS and post IFRS. Ordinary Least Square (OLS) multiple regression analyses are employed to analyze the panel data through SPSS.

Model Specification

In order to find the quality of Financial Reporting in IFRS Era in the consumers good companies, the regression of price model is adopted. To be able to conduct the panel data regression analysis, using the price model as formulated below an equation.

$$SHP_{jt} = \beta_0 + \beta_1 EPS_{jt} + \beta_2 BV_{jt} + \beta_3 CFO_{jt} + u_{jt} \dots \dots \dots (1)$$

Where ;

SHP_{jt} = Share price

EPS_{it} = Earnings per share of the firm at time t.

$SPBV_{it}$ = Book value per share of firm I at time t.

CFPS_{it} = Cash Flow per share t.

u_{jt} = Other variables that affect stock price.

The specification shows that return on asset is the dependent variable while various combinations of the other variables are the independent variables.

In order to test the two hypothesis postulated in this research, a functional relationship is suggested between EPS, BVPS , CFPS and SHP in line with price model to assess the quality of financial reporting in IFRS Era of the consumers good companies in Nigeria.

Discussion of findings

Table 1 presents the descriptive statistics of the variables used in the empirical analysis.

Descriptive statistics

Table 4.1: Entire sample:

	N	Minimum	Maximum	Mean	Std. Dev.	Skewness	Kurtosis
SHP	180	0.200	1555.990	79.972	217.063	5.044	27.286
EPS	177	-4.130	54.260	2.749	6.960	4.536	24.937
BVS	177	-5.120	63.360	9.760	13.004	1.693	2.747
CFO	177	-26.080	77.570	4.275	10.321	3.193	17.475

Table 4.2: Pre-IFRS (2005 – 2011)

	N	Minimum	Maximum	Mean	Std. Dev.	Skewness	Kurtosis
SHP	90	0.500	445.660	48.669	80.321	2.896	9.282
EPS	90	-4.130	21.210	2.154	4.402	2.329	5.955
BVS	90	-4.620	29.180	5.979	7.856	1.335	1.305
CFO	90	-10.300	26.050	3.456	6.189	1.699	3.252

Table 4.3: Post- IFRS (2013 – 2019)

	N	Minimum	Maximum	Mean	Std. Dev.	Skewness	Kurtosis
SHP	90	0.200	1555.990	111.274	293.818	3.775	13.894
EPS	87	-1.340	54.260	3.366	8.850	4.111	17.866
BVS	87	-5.120	63.360	13.672	15.866	1.190	0.613
CFO	87	-26.080	77.570	5.123	13.302	2.759	11.643

Notes. The sample consists of 15 firms listed in the Nigeria Stock Markets with 180 firm year observations for the period 2005–2011 and 2013-2019. The variables' definitions are as follows. SHP_{jt} is the end of year share price of firm i at time t, measured three months after fiscal year end, while EPS_{jt} is the earning per share of firm j, measured three months after the fiscal year end; BVS_{jt}: book value of equity per share of firm j at year t, CFO_{jt} is the cash flow from operations.

Results: This study has applied panel data regression to examine the IFRS Adoption on Financial Reporting Quality Empirically using the price models for listed consumer goods firms considering both the pre- and post-IFRS periods and considering the companies' attributes.

Table 4.4: Price regression model for the Value Relevant of IFRS adoption in Nigeria

Variable	Entire Sample (2005-2019)		Pre Adoption of IFRS (2005-2011)		Post Adoption of IFRS (2013-2019)	
	Coefficient	P Value	Coefficient	P Value	Coefficient	P Value
EPS	26.821*** (21.863)	0.000	17.606*** (3.634)	0.000	29.733*** (23.355)	0.000
BVS	-0.172 (-0.279)	0.780	-1.180 (-1.749)	0.084	-0.591 (-0.862)	0.391
	3.153*** (4.643)	0.000	1.016 (1.205)	0.232	4.021*** (5.803)	0.000
R ²	0.896		0.878		0.950	
Adjusted R ²	0.895		0.874		0.948	
F Statistics	498.451		206.598		522.986	
F Significant	0.000		0.000		0.000	

Notes. *** and ** are statistically significant at 1% and 5% respectively.

Values in parenthesis are T values of the independent variables of the study

$$SHP_{jt} = \beta_0 + \beta_1 EPS_{jt} + \beta_2 BV_{jt} + \beta_3 CFO_{jt} + u_{jt}$$

The results as presented in Table 4.4 show a regression of price model. The overall results presented in the table show that the F statistics in both pre and post IFRS periods are significant at one percent which shows fitness of the models in the two periods. But the F statistics value of 522.986 in the post IFRS is higher than the pre IFRS which is 206.598. The coefficient of correlation (R) and coefficient of determination (R²) also show high explanatory power in the post-IFRS period than in the pre-IFRS period. In the price model shown in table 4.4 above, earnings per share for the study firms are significant at one percent in both the pre- and post-IFRS periods. However, this coefficient is smaller for all the firms in the pre IFRS period which is 17.606 as compared with the coefficient of 29.733 in the post IFRS period. Book value of equity is insignificant in both the post- and pre-IFRS period even though significant at 10% in the pre IFRS period. The

beta coefficient of earnings per share which is -0.591 for the post IFRS period is relatively higher than the pre IFRS period which is -1.18. The cash flow of selected firms in the industry has a higher beta coefficient of 4.021 in the post IFRS period. This is absolutely higher than the pre IFRS period of 1.016. In addition, the beta coefficient is significant at one percent in the post IFRS period. It can be concluded that the adoption of IFRS is highly value relevant among listed consumer goods firms in Nigeria.

Conclusion

This study investigated the change in financial reporting quality between the pre and post IFRS adoption in the Consumers goods companies using fifteen companies as sample size. Correlational design test and price model was used to analyse the data. The result shows that there is statistically significant difference in the quality of financial reporting between pre and post IFRS adoption in Nigeria. The result presented in the table 4.4 show that the F statistics in both pre and post IFRS periods are significant at one percent which shows fitness of the models in the two periods. But the F statistics value of 522.986 in the post IFRS is higher than the pre IFRS which is 206.598. The coefficient of correlation (R) and coefficient of determination (R^2) also show high explanatory power in the post-IFRS period than in the pre-IFRS period. In the price model shown in table 4.4 above, earnings per share for the study firms are significant at one percent in both the pre- and post-IFRS periods. However, this coefficient is smaller for all the companies in the pre IFRS period which is 17.606 as compared with the coefficient of 29.733 in the post IFRS period. Book value of equity is insignificant in both the post- and pre-IFRS period even though significant at 10% in the pre IFRS period. The beta coefficient of earnings per share which is -0.591 for the post IFRS period is relatively higher than the pre IFRS period which is -1.18. The cash flow of selected firms in the industry has a higher beta coefficient of 4.021 in the post IFRS period. This study no doubt presents a developing economy perspective on the quality of financial reporting quality differences between pre and post IFRS adoption. The study contributes to the small but emerging body of knowledge with the topic empirical examination of ifrs adoption on financial reporting quality of listed firms in Nigeria

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