THE IMPACT OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) ADOPTION ON THE QUALITY OF FINANCIAL STATEMENTS OF BANKS IN NIGERIA.

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Abstract

The financial statements of banks are depended upon by a large number of stakeholders. The quality of such financial statements is of paramount importance, especially in the advent of globalisation. International Financial Reporting Standards (IFRSs) were developed to ensure not only uniform standard but good quality of financial reporting. In Nigeria, doubts have been raised on financial statements of banks in the last decade to the extent that some of these banks failed. This study sets out to examine the impact of IFRSs on the quality of financial statements of banks in Nigeria with emphasis on the comparability, relevancy and clarity of objectives of Nigerian banks. A case study approach was used to arrive at conclusion drawn from the study. This involves a survey of both internal and external stakeholders using a questionnaire. Data obtained were analysed using the Chi-Square technique. Results show that there is a significant relationship between IFRS adoption and the comparability objectives of Nigerian banks as X^2 *-calculated of 14.96 is greater than the* X^2 *-critical/ table value of 5.99 at 0.05 LOS. It was further discovered that IFRS adoption has a substantial influenced on the relevancy quality as* X^2*-calculated of 14.0 is greater than the* X^2*-critical/ table value of 5.99 at 0.05 LOS. It was also found that IFRS adoption has significantly influence the clarity objectives of Nigerian banks as* X^2*-calculated of 25.4 is greater than the* X^2*-critical/ table value of 5.99 at 0.05 LOS. It was concluded that IFRS adoption has significant impact on quality of financial statements of banks in Nigeria. It is recommended that the adoption of IFRS in preparation and disclosure of financial statement should be enforced. Auditors should declare if the accounts comply with the requirements of the standards.*

Key words: International Financial Reporting Standard, Financial reporting, comparability, accounting quality, Financial Statements of Banks.

Introduction

Understanding the potential impact of IFRS on Banks Accounting process is critical to users (Bankers, Accountants, Auditors, Corporate management, investors, lenders, financial analysts, regulators) connected to Banks financial reporting. However, Accounting has severally been described as the language of business. This is simply because accounting focuses on identifying, classifying, summarizing and interpreting economic and other relevant information about reporting entities such that intended users of such information can make informed judgements. Through financial statements the overall well-being as well as the state of affair of organizations is communicated to stakeholders of all manners and kinds (Edirin & Edesiri 2016).

International Financial Reporting Standards (IFRSs) are a set of Accounting Standards developed by International Accounting Standard Board (IASB) for the preparation and presentation of public financial statement. The primary objective of financial reporting based on IFRS is to provide high quality financial reporting information concerning economic entities primarily financial in nature, useful for economic decision making (FASB, IASB 2008.) International Financial Reporting Standards (IFRSs) is the set of accounting standards developed under a rigorous due diligence process and now used in more than 120 countries around the world including Australia, Brazil, Canada, the European states south Africa, Nigeria and many others.

Accounting theory argues that the purpose of financial reporting is essentially to reduce information asymmetry between corporate managers and their related parties (Watts, 1977, Ball 2001) and financial reporting reduces information asymmetry by disclosing relevant and timely information (Jaggi & Low 2000) It is important to provide high quality financial reporting information because it will positively influence capital providers and other stakeholder in making investment, credit and similar resources allocation decision enhancing overall market efficiency (IASB, 2008; IASB, 2010).

In Nigeria, the banking sector forms one of the pillars of economic development since this sector intermediate between the surplus and deficit sector of the economy thus stimulating and providing investment and economic growth and development (Umoren and Enang 2015)

Increase in investment in the banking sector will lead to improved performance of the country, but for any meaningful investment to occur in the banking sector, quality accounting information regarding the performance of the banks are essential. Stakeholders who are different from the management rely on the information supplied by management in the financial statements assessing the risk and value of a firm before taking decision which is based on the risk and value of the firm. The ability of financial statement to effectively and satisfactorily guide users in making decisions depends on the value relevance of the information in the financial statement (Vishnani & Shab 2008)

Because there is considerable variation in accounting quality and economic efficiency across countries, international accounting system provide an interesting setting to examine the economy ic consequences of financial reporting. The comparison of pre-changeover from Nigerian Generally Accepted Accounting Principles (GAAP) to International Financial Reporting Standard (IFRS) and the identification of differences between the two regimes is an important issue for users of financial statement. Changes to IFRS will bring about greater comparability among countries, increase in growth of countries international businesses, assist internal investors to invest which will lead to more capital flows to the country, investor are better informed about the investment opportunities as opposed to financial statements prepared using a different set of national accounting standard and IFRS uses a principle-based rather than rules-based philosophy.

Despite several advantages of the adoption of a generally accepted practice worldwide, the adoption of IFRS in the preparation of financial statements in Nigerian banks has been questioned by stakeholders saying the disadvantages and challenges of IFRS adoption in Nigeria being a developing country. They believe that since Nigeria is a developing country, it will be difficult for them to adopt IFRS in the preparation of financial statements. Specifically:

i. Most banks in Nigeria are still lacking in the comparability quality of financial report even though they have adopted IFRS.
ii. Relevance principle is still found missing in the Nigerian banks.
iii. Lack of clarity is still key factors affecting Nigerian banks despite adoption of IFRS.

Nigeria being a developing country may not have enough facilities to tackle the above problems and also they believe that there is no need for IFRS since they apply the generally accepted accounting practices (GAAP) in the preparation of their financial statements.

Consequently, this study was initiated to examine the impact of IFRS adoption on the financial statements in the Nigeria banks.

Therefore, the specific objectives of this study are to:

i. Determine the extent to which IFRS adoption has impacted on the comparability quality of financial report of Nigeria banks
ii. Evaluate how IFRS adoption has affected relevance principle of making decision by users of financial report of Nigerian banks
iii. Examine the impact of IFRS adoption on the clarity quality through effective communication in Nigerian banks

In relation to the objectives of the study and research the following questions were answered in this study.

i. To what extent has IFRS adoption impacted on the comparability objective in Nigerian banks?
ii. In what way does adoption of IFRS has affected relevance principle of making useful decision in Nigerian banks?
iii. Does IFRS adoption have any effect on the clarity quality through effective communication in Nigerian banks?

The following research hypotheses were tested in this study in relation to the objectives and research questions:

$H0_1$: There is no significant relationship between IFRS adoption and comparability objective of Nigerian banks

$H0_2$: There is no significant relationship between IFRS adoption and relevance principle of Nigerian banks

$H0_3$: There is no significant relationship between IFRS adoption and clarity quality requirements of Nigerian banks.

A case study approach was used to arrive at conclusion drawn from the study. This involves a survey of both internal and external stakeholders using a questionnaire looking into pre-adoption period (2010-2011) and post-adoption period (2014-2015) of IFRS and data obtained were analysed using the Chi-Square technique.

2. Conceptual Clarification

In this paper two major concepts are conceptualised. IFRS and Financial Statement of Banks

2.1.1 International Financial Reporting Standard (IFRS)

International Financial Reporting Standards (IFRS) are body of prescriptive rules and guidelines with global reach and appeal which provide direction and guidance on how business enterprises in a globalised world could achieve the goal of proper record keeping, transparency, uniformity, comparability and enhancing public confidence in financial reporting (Tendeloo and Vanstraelen, 2005). They are set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the international Accounting Standard Board, and they specify exactly how accountants must maintain and report their accounts. IFRS were established in order to have common language, so that business and account can be understood from company to company and country to country. Thus, failure on the part of the firm to apply the requirements of IFRS would result in inconsistencies, lack of accountability and transparency, distortion in financial reports, which in turn results into poor financial reporting practices and dissemination of accounting information that is of less value to any particular group of users. This is because the preparation and presentation of financial statements will be bereft of objectivity, reliability, credibility and comparability, and thus results in fraudulent business practices which subsequently lead to business failure and become devastating on the national economy (Atu et al., 2014).

Amongst other things, the increasing internationalisation of the standardization of accounting rules has helped to reduce wide judgmental intuition and discretion, which has reduced the work of the external auditor considerably (Saad, 2006). It also allows for a considerable level of consistency in the application of accounting policies, which has helped to strengthen comparability financial reports the world over (Abata 2015). The standard setting process has helped to provoke a high level of research and discussion among members of the professional and this has awakened the profession from its slumber

2.1.2 Nigeria and IFRS Adoption

Before 2012, the Statements of Accounting Standards was used in accounting practice in Nigeria. These local accounting standards are issued in Nigeria by the Nigerian Accounting Standard Board (NASB) till 2011 in accordance with Section 335(1) of the Companies and

Matters Act of 1990. In the wake of financial crises in late 1990s, the international community emphasized the major role that the observance of international standards and codes of best practices in order to strengthen global financial systems. Although the Nigerian Statements of Accounting Standards (SAS) are similar to IFRS in certain respects, many differences exist. SAS promulgated by NASB were largely based on past IAS promulgated by IASC. Due to the increasing complexity of financial reporting requirements, some of the original IASs were reviewed resulting in their amendment or withdrawal. The SASs were not reviewed or updated with the IASs/IFRSs. The significant disparities between the Nigerian SASs and IFRSs have resulted in the SAS being regarded as outdated and incomplete as an authoritative and internationally accepted guide to the preparation of financial statements. This has significantly diminished the degree of confidence on Nigerian Standards especially by international users of financial statements produced in Nigeria.

Based on the premise of NASB to promote general acceptable published financial reports and high quality accounting standards that are consistent with international practices, inaugurated a Stakeholders' Committee on the Roadmap to the Adoption of IFRS in Nigeria on October 22, 2009. In July 2010, the Nigerian Federal Executive Council approved the Roadmap to the Adoption of IFRS in Nigeria (NASB 2010)., it was shown in the report that, that it will be in the interest of the Nigerian economy for reporting entities in Nigeria to adopt globally accepted, high-quality accounting standards by fully converging Nigerian national accounting standards with International Financial Reporting Standards (IFRS) by following a Phased Transition effective January 1, 2012.

The Nigerian banking sector is made up of commercial banks and other financial institutions such as finance companies, micro-finance companies, discount houses and mortgage institutions. The Central Bank of Nigeria (CBN) regulates their activities. The CBN has authorized only 21 commercial banks to transact business in Nigeria. Out of these 14 are listed banks. Nigerian listed banks and other public and significant public interest entities were required to adopt IFRS for years beginning on or after January 1, 2012. Among the listed companies, the listed banks were the first to complete the transition and have adopted the standard for reporting.

2.1.3 Benefits of the adoption of IFRS

The objectives and importance of introducing IFRS according to Fowokan, 2011 are:

i. to work actively with the national setter to bring about convergence of national accounting standards, IFRSs are designed for adoption by profit oriented entities.
ii. IFRSs require that financial statements (FS) give a true and fair view of the financial health of entities.
iii. To develop a single set of high quality understandable and enforceable global accounting standards that requires transparent and comparable information in financial statements.
iv. To help participants in various capital markets (investors, stock brokers, etc) across the globe to understand financial statements.

He also postulated that, implementation of IFRS would give rise to the following benefits:

a) Uniform application of principles i.e. same language
b) Cross border investments leading to economic growth and development. It will also lead to increase globalization of commerce and trade.
c) Easy comparability of financial statements of two or more companies' worldwide.
d) Tax authorities will find it easy to assess taxpayers for payment and collection.
e) Multinational companies will find it easy to carry out merger and acquisition, easy access to multinational capital, the cumbersome task of consolidation of group financial statements would be simplified and accounting and audit functions will also be made easy.

The implementation of IFRS would reduce information irregularity and strengthens the communication link between all stakeholders. It also reduces the cost of preparing different version of financial statements where an organisation is a multinational (Healy and Palepum, 2001). It is advocated that adoption of IFRS will lead to: greater transparency and understand ability, lower cost of capital to companies and higher share prices (due to greater confidence of investors and transparent information), reduced national standard-setting costs, ease of regulation of securities markets, easier comparability of financial data across borders and assessor investment opportunities, increased credibility of domestic markets to foreign capital providers and potentials foreign merger partners, and to potential lenders of financial statements from companies in less-developed countries. It will also facilitate easier international mobility of professional staffs across national boundaries. For the multinational companies, it will help them to fulfil the disclosure requirement for stock exchanges around the world (Armstrong, Earth, Jagolizer & Riedl, 2007).

2.2. Financial Reporting

Financial reporting is a formal record of the financial activities and position of a business or entity (Hennie, 2005). Relevant financial information is presented in a structured manner and in a form easy to understand and it typically includes basic financial statements, accompanied by a management decision and analysis (KPMG, 2013). The statement contents of a set of financial statements are

1) Balance Sheet: shows the entity's assets, liabilities and stock holders' equity as of the report date.

2) Statement of Comprehensive Income: shows the results of entity's operations and financial activities for the reporting period.

3) Statement of Cash Flows: shows changes in the entity's cash flows during the reporting period.

4) Statement of changes in Equity or Equity statement: which reports on the changes in equity of the company for the period?

It is worthy of note that financial reporting pundits are unanimous in their agreement that financial reporting practice of a country depends on several factors that include the legal, economic, cultural and historical background of a country. It could then be argued that financial reporting is not an end in its self; rather, it is intended to provide information that is used in making reasoned choices among alternative uses of scarce resources in the conduct of business and economic activities. Therefore, this recognizes the fact that financial reports exist to satisfy the diverse information needs of numerous users such as the investors, management, employees, government, researchers, and so on.

2.3 Quality of financial reports

Financial reporting quality represents financial statements that provide accurate and fair information about the underlying financial position and economic performance of an entity. (IASB)

Cheung, Evans & Wright (2010) indicates what qualities are fundamental among different frameworks and they identify the following:

1. Relevance- Relevance measures usefulness and materially. It illustrates capability of making decision by users. It influences the decision making and assists users to evaluate, correct and confirm current and past events. The usefulness of making a decision an important part of relevance is consistent with the framework of IFRS (Cheung, Evans & Wright 2010). Annual reports have a crucial role in determining the level of relevance by disclosing forward looking information that provides feed back (Beest, Braam& Boelens 2009).
2. Reliability- This quality is achieved when information, which users depend upon, is free from bias and material mistakes. Reliability is analysed based on the qualities of faithful and verifiable information (Cheung, Evans & Wright 2010)
3. Comparability- comparability is the concept of allowing users to compare financial statements to determine the financial position, cash flow and performance of an entity. It allows users to determine the financial position among other companies in the same period.(Cheung, Evans & Wright 2010). Comparability demands that identical event will reflected in two situations will be reflected by identical accounting facts and figures.

   Notes to the account should disclose and explain ay changes in accounting policies and the implication of these changes. Also financial ratio presentation also contributes to the comparison with other organization.

4. Clarity- understanding is one of the essential qualities of information in financial reports. Achieving this is through effective communication the better the understanding by users, the higher the quality that will be achieved (C, E & W 2010). When annual reports are well organized users can comprehend what their needs are (Beest, Braam & Boelens 2009)

3. Theoretical Framework.

This study is based on three theories. These are

1. **Value relevance models:** Value Relevance Model, measure the quality of financial reporting information by focusing on the associations between accounting figures and stock market reactions (Nicholas & Wahlen, 2004). The stock price is assumed to represent the market value of the firm, while accounting figures represent firm based on accounting procedures when both concepts are (strongly) correlated, i.e. changes in accounting information correspond to changes in market value of the firm, it is

assumed that earnings information provides relevant and reliable information (Nichols & Wahlen 2004).

This model is used to measure variability persistence, productive ability, relevance and faithful representation of financial information

2. **Accrual model:** accrual model focus on earnings quality measurement. Accrual models are used to measure the extent of earnings management under current rules and legislation like pre-adoption of IFRS and post-adoption of IFRS. These models assume that managers use discretionary accruals which the manager can exert some control, to manage earning (Hely & Waaahlen 1999). Earnings management is assumed to negatively influence the quality of financial reporting by reducing its decision usefulness (Brown, 1999, Tendeloo & Vanstraelen, 2005). The main advantages of using discretionary accrual to measure earnings management is it can be calculated based on the information in the annual report. In addition, when using regression models, it is possible to examine the effect of the company characteristic on the extent of earnings management.
3. **Normative theory**: Normative theory suggest that IFRS has increased the quality of financial information in the qualitative characteristics of "Relevance " and "Comparability as management and different governments are more likely to accurately rely on financial statements through application of the same rules as to utilising differing GAAP principles which might negatively influence financial information, (Healy & Wahlen 1999).

   In conclusion, accrual, value and normative disclosure, relevance and comparability of financial reporting quality

4 EMPIRICAL REVIEW

Stakeholders round the globe had contributed to the emerging issues in respect of the application of the provisions of the International Financial Reporting Standard.

Edirin & Okoro (2016) on the effect of IFRS on the financial statement of banks in Nigeria and looking into before and after IFRS adoption, found out among others that IFRS adoption significantly and positively affected the financial position of the sample banks in Nigeria and recommend as a matter of urgency to comply with the provision of IFRS and continuous training and retraining of Bankers, accountants and the preparer of financial statement

Yahaya, Fagbemi & Oyeniyi (2015) looked into the effect of IFRS on the financial statement of Nigerian banks and transition to new standard was fairly disruptive for users of financial statements. Comparability and trend analyses was impaired as the differences between IFRS and local Generally Accepted Accounting Principles (GAAP) figure presented in the financial statement leads to variances in financial ratios computed under the two regimes. The finding revealed that there is a significant effect of the adoption of IFRS on the financial statement of banks in Nigeria. It was suggested that attention should be accord to the trend analysis when comparing pre pand post adoption of IFRS.

Abata(2015) strongly argued for the internationalisation of the adoption of IFRS as a panacea for curbing or mitigating these financial reporting infraction. The study revealed that the quantitative diffrences in the financial reports prepared under GAAP and IFRS are statistically signifiacant and the study concludes that IFRS have impacted on the financailn reporting in the banking sector.

Fashina & Adegbite (2014) was of the opinion that adoption of IFRS in Nigeria would be in the interest of Nigerian economy for reporting entities in Nigeria on global accepted, high-quality Accounting Standard by fully adopting the IFRS in phased transition with effect from 2013. The Central banh of Nigeria (CBN) and Securities and exchange commission (SEC) also adopted this date for compliance. IFRS to SMEs is to be mandatorily adopted as at January ,2014.

Akinyemi (2012) in his work: the impact of international financial reporting standard adoption on financial statements, found out that many of the accounting standards relied upon in preparing financial statements had actually been outdated in relation to their International Accounting Standards (lASs) and International Financial Reporting Standards equivalents.The use of accounting information cuts across borders when common yardsticks are used in preparing the financial statements.

Nyor (2012) in his own work ‘challenges of converging to IFRS in Nigeria” postulated that Nigerian companies should converge to IFRS in view of the fact that it will enhance better accountability and transparency and improve quality of reporting. Because of cumbersomeness and the initial anticipated problems of the IFRS, the study carried out by him recommended that Nigeria should adopt IFRS for group accounts of listed companies only while Nigerian GAAP should still be mandatory for individual company's accounts of listed companies and optional for group accounts of non-listed companies as it is the practice with Germany.

Ikpefan and Akande (2012) highlighted the initial inconsistencies of IFRS with local laws indifferent countries. In Nigeria, the legal frameworks for preparing financial statements are spelt by Companies and Allied Matters Act Cap C20, Laws of the Federation of Nigeria, 2004. Businesses in banking and insurance are subjected to Banks and Other Financial Institutions Act (BOFIA) and Insurance Act respectively. The IFRS provisions do not recognize these local laws. There is a need to amend these laws if IFRS is to be fully applied in Nigeria. To be addressed also is the issues of cultural setting. Provisions have to be made in respect of Islamic banking which eliminates interest in all banking operations and requirement to contribute a certain amount of their wealth yearly by way of an alms tax for the less privileged members of the society.

Muhammad (2011) is of the opinion that external auditors have vital roles to play in ensuring strict compliance to the provisions of the standards. In his assessment of some selected Nigerian banks that are quoted on the Nigerian stock market, it was found out that firms recognized losses more frequently in the post adoption period than they do in the pre adoption period. He therefore concluded that accounting quality improves after the adoption of IFRS. With the adoption of IFRS, companies are mandatorily required to give more information on the financial statements being reported upon. Individual countries which have their own peculiar GAAPs are now required to comply with the IFRS provisions which may be strange to them.

5. Methodology

In this Study, data is presented using both tables and diagrams. Simple, complex and compound complex frequency distribution tables were used. These are further presented on pie-charts, simple and multiple bar charts and the line graphs. The inferential statistics used in testing the relationship between accounting information system and decision making is Chi-square technique which is given by:

$$X^2 = \frac{(\Sigma\ (O - E)^2)}{E}$$

Where:

X^2= Chi- square calculated

Σ = Sigma notation, which is called summation i.e. sum of

O= Observed frequency from field survey

E= Expected frequency, which is the average of observed frequencies.

Thus, the Chi-square calculated is compared with chi-square critical table value at (n-1) degree of freedom and 0.05level of significance. Hence, if the calculated X^2 is greater than the X^2 critical value. X^2 is significant and as such we reject the null hypothesis and accept the alternate hypothesis; however, if the calculated X^2 is less than the X^2 critical value, we accept the null hypothesis

6. Data Analysis

$H0_1$: There is no significant relationship between IFRS adoption and comparability objective of Nigerian banks

$H0_2$: There is no significant relationship between IFRS adoption and relevance principle of Nigerian banks

$H0_3$: There is no significant relationship between IFRS adoption and clarity quality requirements of Nigerian banks

Data Analysis for Hypothesis 1

HYPOTHESIS 1: There is no significant relationship between IFRS adoption and comparability objective of Nigerian banks

Dependent Variable: comparability objective

Independent Variable: IFRS adoption

Test Results		
N	**5**	
DF	**2**	
X2Cal	**14.96**	
LOS	**0.05**	**i.e. 5%**
X2Tab	**5.99**	

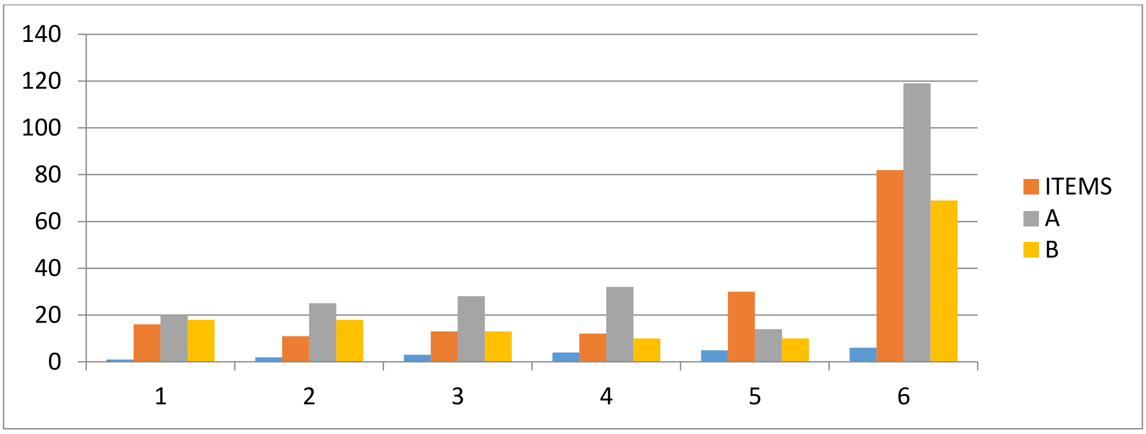
Table 1: Frequency Table for Hypothesis 1

ITEMS	**A**	**B**	**C**
1	16	20	18
2	11	25	18
3	13	28	13

4	12	32	10
5	30	14	10
	82	119	69

Source: ***Field survey, 2016***

Figure. 1. Multiple bar chart for hypothesis 1



Interpretation of test result on Hypothesis 1

Since X^2 -calculated of 14.96 is greater than the X^2-critical/ table value of 5.99 at 0.05 LOS, it means that the independent variable (IFRS) has an impact on the dependent variable (comparability objective). Therefore, we reject the null hypothesis, which states that there is no significant relationship between IFRS adoption and the comparability objective of Nigeria banks and accept the alternate hypothesis, which states that there is a significant relationship between IFRS adoption and the comparability objective of Nigeria banks.

This appears to have a direct bearing on .(Cheung, Evans & Wright 2010). that, comparability allows users to compare financial statements to determine the financial position, cash flow and performance of an entity and also allows users to determine the financial position among other companies in the same period.(Cheung, Evans & Wright 2010). Comparability demands that identical event will reflected in two situations will be reflected by identical accounting facts and figures

Table 2 Data analysis for Hypothesis 2

HYPOTHESIS 2: There is no significant relationship between IFRS adoption and relevance principle of Nigerian banks

Dependent Variable: Relevance objective

Independent Variable: IFRS adoption

Test Results

N	**5**
DF	**2**
X2 Cal	**14.0**
LOS	**0.05 i.e. 5%**
X2 Tab	**5.99**

Table 2: Frequency Table for Hypothesis 2

ITEMS	**A**	**B**	**C**
1	18	20	16
2	10	33	11
3	16	23	15
4	18	18	18
5	22	18	14
	84	**112**	**74**

Source: ***Field survey, 2016***

Multiple bar chart for hypothesis 2

Interpretation of test result on Hypothesis 2

$H0_2$: There is no significant relationship between IFRS adoption and relevance principle of Nigerian banks

Since X^2 -calculated of 14.0 is greater than the X^2-critical/ table value of 5.99 at 0.05 LOS, it means that the independent variable (IFRS adoption) has an influence on the dependent variable (Relevance). As such, we reject the null hypothesis, which states that there is no significant relationship between IFRS adoption and the relevance principle of Nigeria banks and accept the alternate hypothesis, which states that there is a significant relationship between IFRS adoption and the relevance principle of Nigeria banks.

This has a direct bearing on the (Cheung, Evans & Wright 2010), which state that Relevance measures usefulness and materially. Illustrates capability of making decision by users, influences the decision making and assists users to evaluate, correct and confirm current and past events. The usefulness of making a decision an important part of relevance is consistent with the conceptual framework Annual reports have a crucial role in determining the level of relevance by disclosing forward looking information that provides feed back (Beest, Braam& Boelens 2009).

Data analysis for Hypothesis 3

HYPOTHESIS 3: There is no significant relationship between IFRS adoption and clarity quality requirements of Nigerian banks

Dependent Variable: Clarity

Independent Variable: IFRS adoption

<u>Test Results</u>

N 5

DF 2

X2 Cal 25.4

LOS 0.05 i.e. 5%

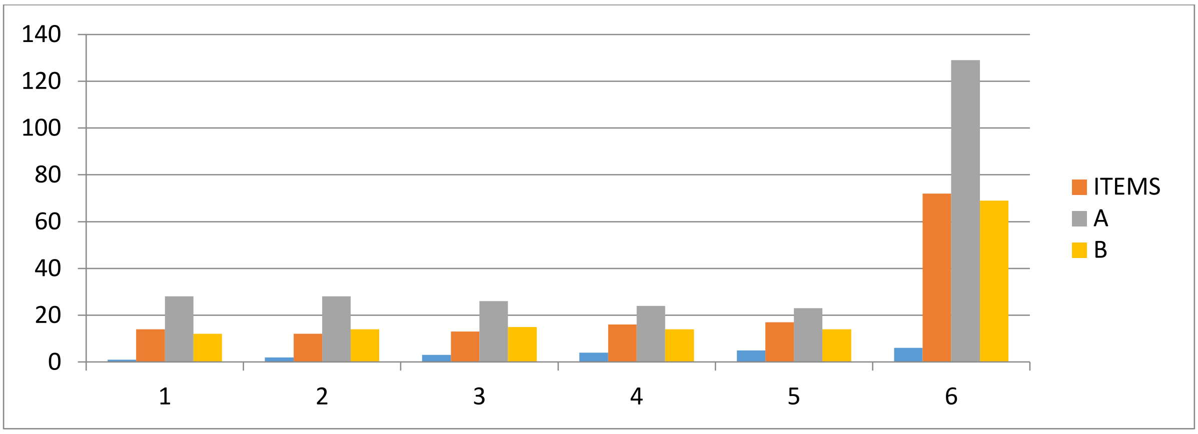
X2 Tab 5.99

Table 3: Frequency Table for Hypothesis 2

ITEMS	**A**	**B**	**C**
1	*14*	28	12
2	12	28	14
3	13	26	15
4	16	24	14
5	17	23	14
	72	**129**	**69**

Source: ***Field survey, 2016***

Figure 5.2. Multiple bar chart for hypothesis 3



Interpretation of test result on Hypothesis

Since X^2 -calculated of 25.4 is greater than the X^2-critical/ table value of 5.99 at 0.05 LOS, it means that the independent variable (IFRS adoption) has an influence on the dependent variable (Clarity), As such, we reject the null hypothesis, which states that there is no significant relationship between IFRS adoption and the clarity principle of Nigerian banks and accept the alternate hypothesis, which states that there is a significant relationship between IFRS adoption and the clarty principle of Nigerian banks.

This can be linked to the works of (Beest, Braam & Boelens 2009) which says that understanding is one of the essential qualities of information in financial reports. Achieving this is through effective communication the better the understanding by users, the higher the quality that will be achieved . When annual reports are well organized users can comprehend what their needs are

7. Conclusions and Recommendations

Consequent upon the findings of this study, the following conclusions were drawn:

i. There is significant relationship between IFRS adoption and the comparability quality of financial report of Nigeria banks

ii. Adoption of IFRS has a substantial influence on the relevance principle of making decision by users of financial report of Nigerian banks

iii. There is a positive relationship between IFRS and clarity quality through effective communication in Nigerian banks

It is therefore recommended among other things that:

a. In other to improve the comparability of banks' financial statements, the banks should try to improve on the presentation of trend analysis, to aid understanding ability of the users of financial statements. Stop making use of ambiguous words so that the financial statements can be easily understood, interpreted and user will be able to compare financial statement to determine the changes.

b. There should be effective communication that will aid better understanding of users in relation to financial information; this will bring about greater clarity.

c. Auditors should declare if the accounts comply with the requirements of the standards and guide against creative accounting and window dressing of the financial statements being prepared.

d. All information relating to the banks' financial statements should be properly and timely disclosed in the notes to the accounts, directors' reports and the chairman's report to reduce the complexity of the financial statements prepared.

e. The financial statements of banks should be prepared in accordance with the requirements of IFRS so as to improve the quality and public confidence of the financial statements.

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