CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

International financial reporting standard (IFRS) which is currently a globally accepted standard in the preparation and presentation of financial statement of organization was adopted in Nigeria in 2010. Prior to the adoption of IFRS in Nigeria, the local standard being used was SAS (statement of accounting standards) which was issued by Nigeria Accounting Standard (NASB). The adoption and compliance with IFRS in Nigeria is being regulated by financial reporting standard of Nigeria (FRCN). It was then referred to as international accounting standards (IAS), in 1999 through a resolution by the council of the institute of certified public accountants of Nigeria (ICPAN), the legally mandated accounting institute in Nigeria. The study compares changes in the quality of accounting between the preadoption period from 1995 to 1999 and the post adoption period from 2000 to 2004. The study specifically tests whether there is less earning management, more timely loss recognition and higher value relevance in the adoption period as opposed to the preadoption period. It also takes a global perspective to the IFRS question in relation to quality. The outcomes of the study show mixed result with some of the metrics indicating a marginal increase in accounting quality and other showing a decrease in the quality of accounting.

Since their inception, international accounting standards have been produced by two bodies. The first, the international accounting standard committee (IASC) came up with 41 accounting standards between 1973 and 2000. The IASC was replaced by the International Accounting Standard Board (IASB) in the year 2000. The new board embarked on a review processes aimed at refining the standards. The result was reduction in the number of standard from 41 I n the year 2000 to 28 by the year 2008. By 2016, 16 standard had been issued by the board as international financial reporting standards (IFRS). According to IAS plus (2010), IFRS refers to the entire body of IASB pronouncements including standards and interpretations approved by IASB, IASC and their interpretations produced by the accounting standards interpretations committee (IASIC). IFRS or IAS have also been described as a set of standards stating how particular types of transactions and other events should be reflected in financial statements, issued by IASC and IASB (ACA, 2008).

The primary objective of the accounting standard is to enable corporations to provide investors and creditors with relevant, reliable and timely information which is in line with the IASB's accounting framework for the preparation and presentation of financial s statements. Such information, it is argued, contributes towards the achievement of orderly capital markets around the world (Imoff, 2003). The concept of accounting quality is based on the IASB framework where relevance, reliability, understandability and comparability (IFRS, 2006) are key components and therefore, assumed that financial statement with the four qualitative characteristics have better quality. Chen et al, (2010) has simply described accounting quality as the extent to which the financial statement information reflect the underlying economic situation. In simple term, this study seeks to establish if the adoption of IFRS has improved qualitative characteristics of the financial reporting in Nigeria where such improvement would be regarded as improvement in quality.

1.2 STATEMENT OF THE PROBLEM

Considering the critical importance of banks of strategic economic development plans in Nigeria, because this accounts for about 31% of the total market capitalization, according to NSE (2014) and the truth that banking sector was the first among the listed public entities in Nigeria to fully accept IFRS; a study on the impact of IFRS on quality of financial statement of a major bank in Nigeria becomes important in order to ascertain the effect of the mandatory acceptance of IFRS on the quality of financial information of banks in Nigeria besides, a set of financial statements are meant for diverse users, ranging from management, owners, creditors, respondents, government agencies regulatory authorities, investors, analysts e.t.c particularly investors wish to know which items in the financial information are useful for investment decisions. Based on the need for the provision of feedback on whether the change to IFRS has improved accounting quality. This study will examine the impact of IFRS on the quality of financial statements in.

1.3 RESEARCH QUESTIONS

In light of the above research problem, the following research questions were carved out:

i. Does international Financial Reporting Standards (IFRS) in Nigeria improved the quality of financial reporting in Guaranty Trust Bank plc?
ii. Does IFRS play any significant role in banking institutions in Nigeria?
iii. Has there been effective implementation and adoption of IFRS in Guaranty Trust Bank plc?
iv. Is there any problem confronting the staff of Guaranty Trust Bank plc, in enhancing quality financial statement?
v. Does the adoption of IFRS impact on accountability of Nigeria organization?

1.4 OBJECTIVES OF THE STUDY

The objectives of the study are as follows:

i. To examine the impact of international financial reporting standards IFRS to the quality of financial statements
ii. To find out the problems confronting the staff of Guaranty Trust Bank plc in adopting IFRS into their system
iii. To make useful recommendations based on the findings of the study
iv. To analyse the relationship between international financial reporting standards IFRS and the quality of financial statement
v. To portray the role of IFRS in accountability of Nigerian organization

1.5 RESEARCH HYPOTHESES

In light if the above research objectives, the following hypotheses will be formulated in their alternate and null forms.

H_0: denotes null hypothesis (i.e negative relationship/correlation) while H_a denotes alternative hypothesis (i.e positive relationship/correlation)

HYPOTHESIS 1

H_{01}: IFRS does not improve the quality of financial reporting in Guaranty Trust Bank plc

H_{0a}: IFRS improve the quality of financial reporting in Guaranty Trust Bank plc

HYPOTHESIS 2

H_{02}: IFRS does not play any significant role in banking institutions in Nigeria

H_{0a}: IFRS play any significant role in banking institutions in Nigeria

HYPOTHESIS 3

H_{03}: there is no significant relationship between effective implementation and adoption of IFRS in Guaranty Trust Bank plc

H_{0a}: there is significant relationship between effective implementation and adoption of IFRS in Guaranty Trust Bank plc

1.6 SIGNIFICANCE OF THE STUDY

The ultimate goal of every industry or organization including banks is to ensure that quality financial reporting (statement/information) is issued to public. The goal can be achieved in the banking sector adopting IFRS for effective financial reporting. This study is necessary because it would enable the managers of Guaranty Trust Bank plc and other banks to improve their implementation of the standards. It would also help the employers, employees and the potential investors who may want to invest on the company make better investment decisions. Finally, it would serve as a reference sources to students or other researchers who might want to carryout their research on the similar topic.

1.7 SCOPE OF THE STUDY

The study is about the impact of IFRS on quality of financial statement in the Nigeria banking sector with a particular reference to Guaranty Trust Bank plc, Taiwo Branch, Ilorin, Kwara State.

1.8 LIMITATIONS OF THE STUDY

The limitation of this study was inability of management of GTBank to expressly to provide certain information which they consider sensitive on the ground of professional ethics and confidentiality which is highly regarded by the bank

Another limitation to the study is time constraint. The period within which the study is conducted is short for a thorough research work, hence gathering adequate information becomes very difficult, likewise, finance is another limitation to this study. The research faced financial constraint in the effort to access the needed educational requirements relevant for this research study. This caused the researcher to restrict his research to one company for possible completion of the study.

Finally, lack of materials on the topic. This new in the area of quality preparation and presentation of financial statement in Nigeria. Therefore, the researcher resolved to seek friendly approach in other to obtain the needed materials or information from the organization under study through the administration of questionnaire.

1.9 DEFINITION OF TERMS

- IFRS: International Financial Reporting Standard

- Financial Statement: Financial Statements are a collection of reports about an organization’s financial results, conditions and cash flows.

- IAS: International Accounting Standards

- FDI: Foreign Direct Investment

- Foreign Direct Investment: This is an investment made by a company or individual in one country n business interests in another country, in the form of either establishing business operations or acquiring business assets in the other country, such as ownership or controlling interests in a foreign company (investopeda.com)

- GAAP: Generally Accepted Accounting Principle

- Accounting: This is defined as the process of identifying, measuring and communicating economic information to permit informed judgments and decision by users of the information (Frank wood & A. Sangster, 2005)

- Income Statement: Income statement is a financial statement that measures a company's financial performance over a specific period (Investopedia.com)

- statement of cash flow: Statement of cash flow is a financial statement that shows changes in the financial position accounts and income affect cash and cash equivalents and breaks the analysis down to operating investing and financing activities (Bodies, Zane, Alex Kane and Alan J. 2014)

- Accounting Manager: enable the managers to improve on their implementation of the standards and it will monitor performance and compare actual performance with planned performance so that necessary corrective actions are take where planned targets are not being attained.

- Employee: Employees need information regarding the financial position and profitability of the firm as these would influence the trade union negotiators demands for improvement employees' remuneration and conditions of service

- Financial analysts: enable the managers to improve on their implementation of providing expert opinions base on the analysis to their clients. Finally, it would serve as a reference source to students or other researchers who might want to carry out their research on the similar topic

CHAPTER TWO

LITERATURE REVIEW

2.1 CONCEPTUAL FRAMEWORK

International financial reporting standard (IFRS) are standards interpretation and the framework adoption by international accounting standards board; international financial reporting standards are products of private sector initiatives towards the harmonization and internationalization of financial reporting in response to the demands of business globalization and regional convergence (Abata 2019 (i). 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 globalized world could achieve the goal of proper record keeping, transparency, uniformity, comparability and enhancing public confidence in financial reporting (Tendoloo and Vanstreel, 2019 (22)). 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 result into poor financial reporting particles, and dissemination of accounting information that is of less value to any particular group of users.

IFRS represent a single set of high quality, globally accepted accounting standards that can enhance comparability of financial reporting across the globe. This increased comparability of financial information could result in better investment decisions and ensure a more optimal allocation of resources across the global economy (Jacob and Madu, 2018, (12)). 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 (Atuet al., 2019, (12))

2.1.2 ADOPTION OF IFRS

According to Kenneth (2014, (14)), the quality of financial repowering in indispensable to the need of users who requires them for investment and other decision making purpose

Financial reports can only be regarded as useful if it represents the “economic substance” of an organization in terms of relevance, reliability, comparability and aids interpretation simplicity. Before IFRS adoption era, most countries had their own standard with local bodies responsible for developing and issuance.

The Nigeria Accounting Standard Board (NASB) was responsible for developing and issuing standards known as Statements of Accounting Standards(SAS) and in the new dispensation, the body was renamed Financial Reporting Council (FRC) of Nigeria as the regulatory body overseeing the adoption and implementation IFRS (Kenneth 2019, (14))

2.1.3 CHALLENGES THAT NECESSITATE IFRS ADOPTION IN NIGERIA

Presently, GAAPs are significantly wearing out and becoming obsolete therefore making financial reports difficult to be compared with financial statements of other jurisdiction. Nigeria in adoption IFRS (Fowokan, 2018). The reasons for this include:

- Difficulties in comparing financial statements globally.

- Difficulties in consolidating financial statement of a group companies
- Decline in the inflow of the foreign direct investment in Nigeria.
- High cost of preparing and presenting group financial statements.
- Inability of users of financial statements to comprehend very well information in multinational company's financial reports.

2.1.4 BENEFITS OF ADOPTING IFRS

According to the report of the committee on road map to the adoption of IFRS in Nigeria (2011, (20)) the benefits of IFRS adoption are numerous. In general, it offers organizations opportunity for a fresh look at their processes and policies. It also gives room for one basis of accounting (simplify local Statutory reporting, cross-border transactions, strengthening of controls and efficiencies in future reporting) furthermore, it can lead to improved comparability a cross borders and within global industries, with worldwide peers and competitors. A more specific consideration may reveal individual benefits as hereunder.

- International investor: - Ability to make useful and meaningful comparisons of investments portfolios in different countries.
- Governments and National Standard Setting bodies: - Assets governments in attracting international investors as adoption of IFRS enables international investors easy monitoring of overseas investments.
- Multi-national Companies:- Easy consolidating of financial statements; better management control; as harmonization would aid internal communication of

financial information and easier to comply with the reporting requirements of overseas stock exchange .

2.1.5 CHALLENGES TO IFRS IMPLEMENTATION

According to Herbet et al (2014), the implementation of IFRS provides plethora of development issues and challenges. The leading candidates can be compactly summarized under three categories, namely; bounded rationality challenges process challenges and technical challenges. Bounded rationality challenges. These are mainly deposited in the firms staff and involve their capacity to take on idiosyncratic skills and competencies required by IFRS. Technical capacity is a basic requirement for effective implementation of IFRS countries that implement IFRS face a variety of capacity related issues, depending on the approach they take. One major challenge encountered in the implementation process is the shortage of encountered in the implementation process is the shortage of skilled accountants and auditors who are technically competent in implementing IFRS and ISAs (United Nations 2008 in Herbert et al, 2014). Where the firm's human resources are limited in knowledge, skill, foresight and time, these will have implications for the achievement of human purpose and for economic organization of IFRS. In this regard, inadequate training, deployment, inadequate top management and board support and poor incentive structure are bounded rationality challenges with uncertainty and complexity of business bounds on rationality challenges inherent in human behaviour. Juxtapose these with uncertainty and complexity of business, bounds on rationality become further stretched.

Process challenges are usually resident in the nature of enterprises and business performance. IFRS implementation is an environment of poor business performance is bound to be prolonged or fail totally. Technical challenges are related to both bounded rationality and process management.

Transactional disabilities are implicit in the presence of scarce resources, poor skills functionality and poor application management. Process and technical impediments also resonate with the intricases of IFRS technical accounting standards, the overlap of local and international regulatory considerations, the required conversion across business units and countries and the level of information technology (IT) infrastructural required in the organization and the death of IT professionals with the required in the organization and the death of IT professionals with IFRS technical knowledge who can interpret and translate IFRS into IT changes. An organization that lacks men of resource will invariably lack the ability to deal resourcefully with unusual problem.

A proper implementation plan should being with an evaluation of the firm's internal organizational strength skills and weakness in terms of availability and capacity of human resources. IFRS implementation introduces complexity into the accounting environment and the firm may be required to progressively improve its internal controls as a first step. A seamless transition to IFRS platform must overcome these challenges.

2.1.6 KEY DIFFERENCES BETWEEN NG-GAP AND IFRS

Nigerian public listed entities are required to present their financial statements reports in accordance with IFRS beginning January, 2014. Before then, all Nigerian firms prepared their financial statements in accordance with local standards issued by the Nigerian accounting standard board (Abdulkadir, 2014). There are also significant differences in property, plant and equipment, related parties, segment reporting, leases, impairment and risk management disclosure (Abdulkadir, 2014). Finally significant differences are also found in other areas such as financial guarantees, scope of consolidation and employee benefits. The key differences are shown in the table below:

Table 1 Topic	NG-GAAP	IFRS
Financial statement presentation	Income statement balance sheet cash flow statement valued added statement	Statement of comprehensive income (including income statement). Statement of financial position (balance sheet) Statement of change in equity Statement of cash flows -Accounting in policies – Notes - Significant management estimates and judgment

Property plant and equipment	Measured using cost model	Measured using cost model with detailed guidance regarding: - Compensation - Useful lives - Residual values - Impairment calculations and identifying cash generating units
Related parties	Limited disclosure but expected	Detailed guidance on identification of related parties and detailed disclosure of related par ties and transactions
Segment reporting	More on geography	Operation segments based on management view. - Threshod for reportable segments is results or assets on an individual segment should be 10% or more of all segments - If the aggregate revenue of all reported segments on this basis less than 75% of total, then more

		segments required until 75% threshold is reached.
IFRS I- First time	Not applicable	Provides guidance and requirements
Adoption of IFRS		
Financial guarantees	Disclosed as contingent liabilities	Require financial guarantees to be recognized at their fair value
Scope of consolidation	General principles	Investment under control are consolidated SPES are potentially also consolidated
Employee benefits	General expense and disclosures on pensions	- Complex criteria of accounting - Recognize the undiscounted amount of short-term employee benefits
Risk management disclosures	Limited disclosure of foreign exchange and credit risk	Disclosure required for: - Credit risk - Price risk - Capital risk management - Risk management

Lease	Based on general guidelines-operating and finance leases	- Currently similar but updates to IFRS e.g IRRIC 4 will lead to only finance lease hence more items coming unto balance sheet - Fair value and amortized costs used in valuations - Certain transactions/contracts containing hidden leases which indeed to be accounted for
Impairments	No specific standard	- Carryout impairment test based on trigger vent
Financial asset classification and valuation	Classification include	- Cost - Amortized cost classification include: - Amortized cost - Fair value This is driven by the business model and nature of the instrument

2.1.7 IFRS AND ACCOUNTABILITY

The fundamental economic function of accounting standards is to provide agreement about how important commercial transactions are to be implemented (Ball, 2001). Ensuring disclosure quality of financial information is also mandatory for reducing information asymmetry and solving agency problem in corporate sector. Barth et al., (2006): IFRS is used to improve accountability of managers to shareholders and it can be evidenced by proper assets and earrings management, lower cost of capital and high forecasting economy, we can figure out the following prospects that may accrue by the adoption of IFRS:

1. The adoption may have some direct impact on the corporate sector. Agency problem between management and shareholders can be substantially reduced through implementation of IFRS as increased transparency causes managers to act more in the interest of the shareholders. The increase in transparency promised by IFRS also could cause a similar increase in the efficiency of contracting between firms and lenders. The increased transparency and loss recognition timeliness promised by IFRS could increase efficiency of contracting in debt markets with potential gains to equity investors in terms of reduced cost of debt capital
2. Preventing local GAAP is not enough to ensure proper disclosure quality and therefore are ambiguities among numerous rules, guidelines and notifications that are self-contradictory and perplexing to one another.

3. Mandatory adoption of IFRS will reduce such vagueness and create more binding on the firms to perform their disclosure responsibility thereby improving accountability
4. Another improvement of adopting IFRS to reduce its emphasis asymmetry in the corporate sector can arise due to its emphasis on fair value accounting (FVA). Most economists argue that fair value incorporates more information into the financial statements than historical costs. Though other conditions are not favorable for implementing FVS like achieving observable market prices or independently observable accurate estimates of liquid market prices that cannot materially influenced by managers due to less perfect market liquidity, still FVA can make financial statements more informative with potential advantages to investors and if enforceable more useful for purposes of contracting with leaders, managers and other parties.
5. Apart from these, adoption of IFRS can reduce accounting diversity thus will encourage the foreigners for cross broader investment which in turn may improve the liquidity of the capital markets and enlarge firm's investor base to improve risk-sharing and lowers cost of capital.
6. The vulnerability of small investors is a long time established problem and undoubtedly, it is a big impediment for the stock market development. Small investors are less likely than investment professionals to be anticipate financial statement information from other sources IFRS adoption could reduce the cost of

investors of processing financial information. Improving financial reporting quality allows the small investors to complete better with professionals and hence reduces the risk they are trading with a better informed professional.

2.2 THEORETICAL FRAMEWORK

This framework reviews the agency theory, stakeholder's theory and the stakeholder's theory and the stewardship and its relation to IFRS.

2.2.1 AGENCY THEORY

Agency theory is a theory which relates the principal (Director and Manager) with the agents (shareholders). The agency theory was developed by Jenson and Meckling (1976). They suggested a theory of how governance of a company is base on the conflicts of interest between the company's owners (shareholders), its manage and major providers of debt finance, Agency theory provides the theoretical underpinning upon which the literature on corporate governance has flourished. The theory states that in the presence of information asymmetry, the agent is likely to pursue interest that may hurt the principal or shareholders (Ross, 1973, Fama, 1980).

As a result of conflicts of interest between the shareholders and managers of corporations, there will be issue of agency problems. However, the presence of independent directors on the board of corporations will help in reducing the so called agency problem as independent directors are presumed to have significant interest in the company and acts on behalf of shareholders. Fama and Jensen argued that an effective board must consist largely of independent none executive directors (ACCA, 2019).

Also, independent non-executive director is meant to take decisions where there is conflict of interest between the executive directors and the best interest of the company e.g in the case of determination of remuneration of package of executive directors as well as that of senior managers. As agent of the company, the board of directors is expected to be accountable to their principals (shareholder) on issue relating to the performance of the corporation.

Hence, to ensure transparency in the accountability of the board of directors, there is need for the presence of reasonable number of independent non-executive directors on the board. The accountability of management depends on both the right of the shareholders to call the directors to account as well as their ability to do so.

2.2.2 STEWARDSHIP THEORY

Unlike agency theory, stewardship theory assumes that mangers are steward whose behaviors are aligned with the objectives of their principals. The theory argues and looks at a different form of motivation for managers drawn from organizational theory. Stewardship theory defines situations in which manager are not motivated by individual goals, but rather are stewards whose motives are aligned with objectives of their principals.

It is described by Davis, Schoorman and Donaldsons (1997) that managers are trustworthy and competent administrators of corporate resources and are best situated to maximize the interests of the shareholders since they are not familiar with the intricacies of corporate strengths, weakness opportunities and threats. Simultaneously and conversely, shareholders in general can be seen as having a covenantal relationship with the mangers of their invested companies (Hernandez, 2019). Caldwell and Karri (2015) argue that regardless of incentremely and control mechanisms carefully designed contractual mechanisms such as those recommended with absence of covenantal relationships it is extremely difficult to build trust within organizations.

However, approaching the role of shareholders in corporate governance from stewardship perspective assumes an absence of potential conflicts of interest between the managers and shareholders; a collective interest prevails.

Corporate governance mechanisms such as those recommended in the agency perspective might be helpful in generating an individual willingness to sacrifice his or her personal gain to protect other (Hermandez, 2019).

Stewardship theory is an argument put forward in firm performance that satisfies the requirements of the interested parties resulting in dynamic equilibrium for balance government.

2.2.3 STAKEHOLDER'S THEORY:

The term "stakeholders" refers to groups of constituents who have a legitimate claim on the firm (Freeman, 1984). This legitimacy is established through the existence of an exchange relationship. Stakeholders include stockholders, creditors, managers, employees, customers, suppliers, local communities and the general public. According to March and Simon (1958), each of these groups can be seen as supplying the firm with critical resource contributions and in exchange each expects its interests to be satisfied by inducements.

In the same line of the though, Robert (1992) argued that stakeholder related activities are useful in developing and maintaining satisfactory relationships with stockholders, creditors and other related parties. Developing a corporate reputation through performing and disclosing necessary reports activities is part of as strategy for managing stakeholder relationships. Disclosing necessary information to t he shareholders is the duty of management and proper disclosure can build good relationship between owners and managers while at the same time reducing agency problems. How stakeholder theory does not directly provide prescriptions about what information should be disclosed (Crai, 2018). Other than indicating that provision of information, including information within an annual report can, if thoughtfully considered, be useful for the continued operations of a business entity.

2.3 EMPIRICAL REVIEW

Mathew (2015) examined the impact of international financial reporting standard (IFRS) on financial reporting practices of corporate establishments in Nigeria. Data were collected from 50 employee of KMG (a leading professional financial services provider) through the use of structured questionnaire and analysed using mean scores, standard deviation and Pearson chi-square analysis. The findings revealed that IFRS provides better information for regulators that GAAP (Mean=4.72). The findings further showed that IFRS directly affects how earnings and other key aspect of the business are accounted and reported for (mean=4.68)

Adebimpe and Ekwere (2019) examines whether mandatory adoption of IFRS has improved value relevance of accounting information of listed commercial banks in Nigeria stock exchange. The study covered a period of 2014 and 2015 (as per adoption) and 2016 and 2017 (as post adoption period) and reported that equity value and earning of banks determine under IFRS are relatively value relevant to market share prices than under Nigeria SAS (Old accounting standards). They also found earnings per share to be incrementally value relevant during the period of post IFRS and book value per share is incremently less value relevant during the post IFRS period.

Aliu and Tariro (2019) investigate the scholarly literatures on IFRS with a bias towards compliance. The study aims to investigate the position of the research topic from 2009 to 2018 in leading academic journals and assess focus area of such research, analysis research paradigms adopted in each research article and it compares and contrasts several types of research articles, methodological research designs used in various researches in literature. Finally, it reveals the effects of the investigation and avenue for future research. According to Samuel Olawale Luqman (2016) in his study found that there is positive relationship between IFRS and bank performance in Nigeria. In other words, IFRS adoption by Nigerian banks have positively improve their performance. This study focuses on one sector (financial sector) but linked to performance which is in Tandem Fasinna (2018) who considers all the sector.

Alali and Foote (2016), UAE, reported that earnings per share and book value per share under IFRS are positively and significantly related to market share price per share, the same results reported on the relation between earnings and cumulative returns. Yahya, Joseph & Safiya (2018) examined international financial reporting standards' adoption and value relevance of accenting information of listed deposit money banks in Nigeria. The paper examines post-IFRS adoption value relevance of accounting information using two models. First, a price model which used proxies such as market price per share, book value of equity per share, earnings per share and cash flow per share. Second, a return model used proxies such as annual returns' earning per share, change in earning per share, were used. The result show that the explanatory power r^2 for the price model specification is 84% for the total sample and that all coefficients are statistically significant a comparison of coefficients indicates that the eps of 3.47 has a higher explanatory power than any other variables.

It is observed that the adoption of IFRS in Nigeria will enhance credible financial statements that will also provide a basis for the strength of a corporate entity in capital market. Hence is a welcome development in Nigeria.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 DESIGN STUDY

Research design is the plan and structure of investigation so conceived as to obtain answers to research questions. The main purpose of this research was to determine the impact of international reporting standard on the quality of financial reporting. Therefore a descriptive research was used t o study whether adoption of IFRS has indeed improved the quality of financial reporting in Nigeria banks.

3.2 SOURCE OF DATA

This analysis is based on documented secondary data culled from several sources such as; Central Bank of Nigeria (CBN) statistical bulletin and annual reports of the selected banks, the daily stock reported in the National dailies, previous works and publications. This approach is relatively efficient and has readily available data for the analysis, which is to a reasonable extent, true and fair.

3.3 POPULATION OF THE STUDY

The population for this study is 300 staff of the selected bank and ten years' annual reports of GTB

3.4 SAMPLE SIZE AND TECHNIQUES

Carrying out the physical census of the entire population can be practically unachievable, especially given the size diversity of the target population. It on this note that the researcher carries out the study on a selected sample using systematic random number of 1 out of 3 and then the researcher picks his interval of 1 and 3.

3.5 RESEARCH INSTRUMENT

This research instrument used as main source of information for this research work title "Impact of Implementation of International Financial Reporting Standards (IFRS)" on the quality of financial reporting was structured questionnaire based on a five point psychometric likert scale i.e

Section I: this contain respondents and respondent's organization seeking the demographic characteristics of the respondents.

Section 2: this deals with questions that are directly related to the variable factors stated objective i.e questions and hypo theses for the purpose of this research work eliciting suggestions for managing financial information. This section consisted of 10 sample scale questions on the impact of implementation of international financial reporting standard on the quality of financial reporting.

The data collection adopted the closed ended structural questionnaire. The statement was phrased with possible response continuum based on a 5 point psychometric likert scale questionnaire.

5- Strongly Agreed (SA)

4- Agreed (A)

3- Indifferent (I)

2- Disagreed (D)

1- Strongly disagreed (SD)

This research also employs quantitative data (secondary source). This instrument used to gather this quantitative data is annual report and accounts of the selected banks.

3.6 METHOD OF DATA ANALYSIS

The quantitative research approach will be employed to arrive at the findings of the study. Correlation and regression analysis will be used in the study to identify the nature and extent of relationship and to find out if impact of adoption of IFRS on qualitative performance financial reports in banks.

The first hypothesis will be analysed using a parametric statistic t-test. t-test is a significant test which makes use of data in the form of expected and observed variables. It is a measure that analyses the relationship between the variables and spell out all variables responsible for compliance to the adoption of IFRS on financial reporting of banks in Nigeria. Also the second hypothesis will make use of secondary data and analysed using ordinary least square, OLS will SPSS 17 will be used for both primary and secondary data analysis.

3.7 MODEL SPECIFICATION

The model attempt to explain the separate influence of the independent variables in order to establish the effect of IFRS on bank performance, the expected relationship of the above mentioned variable is a linear relationship of which one determines the other.

However, in order to capture the relationship that exist between IFRS and quality of financial report on bank performance, this study adopt the model in Muhammed Tanko (2012) in his work “The effect of international financial reporting standards (IFRS)” adoption on the performance of banks in Nigeria. The model assumes

Before adoption of IFRS

$AE_b = \alpha_0 + \alpha_0 MVE_\alpha + \alpha_0 GROWTH_\alpha + \alpha_3 + LEV_B + \alpha_4 TURN_b + \alpha_5 NCE + e$

Equation I

After adoption of IFRS

$AE_a = \alpha_0 + \alpha_0 MVE_\alpha + \alpha_0 GROWTH_\alpha + \alpha_3 + LEV_B + \alpha_4 TURN_b + \alpha_5 NCE + e$

Equation II

Where AE= change in annual earnings (based on end of year total assets)

MVE= Market value of equity in millions of Naira as of year end

GROWTH= Annual % of changes in gross earnings

LEV= End of year total liabilities divided by end of year book value of value of equity

TURN= Tunover divided by end of year total assets.

NCF= Annual net cash flow operating activities

CHAPTER FOUR

DATA ANALYSIS

4.1 INTRODUCTION

This study is primarily interested in finding out the impact of international financial reporting standards (IFRS) adoption of financial reporting of banks in Nigeria. The data presented here are the answers of the respondents to the questionnaire served to them and the data obtained from annual reports of GTbank Nigeria plc. In order to present and analysed the data collected through questionnaire, all questions in the questionnaire were analysed including those that have close relationship with the research questions, objectives as well as hypothesis one. Also the hypothesis was tested using correlation and SPSS was used to analyse the hypothesis. However, in order to present and analyse the data collected through annual reports, as well as to test hypothesis two, the analysis of secondary data was carried out using ordinary least squared (OLS).

Out of the 100 questionnaire distributed, only 82 were able to retrieved back from the respondents.

4.2 DEMOGRAPHIC PRESENTATION OF THE RESPONDENTS

	Frequency	Percent	Valid percent	Cumulative percent
Male	44	53.7	53.7	53.7
Female	38	46.3	46.3	100.00
Total	82	100.00	100.00	

Source: Researcher's Fieldwork, 2025

Age

	Frequency	Percent	Valid percent	Cumulative percent
21-30	34	41.5	41.5	41.5
31-40	20	24.4	24.4	65.9
41-50	16	19.5	19.5	85.4
51-60	12	14.6	14.6	100
Total	82	100.00	100.00	

Source: Researcher’s Fieldwork, 2025

Qualification

	Frequency	Percent	Valid percent	Cumulative percent
NCE/OND	42	51	51	51
BSC/HND	18	22	22	73
POST GRADUATE	10	12	12	85
PRFOESSIONAL QUALIFICATION	12	15	15	100
Total	82	100.00	100.00	

Source: Researcher’s Fieldwork, 2025

Marital Status

	Frequency	Percent	Valid percent	Cumulative percent
Single	48	59	59	59
Married	34	41	41	100
Total	82	100.00	100.00	

Source: Researcher's Fieldwork, 2025

4.2 Normality Test

		Adoption of IFRS has not improved relevance of accounting information
Normal parameters	means	26
	Std deviation	3.65
Most extreme	Absolute	0.253
Differences	Positive	0.165
	Negative	0.253

Asymp sig (2 tailed)

Test distribution is normal

Source: Researcher's Fieldwork

The normality test shows that our data was normally distributive for research question 1 with aggregate of 0.72 in vies of this the use of parametric test will be used

4.3 TEST OF HYPOTHESES

H_0: Adoption of IFRS has not improved relevance of accounting information

Table 1: frequency table

	`observed N	Expected N	Residual
Disagree	17	33.3	-16.3
Agree	34	33.3	0.3
Strongly agree	49	33.3	15.7
Total	100		

Hypothesis 1

Test value= 0						
	t	df	Sig (2 tailed)	Mean Difference	95% confidence interval of the difference	
Adoption of IFRS has not improved relevance of account information	13.462	25	0.021	3.654	3.09	4.21

Source: Researcher’s Fieldwork, 2025

Decision rule:

The hypothesis tested above shows that T-value relevant at 5% level of significance since tcal 0.021< 0.05 therefore, the null hypothesis is rejected and alternate is accepted which states that adoption of IFRS has improved the quality of accounting information.

HYPOTHESIS II

There is no significant relationship between international financial reporting standard (IFRS) and brand performance.

The measure of performance was divided into two phases. The first phase is the preadoption of IFRS i.e before adoption of IFRS and the second phase I s post adoption of i.e after adoption of IFRS. The study takes into consideration five years before adoption (2007-2011) and six year after adoption (2012-2017).

The model formulated attempt to explain the separate influence of the independent variables in order to establish the effect of IFRS on bank performance, the expected relationship of the above mentioned variable is a linear relationship of which one determines the other the other. However, in order to capture the relationship existing between IFRS and bank performance, the model assumes.

$AE_b = \alpha_0 + \alpha_0 MVE_\alpha + \alpha_0 GROWTH_\alpha + \alpha_3 + LEV_B + \alpha_4 TURN_b + \alpha_5 NCE + e$

Equation I

After adoption of IFRS

$AE_a = \alpha_0 + \alpha_0 MVE_\alpha + \alpha_0 GROWTH_\alpha + \alpha_3 + LEV_B + \alpha_4 TURN_b + \alpha_5 NCE + e$

Equation II

Table 4: pre-adoption of IFRS model summary

Model	R	R-square	Adjusted Squared	Std. Error of the Estimate
1	989[a]	0.846	0.676	0.46172

a. predictors: (constant), Nest cash flow from operating activities

End year total liabilities divided by end year book value of equity, market value of equity, annual % of changes in goes earring, turnover by end yyear total assets.

Table 5: pre-adoption of IFRS: ANOVA

Model	Summary of square	Df	Mean square	F	Sig
Regression	2.622E15	5	1.105E14	6.180	0.264[a]
Residual	0.00	3	1.105E14		
Total	2.622E15	8	2.132E13		

b. Dependent variable: changes in Annual Earnings

Table 6: Pre-adoption of IFRS: Coefficients

	Unsaturated coefficient		Saturated coefficient		
Model	B	Std	Beta	T	Sig
Constant	-4.01037	0.50		0.024	
End year total liabilities dividends year book	2.614E7	0.014	0.867	0.007	0.115
Value of equity net cash flow from operating activities	-0.439	0.100	-0.522	0.025	0.144
Market value of equity	0.562	0.8879	-0.456	-0.745	0.028
Annual % of changes in gross earnings	-458	0.658	0.0036	0.126	0.035
Turnover divided by end year	0.265	0.214	0.362	-0.854	0.00

a. Dependent variable: changes in Annual Earnings

from table above, the R square unadjusted is 0.846 while adjusted R squared is 0.676 which shows a strong prediction powers of the variables. Table shows the F statistics calculated is 6.180 which is not significant at 5% level and the F-statistics tabulated value is 9.01 with a pvalue of 0.264 significant regression of all the variables.

However, it is seen that some of the variables where not statistically significant in the pre adoption period. Also table shows the p values of the individual variables. It shows that variables LEV and NCF are not statistically significant with a p values of 0,115 and 0.114 respectively which is greater than 0.05. however, variable MVE, GROWTH and TURN are statistically significant with a p value 0.0289. 0.035 and 0.00024 respectively which are less than 5%. Also the t statistics shown table gives t values less than 5% i.e 0.05

In the pre-adoption era, overall regression of the variables show that positively relationship exist between variables LEV, GROWTH, TURN and AE though not significant. Follow the expectation it is assume that a negative relationship should exist between AE and LEV. Also, the result shows that a negative relationship exist between variables NCF, MVE and AE which is contrary to the expectation that a positive relationship is assume between NCF, MVE and AE.

However, from the result an increase in LEV will bring about 86.7% increases in AE increases in Growth will bring about 0.36% increase and decrease in TURN will increase by AE.

Post Adoption Period

Table 7: post-adoption of IFRS model summary

Model	R	R square	Adjusted R square	Std Error of the estimates
1	0.995	0.986	0.76	0.020241

a. predictors; (constant), NCF, LEV, MVE, GROWTH, TURN

From table above, the R square unadjusted is 0.986 while the adjusted R square is 0.976 which shows a strong prediction powers of the variables. Tables shows the F statistics 23.254 with a p value of 0.027 with a regression of all the variables which signifies that all the variables are statistically significant and strong relationship with the dependent variable.

Table 8: Post adoption of IFRS: Coefficient

Table 6: Pre-adoption of IFRS: Coefficients

	Unsaturated coefficient		Saturated coefficient		
Model	B	Std	Beta	T	Sig
Constant	44.0589	0.20		0.062	
LEV	2.6147	0.004	-0.167	0.005	0.002
NCF	8.439	0.05	0.522	0.0054	0.005
MVE	5.562	0.79	0.234	-0.45	0.018
GROWTH	6.458	0.658	0.478	-0.106	0.01
TURN	-6.265	0.254	0.647	-0.696	0.00

a. Dependent variable: changes in Annual Earnings

In the post adoption era, overall regression of the variable shows that a positively relationship exist between some of the independent variables (GROWTH, NVF, MVE, TURN) and the dependent (AE). Follow the expectation it is assume that a negative relationship should exist between AE and LEV which was affirm from that a negative relationship exist between LEV and AE. In the post adoption era, overall regression of the variables show that a positively relationship exist between some of the independent variables GROWTH, NCF, MVE, TURN and the dependent (AE). Follow the expectation is assume that a negative relation should exist between AE and LEV which was affirm from that a negative relationship exist between variable LEV and AE. However, from the result an increase in MVE will bring about 23.4% increases in GROWTH will bring about 47.8% increase in AE, an increase in TURN will increase AE by 52.5% and increase in LEV will bring about decrease in AE by 16.7%. it is significant with a pvalue of 0.002, 0.0. 0.0018 and o.0003 respectively which are les than 0.05 i.e 5%.

4.5 SUMMARY OF FINDINGS

The hypothesis formulated were tested using the result of the questionnaire distributed and the data gathered from the annual report GTbank plc. The hypothesis one was tested using T-test at degree of freedom 2 and at 5% level of significance, the table value is 0.021 since the calculated value is less than the 5%, we accept the alternative hypothesis and conclude that there is significant relationship between adoption of international financial reporting and financial reporting of banks in Nigeria. The second hypothesis was tested using OLS and the measure of performance was divided into two phases, the first phase is pre-adoption of IFRS i.e before adoption of IFRS and the second phase is post adoption of IFRS i.e after adoption of IFRS.

The study takes into consideration four years before adoption (2010-2013) and six years after (2014-2019). In the pre-adoption era, it is shown that not all the variables are statistically relevance ie not all the independent variable has significant relationship with the dependent variable, it is also shown that of all the independent variable tested (NCF, MVE, LEV, GROWTH and TURN) only LEV, MVE and TURN has significant relationship with the dependent variables (AE). However, the post adoption period, it is shown that all the variables are statistically relevance. i.e all the independent variables have significant relationships with stewardship theory previously adopted for the research project because the essence of adoption of IFRS is to ensure reliable financial report as propounded by Davis, Schoorman and Donaldsons (1997) that managers are trustworthy and competent administrators of corporate resources and are best situated to maximize the interests of the shareholders since they are not familiar with intricacies of corporate strengths, weakness, opportunities and threats. This is what adoption of IFRS intends to solve

.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY OF THE STUDY

The study reveals that Nigerians agree to adopt IFRS but in gradual manner, in view of the anticipated problems that the adoption may create. Consequently, the study concludes 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 from the discussion of findings it was revealed that Nigeria banks have fully adopted IFRS in their financial reporting and that IFRS has significant relationship with bank performance

5.2 CONCLUSION

Based on the findings and subsequent recommendations of this study, it was concluded that the adoption of IFRS is a right step in the right direction. Although, there are many issues and challenges facing the implementation, the benefits out weight the challenges. With adoption, Nigeria companies will produce a more uniformed but also provide a basis for better interpretation. The invariably will boost investors' confidence and attract cross border financial transactions which is the basis for economic growth.

5.3 RECOMMENDATIONS

However, owing to the fact that IFRS being a principle based standards, allows companies to utilize only the methods they wish, thus allowing the financial statements to show only desired results and leading to revenue or profit manipulation and hiding of financial problems in the company, the study recommends that Nigeria should borrow the wisdom of Germans by making IFRS mandatory only for group accounts of listed companies leaving Nigerian GAAP to still be mandatory for individual company's accounts of listed companies. Also, IFRS should be optional for group account of non-listed companies but prohibited for individual company account.

The research work recommends comprehensive implementation of the standard to its totality by firms in the country and the regulator should monitor strict compliance.

Further research in the area of other sectors of the economy and to expand the sample size will assist in documenting the impact of the adoption on the performance of the firms. It is evident that such may affect the outcome of the research

REFERENCES

Abdulkadir (2014), “Adoption of International Financial Reporting Standards in Developing Countries ”; the case of Nigeria Interaction Journal of Business and Management

Alehian, A & Demsel, H (1972), Production Information Cost and Economic Organization

Ball, R (2006), International Financial Reporting Standards (IFRS): Pros and Cons for Investors. Accounting and Business Research

Choi, F.S & Mueller G.G (1984), international Accounting Englewood Cliffs, New Jersey Prentice

Davis J., Schoorman F. Donaldson L (1991). Toward a Stewardship Theory of Management, Academy of Management Review

Donaldson L & Davis (1991), Stewardship Theory or Agency theory: CEO Governance and Shareholder Returns. Australian Journal of Management

Fowokan T (2018): IFRS Adoption in Nigeria. Tax implication CITN seminar paper on IFRS adoption in Nigeria

Freeman E. (1984), Strategic Management; A stakeholder Approach

Jensen, M.C & Meckling, W.H (1976), Theory of firm managerial behavior, Agency costs and ownership structure

Kenneth E.O (2019); Adoption of IFRS and Financial Statement effect

Kiel G, & Nicholson, G (2003) Board Composition and Corporate Performance

Muhammed Tanko (2012). The effect of International Reporting Standard (IFRS) Adoption on the Performance of firms in Nigeria.

Okoye V., Jane F & Raymond, A (2014). Impact of the IFRS adoption on stock market movement in Nigeria Corporate Organization.

Yahaya, A.O Joseph, M.O & Safiya, O.U (2018). International Financial Reporting Standards adoption and value relevance of Accounting Information of listed deposit money banks in Nigeria