International Journal of Science and Research (IJSR)
ISSN (Online): 2319-7064
Impact Factor (2012): 3.358

# Impact of Adoption of IFRS in Nigeria Capital Market, Preparers of Financial Statements and Auditors

**Paul N. Onulaka**

Department of Accounting, Faculty of Business and Law, Leeds Metropolitan University Leeds, United Kingdom

**Abstract:** ***The IFRS adoption is already an issue of global relevance among various countries of the world due to the quest for uniformity, reliability and comparability of financial statements of companies. With the transformation of our world into a global village, the magical phenomenon of globalization has led to the emergence of a "global village" that we all live in now. Since "accounting is the language of business", it is imperative that business around the world can no longer afford to be speaking in different language with each other while sharing and exchanging results of their international business activities. This paper offers an insight on the impact of adoption of IFRS in Nigeria capital market. It also investigates the challenges facing the preparers and auditors of IFRS based financial statements in Nigeria. Using structured questionnaire for primary data collection and analyses of variance (ANOVA) to analyze the data, the study revealed an increase in the volume of trading in the capital market and also the training gap on the part of preparers and auditors of IFRS based financial statement.***

**Keyword:** IFRS, Comparability, Nigeria, Capital Market, Auditors, Convergence

## 1. Introduction

Countries around the world have had their own national accounting standards which they treasured so much, most likely due to the pride of national sovereignty (Mirza and Holt, 2011). However, due to the advent of globalization, the falling of the erstwhile insurmountable trade barriers between nations, and more recently the much-awaited response to the global financial crisis, together with calls by world leaders, things have changed dramatically in terms of the preferred set of standards of accounting globally. This clarion call for a single set of accounting and financial reporting standards that would be used by most, if not all, the nations around the globe has given birth to the International Financial Reporting Standards (IFRS). International Financial Reporting Standards (IFRS) is a set of standards promulgated by the International Accounting Standards Board (IASB) an international accounting-setting body based in London, United Kingdom.

With the transformation of our world into a global village, the magical phenomenon of globalization has led to the emergence of a "global village" that we all live in now. According to Holt and Mirza (2011), "accounting is the language of business", and business around the world can no longer afford to be speaking in different language with each other while sharing and exchanging results of their international business activities. After all, the objective of financial statements is to provide information about the financial position, performance and financial adaptability of an enterprise that is useful to a wide range of users in making economic decisions (Agyei-Mensah, 2013). The above assertion is in line with the IFRS framework. The International Accounting Standards Board's (IASB) IFRS Framework states that; *"The objective of financial statements is to provide information about the financial position, performance and changes in financial position of an entity that is useful to a wide range of users in making economic decisions"*,(IASB 2010). The statements prepared also show the results of the management's stewardship. According to (Sloan 2001) the financial statement is the first source of independent and true communication about the performance of managers. To be able to meet the needs of the users, the financial statements must not only comply with the International Financial Reporting Standards (IFRS), but also be of high quality. The quality of financial reports is measured using four key qualitative characteristics of financial information embedded within the *Framework for the Preparation and Presentation of Financial Statements* issued by International Accounting Standards Board (IASB 2010). These qualitative characteristics are relevance, faithful representation, comparability and understandability. According to the (IASB 2010) relevance and faithful representation are the fundamental qualities, whilst comparability and understandability are enhancing qualities. The *Framework* states that the qualitative characteristics are the attributes that make the information provided in financial statements useful to users. Accounting information has the quality of relevance when it makes a difference in a business decision; it provides information that has *predictive* value and has confirmatory value (IASB 2010). Accounting information has the quality of faithful representation when it accurately depicts what really happened; nothing important has been omitted (i.e. complete); and is not biased toward one position or another (i.e. neutral) (IASB 2010). An enhancing quality of the information provided in financial statements is that it should be presented in such a way that it is readily understandable by users, i.e. it should be presented in a clear and concise fashion (Agyei-Mensah, 2013). This paper is aimed to investigate the impact of adoption of IFRS has on the volume of transactions in Nigeria capital market and to the issues and challenges facing the preparers of financial statements and external auditors on the implementation of IFRS in Nigeria. The paper is structured in such away to be able to address the main objective and answer the research questions outlined in section 2.5 below. The next section is a brief statement of this research problem.

## 2. Problem Statement

The accounting and financial world is now seriously adopting a single set of accounting and financial reporting standards that will be used by most, if not all, the nations around the globe (Mirza, 2011). The robust wave of globalization surging through the world is transforming business across the globe as well as the manner in which they deal with each other cross boundaries. This section discusses the extent to which IFRS is recognized around the world with a brief overview of the history and some key elements of the international standard setting process.

Over the years, the international accounting standard-setting process has been able to claim a number of successes in achieving greater recognition and use of IFRS (IASB, 2012). According to IASB (2012) a major breakthrough came in 2002 when the European Union (EU) adopted legislation that required listed companies in Europe to apply IFRS in their consolidated financial statements. The legislation come into effect in 2005 and applies to more than 8000 companies in 30 countries, including France, Germany, Italy, Spain and the United Kingdom ((Mirza and Holt, 2011). The adoption of IFRS in Europe means that IFRS have replaced national and local accounting standards as a requirement and as the basis for preparing and presenting group financial statements for listed companies in Europe.

According to IASB, (2012) many companies outside Europe have been moving to IFRS. The Board asserted that by 2005, IFRS had become mandatory in many countries in Africa, Asia and Latin America. In addition, countries such as Australia, Hong Kong, New Zealand, Philippines and Singapore have adopted national accounting standards that mirror IFRS in preparing and presenting financial statements and many other countries like Canada and India are joining (Cable, Healy and Vines 2009).

The adoption of standards that require high-quality, transparent, and comparable information is welcomed by investors, creditors, financial analysts and other users of financial statement. Without common standards, it is difficult to compare financial information prepared by entities located in different parts of the world. Cable, Healy and Vines (2009) argued that in an increasingly global economy, the use of a single set of high-quality accounting standard, facilitate investment and other economic decisions across border, increasing market efficiency, and reduces the cost of raising capital. Now that IFRS are increasingly becoming the set of globally acceptable accounting standards that meet the needs of the world's increasingly integrated global capital market, the question now is to what extent have Nigeria keyed in to this global standard or are we still "doing it in our own way"?

### 2.1. Implementing IFRS in Nigeria Issues and Challenges

On 2nd September, 2010 the honourable minister of Trade and Industry, Senator jubril Martins Kuye at a stakeholders conference on the Roadmap for the adoption of IFRS in Nigeria said: "With the collapse of US Energy giant (Enron), WorldCom, etc. the accounting profession came under sharp scrutiny. This led a disturbed and bewildered global public, questioning the accountants' competence, integrity and the existence of standards in corporate governance. Countries that hitherto believed accounting standards were impermeable found out that to realize the full gains of cross border listing no individual country can act alone in its financial reporting standards" According to Santos and Quilliam (2013) convergence gives IFRS standards an authority and credibility that cannot be equaled by any other set of standards. There is growing evidence that the world economies are more interconnected and symbiotic than anyone can really understand. Judging from the global financial crisis, it is obvious that nations that are truly desirous of moving forward are now aiming to free their countries from the limits of the present system of financial reporting standards (Nyor, 2012).

Nigeria indeed is part of this globalization. In recent times a number of Nigerian companies have raised capital from international stock markets; others have established significant presence in other jurisdictions (Sanusi, 2010). Also, a good number of Nigerian entities hold the securities of non-Nigerian issuers. Therefore, for a better understanding and appreciation of the risks and, consequently, making decisions about the flow of economic capital, it makes sense that financial statements prepared in Nigeria use global financial reporting benchmarks (Nyor, 2012).

Based on the above assertions, the Federal Executive Council accepted the recommendation of a Committee on the Roadmap to the Adoption of IFRS in Nigeria, 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. Phase 1 for Public listed Entities and significant interest Entities, to take effect on 1 January 2012, phase 2 for other public listed Entities effective from January 2013 and phase 3 for Small and medium sized Entities (SMEs). The piecemeal implementation is not without its challenges.

### 2.2. Challenges of Convergence of Nigeria Local Standards to IFRS

According to Okpala (2012),the perceived challenges to be presented by IFRS adoption and implementation includes: the intrinsic problems of aligning with IFRS. Ukpai (2002) pointed out that international accounting clearly has a language problem. He observed that where an accounting standard conflict with government policy, the local standard is normally revised. For example, the LIFO method of stock valuation is not allowable for tax purpose in Nigeria. How will the IFRS adoption affect the local legislation?. Another problem inherent with the adoption of IFRS is the universal tendency to resist change (NASB 2010). Gambari (2010) noted that the successful adoption of IFRS entails assessing technical accounting, tax implications, internal processes, and statutory reporting, technology infrastructure, software harmonisation and organizational issues.

Recent study carried out by Nyor (2012) claimed that experiences of deposit money banks in Nigeria that were mandated to adopt IFRS in 2010 show that there are a lot of difficulties in converging to IFRS. They include cost, training and education, differences between local standards (Statement of Accounting Standards; SAS) and IFRS, software problems etc. The study further revealed that converging to IFRS has a huge cost outlay which include the cost of training personnel to understand the new global standards, cost of acquiring new accounting packages that are needed for the implementation, cost of discarding former accounting packages that are not compatible with IFRS. Training and educating personnel and management saddled with the responsibility of preparing financial statement compliant to IFRS implementation is another problem that is not only costing the banks but also taking away huge man hours (Nyor, 2012). This finding is consistent with the result of a similar study in USA by Cable, Healy and Vines (2009). Personnel cost for preparers and auditors of financial statements compliant to IFRS include organising in-house training, sponsoring staff to attend conferences and seminars, both for the purpose of understanding the new global standards. Similarly, Demaki (2013) recent study on the prospects and challenges of IFRS on the economic development in Nigeria concluded that despite the associated benefits in the adoption of IFRS in Nigeria, there are still challenges. The challenges according to him include the urgent need to improve the level of public awareness especially among investors and regulatory authorities in Nigeria. There is also chronic shortage of professionals that are competent to implement the IFRS within the given time frame as contained in the schedule of the Nigerian roadmap for its adoption (i.e. January 2012 -January 2014).

Another challenge faced by preparers and auditors in adopting IFRS is that of changing accounting and auditing packages that are not compatible with IFRS and acquiring new ones that can enable IFRS implementation. The challenge faced here is not only in terms of cost but training personnel to use new packages. In a parallel view on the adoption of IFRS in Nigeria, recent study by Ayuba (2013) contended that focus on auditing and investigation is very important which deserve the attention of all and sundry especially from the standards setting bodies if the aim of financial reporting will be realized in the future, for the absolute gains or benefits associated from the adoption of IFRS, which is a principle - based accounting standards that are likely to be achieved only if auditors are principle - based in nature.

The remaining part of this paper is structured as follows: a highlight of the significance of the study, a brief overview of accounting and auditing regulatory framework in Nigeria will be made, section three covers the review of extant literature, development of hypotheses and research questions. The methodology of the study is presented in the fourth section while the fifth and sixth sections will provide discussion of the result and conclusion respectively.

### 2.3 Significance of the Study

This study will add to the existing body of knowledge of financial reporting in Nigeria and reduce audit expectation gap by promoting confidence in our financial reporting process if the findings are taking into consideration by the policy makers in Nigeria. In terms of attracting Foreign Direct Investment (FDI), IFRS will position Nigerian companies in the global market place as well as ensure transparency, accountability and integrity in financial reporting in Nigeria which is a prerequisite for the attraction of investment that will promote economic development. The outcome of this study will provide international investors the ability to make well-informed, useful and meaningful comparison of investment portfolio in Nigeria and other countries.

### 2.4 Objectives of the Study

The objective of this paper is to investigate the impact of adoption of IFRS has on the volume of transactions in Nigeria capital market and the issues and challenges facing the preparers of financial statements and external auditors on the implementation of IFRS in Nigeria. From the extant literature search, the few studies in IFRS adoption in Nigeria have not address the effect of the convergence to Nigerian capital market. This study will close this research gap.

### 2.5 Research Question

1) Are there any significant relationship between the mean scores of the respondent groups on adoption of IFRS and the volume of trading in Nigerian capital market?
2) What challenges do the preparers of financial statements and the external auditors have with the implementation of IFRS in Nigeria?

### 2.6 Research Hypotheses

The following Hypotheses are formulated to guide the study:
H1: There is no significant difference between the mean rating scores of the respondent groups on the adoption of IFRS and the volume of trading in the Nigerian stock market.

H2: There is no significant difference between the mean rating score of the respondent groups on preparation of financial statements and the convergence to IFRS in Nigeria since January 2012.

H3: There is no significant difference between the mean rating scores of the respondent groups on external auditor's training requirements for the adoption of IFRS by their clients.

## 3. Literature Review and Development of Hypotheses

In societies within and outside Nigeria, some works have been done on this relatively new area of financial reporting infrastructure called the IFRS. Various techniques have been used to boost the quality of financial reporting as a way to infuse confidence in financial reporting in Nigeria. A review of these past works will no doubt provide a direction and framework for this investigation.

### 3.1 Accounting and Auditing Regulatory Framework in Nigeria

Corporate financial report includes both the financial statement and non financial information such as the Directors' report, corporate social responsibility and sustainability report and the chairman's statement (Efobi and Bwala, 2013). Financial regulatory authorities in Nigeria include Corporate Affairs Commission (CAC), the Security and Exchange Commission (SEC) and Financial Reporting Council (FRC). The above authorities are charged with the responsibilities of regulating financial reporting of companies in Nigeria. The main responsibility of the CAC is to ensure efficient supervision, registration, incorporation and winding up of incorporated companies in Nigeria. According to Adelope, Omoleso and Obalola, (2011), the FRC is responsible for regulating the financial reporting practice of companies in Nigeria. This is achieved by developing and issuance of accounting standards for the preparation of annual report in Nigeria. The Institute of Chartered Accountants of Nigeria (ICAN) issue Nigerian Standards on Auditing (NSAs). The Securities and Exchange Commission main responsibility is to ensure fair dealings in trading securities as well as protecting the stock market against insider trading excesses (Efobi and Bwala, 2013). This is achieved by the daily publication of vital information in the Nigerian Stock Market such as the all-share index, market capitalization, and the share price of all listed companies in the national dailies.

The legal framework guiding the preparation and presentation of financial statement in Nigeria is the Companies and Allied Matters Act (CAMA) 2004 as amended. However, there are other legal pronouncement such as the Bank and other financial institutions Act. 2009 (as amended), that is also responsible for financial reporting practice for companies in financial services and banking sector. Others include the Insurance Act. 2003 which regulates financial reporting practice of insurance companies. The CAMA specifies mandatory disclosure and reporting as stated in Section 359 which requires the auditors to: (i) report to the members of the company in annual general meeting on the financial statements; (ii) ensure that audit report is submitted timely by the company; (iii) express an opinion on whether or not the financial statements show a true and fair view, and (iv) ensure the financial statements are in compliance with the requirements of the companies Act 1990 as amended and the applicable "approved accounting standards" (Akinbuli, 2010).

According to Efobi and Bwala (2013), the essence of these regulatory processes is to ensure transparency and good corporate governance by corporate Board.

#### 3.1.1 Brief History of Nigerian Capital Market

According to Osaze (2007), the origin of the Nigerian capital market date back to colonial times when the British Government ruling Nigeria at that time sought funds for running the local administration. Most of these funds derived from agriculture, produce marketing and solid mineral mining. Aside from expanding its revenue base through taxation, the colonial master found it necessary to raise funds from the public sector to cover temporary shortfalls in funds availability. Odife (2000), asserted that the first step in this direction was to secure the necessary funds for the development of infrastructure and long-term capital projects. This led to promulgation of 10 years plan of Local Loan Ordinance of 1946 for the floatation of the first 300,000 pounds 3% Government stock 1956/61 with its management vested on the Accountant General of the Federation. In 1957, the Government and other Securities Act was enacted. This law specified the types of securities in which trust fund may be invested (Osaze, 2007). In addition, the colonial government set up the Professor Barback Committee to examine the ways and means of fostering a shares market in Nigeria. Part of the terms of reference of this committee included the possibility of establishing a capital market in Nigeria (Osaze, 2007 p.55). On September 15 1960, the Lagos Stock Exchange was incorporated as a private limited liability company, limited by guarantee under the provision of the Lagos Stock Exchange Act 1960. On June 5, 1961, the Lagos Stock Exchange opened for business with 19 listed securities made up of 3 equities, 6 Federal Government Bonds and 10 industrial loans (Osaze, 2007:56)

The financial system consists of the money and capital market. The institutions that interact within the capital market are: Insurance companies, Pension fund Administrators, Central Bank of Nigeria, Nigerian Stock Exchange, Professional bodies, Corporate Affairs commission, Financial Reporting council, Ministry of Finance, Investment and securities Tribunal, market intermediaries, Investors, media, etc.

From the list above it is clear that the capital market is inundated with many other key players, whose activities greatly impact on the overall outcome of the market. Some may be counter-productive in terms of primary loyalty when related to the performance of the overall regulation of the capital market

### 3.2 The Role of IFRS in Capital Market

Today, investors, issuers and other capital markets participants are able to engage in financial transactions across national boundaries and to make investment, capital allocation and financing decisions on a global basis more readily than ever before. This is due in large measure to today's ever-faster communications, and ever-more-closely linked markets (Munter and Reckers, 2009). Advances in technology that facilitate securities transactions have reduced barriers that previously existed and that may have impeded cross-border investment for both retail and institutional investors. For instance, investors can more readily obtain information on a wide variety of international investment opportunities than in the past, largely due to the availability of information over the Internet. Further, it is now possible for Nigerian investors to have access to real-time securities transaction data from stock exchanges and other securities markets from around the world and to trade on global exchanges through accounts they manage over the Internet (Sanusi, 2009). As trading and investment become more global, investors face an increasing need for full, fair and reliable disclosure that enables comparison of financial information across investment alternatives that cross national boundaries. The adoption of IFRS as a global standard will instill confidence on investors as a result of speaking the same accounting language. A large and increasing number of U.S. investors hold securities of non-U.S. issuers. Further, U.S. investors have the ability to make cross-border investments established individually in each jurisdiction. (US, SEC, 2008). Further, each Member State would typically permit the use in its capital markets of accounting standards set in other jurisdictions, in addition to its own domestic accounting standards. Recent study by US, SEC and KPMG (2009) concluded that IFRS provided a common set of accounting principles under which all domestic listings in the E.U. could report. A similar study in Canada by Stephen and Planty (2008) observed that accounting standard setters concluded that, given the increasing globalization of capital markets and other recent developments, that it was timely for public Canadian companies to adopt globally accepted, high-quality accounting standards by converging Canadian GAAP with IFRS over a transitional period, after which a separate and distinct Canadian GAAP would cease to exist as a basis of financial reporting for public companies.( http://www.cica.ca/index.cfm/ci_id/44036/la_id/1.htm.) In Australia, the decision to adopt IFRS was part of a strategy to ensure consistency and comparability of Australian financial reporting with financial reporting across global financial markets. More countries have adopted IFRS, including Israel (See http://www.cvm.gov.br/port/snc/inst457.pdf.), and others have plans to allow it, including Brazil and USA (starting from January 2014) (US, SEC Roadmap to Adoption of IFRS, 2008).

### 3.3 Education and Training

Reporting in accordance with IFRS by Nigerian would increase the need for effective training and education about IFRS for investors, accountants, auditors and others involved in the preparation and use of financial statements, as there are differences between Nigerian (Nigerian Generally Accepted Accounting Principles) NGAAP and IFRS. Investor education is particularly important, so that users of financial statements can work with the financial information published by issuers (Cable, Healy and Vines, 2009). The main benefits to investors of a single set of high-quality globally accepted accounting standards would be realized only if investors more fully understood the basis for the reported results. In addition to investors, other financial statement users may include customers, vendors, rating agencies and analysts (Agyei-Mensah, 2013). The education and ongoing training of most accountants in Nigeria is limited to or predominantly focused on the current provisions of NGAAP and IAS. Consequently, many parties would likely need to undertake comprehensive education on IFRS. The need for IFRS training would involve personnel of issuers of financial statements, their governing bodies, such as audit committees, and their auditors. Such requirements for training also extend to specialists, such as actuaries and valuation experts, since these professionals are engaged by management to assist in measuring certain assets and liabilities, and likely are not currently proficient in IFRS. For example, IFRS 1 prescribed certain requirement for the *first-time adoption* of IFRS; requirements and adjustments for opening IFRS statement of financial position and statement of accounting policies. Professional associations like the Institute of Chartered Accountants of Nigeria (ICAN) have seen the need to integrate IFRS into their training materials, publications, testing and certification programmes. On the regulatory side, the Nigerian Securities and Exchange Commission (SEC) need to develop its familiarity with IFRS, and such efforts would need to continue and intensify if the Commission were to require Nigerian issuers to file financial statements prepared in conformity with IFRS.

## 4. Methodology

### 4.1 Research Design

The study adopted a cross sectional survey design. This was designed to investigate whether there is a relationship between the adoption of IFRS and the volume of transactions in Nigerian Capital Market.

### 4.2 Population Sample Size and Sampling Technique

The population of the study from which the sample was drawn comprised of Auditors in public practice selected from Directory of members from the Institute of Chartered Accountants of Nigeria (ICAN), accountants responsible for Implementation of IFRS provisions in their financial statements (selected from the management staff profile in their annual report) and capital market operators (which include Stockbrokers and Financial Analysts selected from the Lagos stock exchange list of operators). Purposive or judgment sampling was adopted to ensure that only knowledgeable respondents were chosen. The rationale for choosing this sampling method is explained by Foroughi (1981) He argued that judgmental sampling is applicable under the following conditions: (i) when the desired elements of the sampled population do not equally and universally exist in all units of the target population; (ii) when inclusion of exceptional and special units within the sampled population is essential for the completeness of the research. Given such justification, a simple random selection would most likely have missed the more important elements and was therefore rejected. This approach was also adopted in Lee, Ali and Gloeck, (2009).

A sample consisting of respondents in Lagos and Abuja was considered a good representation of the respondents groups since the ultimate test of a sample design is how well it represents the characteristics of the population it purports to represent (Denscombe, 2003; Ogunbameru, 2003). Three hundred (300) questionnaires were distributed by mail and partly by hand to members of the Institute of Chartered Accountants of Nigeria (ICAN) during the MCPE In Lagos Airport Hotel the venue of the workshop and out of which only 195 were returned but 15 were found to be useless. The respondents were required to indicate the extent of their agreement in the list of semantic differential belief statements on the score of 1 to 5. A score of one (1) represented strong disagreement with the statement while a score of (5) five represented strong agreements. This type of scaling was in agreement when items are to be judged on a single dimension and arrayed on a scale with equal interval

(Alrek and Settle, 1995, Oseni and Ehimi, 2010; Baridam, 2008).

### 4.3 Data Collection

The data collection comprised of both primary and secondary data. The primary data were collected from the responses received from the structured questionnaires while secondary data were collected from Journals and text books, Stock Exchange Quarterly Digest and annual report from the Nigerian Stock Exchange (NSE) as well as the search engine from the internet.

#### 4.3.1 Method of Data Analysis

Descriptive statistical tools used for this research include tables and frequency distribution while analysis of variance (ANOVA) were considered appropriate because it determines whether mean scores on one or more factors differ significantly from each other and whether the various factors interact significantly (Baridam, 2007). It is also considered appropriate since it is possible to ascertain the magnitude of the contribution of each of the sources of the variations (Ubom, 2004). It is calculated by using the following model:

$X_{ij} = \mu + \alpha, + e_{ij}$ ; I = 1,2…..m; j = 1,2……k

Where $X_y$ is the $_i$th observation recurring in the $_j$th treatment

$\mu$ is the overall population mean

$\alpha$ is the treatment effect, that is, the amount by which a group mean differ

From the grand mean

$e_{ij}$ is the random error by which any value differs from its group mean.

Furthermore, Kuder-Richardson (K-R) Formula 21 is computed to test the reliability of all the items in the observations by applying the formula as stated below, the coefficient of reliability was 0.81.

$$R_{k-} R21 = 1 - \frac{x(n-\lambda)}{ns^2}$$

Where:

$R_k$-R21= Kuder-Richardson reliability coefficient

n = number of items in the test

$\lambda$ = mean score on the test

$S^2$ = test variance (measure of variability)

## 5. Data Analysis And Interpretation Of Results

Respondents were grouped into four; External Auditors, Financial Accountants in charge of preparation of company's annual report stockbrokers and Financial Analysts. A sample size of eighty-seven (75) is targeted for each respondent groups making a total of three hundred (300) copies of questionnaire administered, a total of one hundred and ninety-five (195) copies were returned but (180) were found useful for analysis. This represents an overall response rate of ninety per cent (60%) for all the groups. These responses were used in providing answers to the questions raised in the study using five-point Likert scale which measures the extent to which a person agrees or disagrees with the questions.

### 5.1Test of the Research Hypotheses

**(i) The effect of IFRS adoption in the volume of trading in Nigeria Stock Exchange**

According to Akpan (2011) cited in Demaki (2013), the result of increasing globalization and competition has become imperative that countries and companies all over the world address issues that will make them become more attractive to investors which is like the proverbial beautiful bride. Capital market trades (cross border listing) have gone global and a company can raise funds on several stock exchanges around the world. The goal of financial reporting is to make information available for decision-making. Diversity in financial reporting in different countries arises because of the differences in legal systems, tax systems and business structures. The IFRS is intended to harmonise these diversity by making information more comparable and easier to analyse thereby promoting efficient collaboration of resource and reduction in capital cost thereby increase volume of trading in the stock exchange (Demaki, 2013).

Similarly, Sanusi (2009) contended that advances in technology that facilitate securities transactions have reduced barriers that previously existed and that may have impeded cross-border investment for both retail and institutional investors. For instance, investors can more readily obtain information on a wide variety of international investment opportunities than in the past, largely due to the availability of information over the Internet. Further, it is now possible for Nigerian investors to have access to real-time securities transaction data from stock exchanges and other securities markets from around the world and to trade on global exchanges through accounts they manage over the Internet which in turn increase volume of trading in the Nigerian Stock Exchange (Sanusi, 2009). According to Nigerian Stock Exchange annual report All share index at the last quarter of 2011 averaged 20,695,77 while the comparative figure in 2013 was 36,585.06 with market capitalization of N6,599,671,392,502.07 and N11,426,252,504,888,respectively.(*http://signetng.com/page/newsletter/preview.cfm?date=2011/10/5*) The above assertions will be verified by testing the following hypothesis:

H1: There is no significant difference between the mean rating scores of the respondent groups on the adoption of IFRS and the volume of trading in the Nigerian stock market.

**Decision Rule**

The Rule is to reject the Null hypothesis if F-calculated is more than F-critical value. Looking at table 1.2 in the appendices the F-calculated for Hypothesis 1 is 0.13 while the F-critical value is 3.24 at 0.05 level of significance and degree of freedom of 3 – 16. The researcher therefore accept the null hypothesis that there is no statistically significant difference in independence mean rating scores among stock brokers, financial analysts, external auditors and preparers of financial statement on the effect of adoption of IFRS on the volume of trade in the Nigerian Stock Exchange. This result is inconsistent with that of Nyoh (2012) who carried out a similar study on IFRS using Chi-Square non-parametric statistics for data analysis.

**(ii) The effect of IFRS adoption on the preparers of financial statements**

According to Nigerian Standards on Auditing (NSAs: 152) on the responsibility for compliance with laws and regulations, stipulated that it is the responsibility of management with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with laws and regulations. The laws and regulations may affect an entity's financial statements in different ways. For example, most directly, they may affect specific disclosures required of the entity in the financial statements or they may prescribe the applicable financial reporting framework. The standard further stipulates that failure to comply with laws and regulations (including IFRS) will attract penalties.

Similarly, the Companies and Allied Matters Act, 1990 has played a crucial role in ensuring that credible accounting information is provided by Nigerian Companies. For example, section 357 of the Act stipulates that every company shall keep appropriate accounting records and that the accounts are required to be audited by approved company auditors as defined under section 358 and359 of the Act and to ensure that the financial statements are in compliance with the requirements of the companies Act 1990 and the applicable "approved accounting standards" (Akinbuli, 2010).

The education and ongoing training of most accountants in Nigeria is limited to or predominantly focused on the current provisions of the Nigerian Generally Accepted Accounting Principles (NGAAP) and IAS. Consequently, many parties would likely need to undertake comprehensive education on IFRS. The need for IFRS training would involve personnel of issuers of financial statements, their governing bodies, such as audit committees, and their auditors. On the basis of the above statements, the following hypothesis will be verified.

H2: There is no significant difference between the mean rating score of the respondent groups on preparation of financial statements and the convergence to IFRS in Nigeria since January 2012.

Looking at Table 2.2 from the appendices, the F ratio calculated is 0.074 while the critical value is 3.24 from the statistical table. The F calculated value (0.074) is lower than the critical value (3.24). As a result of this, the researcher accepts the null hypothesis at 5% level of significance and 3-16 degree of freedom. It can be concluded that there is no significant difference between the mean score rating of the respondent groups.

**(iii) The effect of IFRS adoption on company's External Auditors in Nigeria**

The Nigerian Companies and Allied Matters Act 1990 as amended, requires all financial statements of listed companies in Nigeria to be audited by a *qualified Nigerian auditor*. (Section 357 (1) of Nigerian Companies and Allied Matters Act,1990). The companies Act requires the auditor to expressly report whether the financial statements complied with the relevant legal and professional regulations guiding the preparation of financial statement of the entity.

Following this, Nigerian Standards on Auditing (NSAs 6) states ; "in accordance with NSA 10, the auditor shall obtain a general understanding of the legal and regulatory framework applicable to the entity and the industry or sector in which the entity operates and how the entity is complying with that framework" (NSA 6:149).

The Institute of Chartered Accountants of Nigeria (ICAN) Code of Conduct and Guide to Members on professional competence and due care states that a Chartered Accountant has a continuing duty to maintain professional knowledge and skill at a level required to ensure that a client or employer receives competent professional service based on current development in practice, legislation and techniques. Furthermore, a member should not accept or perform work, which he is not competent to undertake unless he obtains such advice and assistance as will enable him to do so (*ICAN Professional Code of Conduct for Members, 2009)*.

Porter and Gowthorpe (2004) in their study of audit expectations performance gap in United Kingdom and New Zealand identified the causes and components of the expectations gap to include deficient performance on the part of auditors. Against this backdrop (Cable, Healy and Vines, (2009) observed that reporting in accordance with IFRS would increase the need for effective training and education about IFRS for investors, accountants, auditors and others involved in the preparation and use of financial statements. To verify the above assertions the following hypothesis would be tested.

H3: There is no significant difference between the mean rating scores of the respondent groups on external auditor's training requirements for the adoption of IFRS by their clients.

Looking at Table 3.2 from the appendices, the F ratio calculated is 0.26 while the critical value is 3.24 from the statistical table. The F calculated value (0.26) is lower than the critical value (3.24). As a result of this, the researcher accepts the null hypothesis at 5% level of significance and 3-16 degree of freedom. It can be concluded that there is no significant difference between the mean score rating of the respondent groups. Therefore, external auditor's training on the provisions of IFRS is imperative for effective audit of financial statements of clients who adopted IFRS from 2012 or earlier.

## 6. Conclusion and Recommendations

With the transformation of our world into a global village, the magical phenomenon of globalization has led to the emergence of a "global village" that we all live in now. According to Holt and Mariza (2011), "accounting is the language of business", and business around the world can no longer afford to be speaking in different language with each other while sharing and exchanging results of their international business activities. After all, the objective of financial statements is to provide information about the financial position, performance and financial *adaptability* of an enterprise that is useful to a wide range of users in making economic decisions (Agyei-Mensah, 2013). The above assertion is in line with the IFRS framework. It was on this basis that some of the propositions made in the study were based. It is evident from the study that need for a common reporting pattern has become a requirement for any country that want to expand their business. The era for reporting "according to our own circumstances" is over. According to Adio (2014), seeking knowledge of IFRS is the beginning of wisdom for accountants.

The propositions made in the study were evaluated using selected items or statements of hypotheses. It can be concluded that there is no significant difference between the mean rating scores of the respondent group on the effect of adoption of IFRS in the Nigerian capital market. It therefore means that the stakeholders in the financial reporting chain in Nigeria agree that rapid convergence to IFRS will attract more investors to Nigerian capital market.

The results of the second hypothesis reveal that there is no significant difference between the perceptions of the respondents group on the need to train the preparer of IFRS based financial statements while the results of the third hypothesis also reveal that there is no significant difference between the perceptions of the external auditors on the training need of the auditors to be able to handle the audit of clients who recently converge to IFRS requirements.

In the light of the research findings, the following recommendations are made:

More research is definitely needed in the area of pedagogy; this was a major concern expressed by participants in this study. Pedagogical methods on how to teach principles-based standards would be a welcome addition to the existing body of knowledge in curriculum design and teaching methods in business and other disciplines. The needs of future accountants in the global business arena are intimately related to the quality of education they receive. The first step to a successful IFRS implementation will be the training of accounting faculties of the recognized accounting bodies in Nigeria and professors in our higher institutions.

Majority of professional accountants in both private and public practice in Nigeria are not familiar with the provisions and disclosure requirements of the IFRS so they need to be properly trained. Although the Institute of Chartered Accountants of Nigeria (ICAN) has been making effort through the Mandatory Continues Professional Education (MCPE) for their members to keep abreast of emerging issues in the profession but more effort is needed in our higher institutions of learning.

## References

[1] Adelope, I., Omoleso, K. & Obalola, M. (2011), 'Impact of Corporate Governance on Foreign Direct Investment in Nigeria'. Available at http//ssm.com/abstract=1514982 Agyei-Mensah, B.K., (2013)' Adoption of International Financial Reporting Standards

[2] (IFRS) in Ghana and the Quality of Financial Statement Disclosures ''*International Journal of Accounting and Financial Reporting* Vol. 3, no. 2 . pp.269-286

[3] Akpan, I. (2011).' The International Financial Reporting Standards (IFRS). The Role of the Chartered Secretary and Administrator.' A paper presented at the 35thConference of ICSAN. Lagos Sheraton Hotels and Towers. October 26th and 27th.

[4] Akinbuli, S.F., (2010), 'The Effect of Audit Expectation Gap on the Work of Auditors, the profession and users of Financial information'. The Nigerian Accountant, Vol.43.no.4. pp.37-47.

[5] Ayuba, A. (2012) 'A Proposed Rule - Roadmap for the Adoption of International Financial Reporting Standards (IFRS) in Nigeria: A Research Based Perspective on FGN, NASB & SEC'. *American Journal of Economics* Special Issue: 41-45.

[6] Baridam, D.M. (2008),' Research Method in Accounting and Finance, 3rd Edition:*Sharbrooke'Associates, Port Harcourt* .

[7] Cable, R.J., Healy, P. & Vines, A.(2009)' A Survey Of Community College Educators On The Incorporation Of IFRS Into The Accounting Curricula'. *Pace University Pleasantville, NY.* 10570.

[8] Demaki, G.O., (2013), ' Prospects and Challenges of International Financial Reporting Standards to Economic Development in Nigeria'. *Global Journal of Management and Business Research* ;Vol. 13 . no 1 pp.69-73.

[9] Denscombe, M. (2003), 'The Good Research Guide for Small-scale Social Research Project'.*2nd Edition, Maidenhead-Philadelphia, Open University Press*

[10] Efobi, U.R., & Bwala, A. (2013) ' Voluntary Information Disclosure practice of Listed Companies in Nigeria' ICAN Journal of Accounting & Research; Vol.2 no. 1. Pp.13-30.

[11] Gambari, Y. (2010). Issues in the Implementation of IFRS"; *Accounting and Financial Reporting Issues;* Toronto; CICA

[12] IASB (2010). *The Conceptual Framework for Financial Reporting,* London. I

[13] KPMG (2009) and the education committee of the American Accounting Association. *Issues in Accounting Education.* 24(2), 131-139. http://dx.doi.org/10.2308/iace.2009.24.2.131

[14] Lee, T.H., Ali, A. Md. & Gloeck, J.D. (2009), 'The Audit Expectation Gap In Thailand' *The Southern African Journal of Accountability and Auditing Research, Vol. 4; pp.20-38.*

[15] Munter, P., & Reckers, M. J. (2009). IFRS and collegiate accounting curricula in the United States: 2008. A survey of the current state of education conducted by KPMG and the education committee of the American Accounting Association. *Issues in Accounting Education.* 24(2), 131-139. http://dx.doi.org/10.2308/iace.2009.24.2.131

[16] NASB (2010) Nigerian Accounting Standards Board (2010).'Adoption of International Financial Reporting Standards'. *Report of the Committee on Road Map to the Adoption of IFRS.*

[17] Nyoh, F. (2012), 'Challenges of Converging to IFRS in Nigeria' international journal of Business & Information Technology, Vol.2. no.2. pp.26-31.

[18] Odife, D., (2000), 'The Evolution of the Nigerian Capital Market and the Present Reform'. Paper presented at Abuja Conference on Legislating for the Capital Market Abuja, (October).

[19] Okpala, K.E., (2012) 'Adoption Of IFRS And Financial Statements Effects: The Perceived Implications On FDI And Nigeria Economy' *Australian Journal of Business and Management Research* Vol.2 no.05 pp.76-83|

[20] Osaze, E.B., (2007), 'Capital Markets Africa & Global'. *Book-house Company, Lagos*Oseni, A.I., & Ehimi, C.O. (2010), 'Existence and Nature of Audit Expectation Gap: Nigerian *Perspective'. Asian Economic and Financial Review* Vol.2. No.8. pp.1051-1063.

[21] Porter, B. & Gowthorpe, C. (2004), Audit Expectation Performance Gap in the UK In 1999 and Comparison with New Zealand in 1999. *The Institute of Chartered Accountant of Scotland Edinburgh*

[22] Santos, N.E.A., and Quilliam, W.C. (2013)' An Interview-Based Study of Individual and Institutional Preparedness for Teaching IFRS' *International Journal of Accounting and Financial Reporting*, Vol.3. no.2. pp. 1-11.

[23] Sanusi.,L. (2009).' Recent Developments in Nigeria's Banking'. *Central Bank of Nigeria (CBN) (2009). Report for the second Quarter of 2009" Research Department Abuja Nigeria.*

[24] Sanusi, L. S (2010) "Global Financial meltdown and the Reforms in the Nigeria Banking Sector" *Public Lecture Delivered at the Convocation square, Abubakar Tafawa Balewa University,Bauchi*

[25] Sloan, R.G. (2001), Financial accounting and corporate governance: a discussion, *Journal of Accounting and Economics,* Vol.32 No.1-3, December, p 335-347.

[26] Stephen, P. and Planty, P. (2008) "Community Colleges: Special Supplement to the 2008 Condition of Education*". National Center for Education Statistics. U.S. Department ofEducation Institute of Education Sciences.* August, 2008. .

[27] Ubom, R.M., (2004), 'Biometer a Fundamental Approach'. 1st edn. *Abaam PublishingCo.,* Uyo, Nigeria'

[28] Ukpai, N.A. (2002). The Snag in International Accounting Transactions. *Journal of Accounting*, 3(6), 214 – 22.

[29] US, SEC (2009) **[Release Nos. 33-8982; 34-58960; File No. S7-27-08] RIN 3235-AJ93** Roadmap For The Potential Use Of Financial Statements Prepared In Accordance With International Financial Reporting Standards By U.S. Issuers

## APPENDICS

**Statement 1**

IFRS adoption will now make it possible for investors to have access to real-time securities transaction data from stock exchanges and other securities markets from around the world and to trade on global exchanges through accounts they manage over the Internet which in turn increase volume of trading in Stock Exchange

| Table 1.0 | | | | | |
|---|---|---|---|---|---|
| RESPONSES | Stock Broker [A] | Fin. Analysts [B] | Auditors [C] | Accountants [D] | Total |
| Strongly Agree (SA) | 24 | 17 | 12 | 10 | 63 |
| Agree (A) | 16 | 14 | 20 | 16 | 66 |
| Neutral (N) | 4 | 2 | 2 | 4 | 12 |
| Disagree (D) | 6 | 5 | 7 | 8 | 26 |
| Strongly Disagree (SD) | 3 | 2 | 4 | 4 | 13 |
| Total | 53 | 40 | 43 | 44 | 180 |

***Source: Administered Questionnaires by Onulaka (2014)***

**Table 1.1:** Analysis of Variance (ANOVA) on Hypothesis 1

| Responses | [A] | $A^2$ | [B} | $B^2$ | [C] | $C^2$ | [D] | $D^2$ |
|---|---|---|---|---|---|---|---|---|
| SA | 24 | 576 | 17 | 289 | 12 | 144 | 10 | 100 |
| A | 16 | 256 | 14 | 196 | 18 | 324 | 16 | 256 |
| N | 4 | 16 | 2 | 4 | 2 | 4 | 6 | 36 |
| D | 6 | 36 | 5 | 25 | 7 | 49 | 8 | 64 |
| SD | 3 | 9 | 2 | 4 | 4 | 16 | 4 | 16 |
| Total | 53 | 893 | 40 | 518 | 43 | 537 | 44 | 472 |
| Mean | 10.6 | | 8.0 | | 8.6 | | 8.8 | |

***Source: Researcher's computation using excel (2014)***

**Table 1.2: ANOVA Summary on Hypothesis 1**

| Sources of Variation | DF | Sum of Square | Mean Square | F- Cal. | Critical Value | Significance | Decision |
|---|---|---|---|---|---|---|---|
| Between Group<br>Within group | 3<br>16 | 18.8<br>781.2 | 6.27<br>48.82 | 0.13 | 3.24 | 0.05 | |
| Total | 19 | 800 | | | | | |

***Sources: Researcher's computation using excel (2014)***

**Statement 2**

Many parties involve in preparation of financial statements would likely need to undertake comprehensive education on IFRS to enhance easy convergence.

Analysis of Variance (ANOVA) on Hypothesis 2

| Table 2.0 on Hypothesis 2 | | | | | |
|---|---|---|---|---|---|
| RESPONSES | Stock Broker [A] | Fin. Analysts [B] | Auditors [C] | Accountants [D] | Total |
| Strongly Agree (SA) | 16 | 21 | 20 | 24 | 81 |
| Agree (A) | 20 | 8 | 15 | 15 | 58 |
| Neutral (N) | 4 | 3 | 2 | 4 | 13 |
| Disagree (D) | 3 | 2 | 5 | 4 | 14 |
| Strongly Disagree (SD) | 2 | 4 | 5 | 3 | 14 |
| Total | 45 | 38 | 47 | 50 | 180 |

***Source: Administered Questionnaires by Onulaka (2014)***

**Table 2.1:** Analysis of Variance (ANOVA) on Hypothesis 2

| Responses | [A] | $A^2$ | [B} | $B^2$ | [C] | $C^2$ | [D] | $D^2$ |
|---|---|---|---|---|---|---|---|---|
| SA | 16 | 256 | 21 | 441 | 20 | 400 | 24 | 576 |
| A | 20 | 400 | 8 | 64 | 15 | 225 | 15 | 225 |
| N | 4 | 16 | 3 | 9 | 2 | 4 | 4 | 16 |
| D | 3 | 9 | 2 | 4 | 5 | 25 | 4 | 16 |
| SD | 2 | 4 | 4 | 16 | 5 | 25 | 3 | 9 |
| Total | 45 | 685 | 38 | 534 | 47 | 679 | 50 | 842 |
| Mean | 9 | | 7.6 | | 9.4 | | 10 | |

***Source: Researcher's computation using excel (2014)***

**Table 2.2: ANOVA Summary on Hypothesis 2**

| Sources of Variation | DF | Sum of Square | Mean Square | F- Cal. | Critical Value | Significance | Decision |
|---|---|---|---|---|---|---|---|
| Between Group<br>Within group | 3<br>16 | 15.6<br>1124.4 | 5.2<br>70.27 | 0.074 | 3.24 | 0.05 | Accept H0: |
| Total | 19 | 1140 | | | | | |

***Sources: Researcher's computation using excel (2014)***

**Statement 3**

Assurance reporting in accordance with IFRS would increase the need for effective training and education about IFRS for accountants, auditors and others involved in the preparation and audit of financial statements.

| Table 3.0 | | | | | |
|---|---|---|---|---|---|
| RESPONSES | Stock Broker [A] | Fin. Analysts [B] | Auditors [C] | Accountants [D] | Total |
| Strongly Agree (SA) | 19 | 14 | 18 | 15 | 66 |
| Agree (A) | 12 | 11 | 21 | 25 | 69 |
| Neutral (N) | 5 | 2 | 2 | 6 | 15 |
| Disagree (D) | 6 | 4 | 6 | 4 | 20 |
| Strongly Disagree (SD) | 3 | 2 | 1 | 4 | 10 |
| Total | 45 | 33 | 48 | 54 | 180 |

***Source: Administered Questionnaires by Onulaka (2014)***

**Table 3.1:** on Hypothesis 3

| Responses | [A] | $A^2$ | [B} | $B^2$ | [C] | $C^2$ | [D] | $D^2$ |
|---|---|---|---|---|---|---|---|---|
| SA | 19 | 361 | 14 | 196 | 18 | 324 | 15 | 225 |
| A | 12 | 144 | 11 | 121 | 21 | 441 | 25 | 625 |
| N | 5 | 25 | 2 | 4 | 2 | 4 | 6 | 36 |
| D | 6 | 36 | 4 | 16 | 6 | 36 | 4 | 16 |
| SD | 3 | 9 | 2 | 2 | 1 | 1 | 4 | 16 |
| Total | 45 | 575 | 33 | 341 | 48 | 806 | 54 | 918 |
| Mean | 9 | | 6.6 | | 9.6 | | 10.8 | |

***Source: Researcher's computation using excel (2014)***

**Table 3.2:** ANOVA Summary on Hypothesis 3

| Sources of Variation | DF | Sum of Square | Mean Square | F- Cal. | Critical Value | Significance | Decision |
|---|---|---|---|---|---|---|---|
| Between Group<br>Within group | 3<br>16 | 47<br>973 | 15.67<br>60.81 | 0.26 | 3.24 | 0.05 | Accept H0: |
| Total | 19 | 1020 | | | | | |

***Sources: Researcher's computation using excel (2014)***