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THE IMPACTS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTION ON FINANCIAL STATEMENTS

The case of Nigeria

Business Economics and Tourism

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ABSTRACT

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The Adoption of International Financial Reporting Standards (IFRS) has changed the way and manner in which financial statements are prepared, reported or presented. Globalization of capital markets requires a unified global accounting, reporting and disclosure set of standards. As a result of increasing volume of cross border capital flows and the growing number of foreign direct investments via mergers and acquisitions in the globalization era, the need for the harmonization of different practices in accounting and the acceptance of worldwide standards has arisen. The International Accounting Standards Board adopted the IFRS framework on 1 April, 2001, following which the standards were adopted by over 90 countries around the world. Nigeria's growing prominence in the global business community necessitates that regulators and operators in the Nigerian Financial System take proactive steps to ensure a seamless migration to the IFRS Reporting Framework. The aim of this research is studying the impacts of IFRS adoption on financial statements. The explorative research uses a quantitative approach. The study examines the level of IFRS adoption in Nigeria and the merits and demerits of IFRS.

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YHTEENVETO

Tekijä	Akinyemi Olumide Akindele
Aihe	IFRS’än vaikutukset taloudellisiin lausuntoihin,
	Tapaustutkimus Nigeria.
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Tarkastaja	Niklas Kallenberg

Kansainväliset IFRS standardit ovat muuttaneet tapaa jolla talous lausuntoja valmistellaan, laaditaan tai esitellään. Globalisaation seurauksena yhtenäisempi markkinatalous vaatii yhteiset tavoitteet kirjanpidossa, raportoinnissa sekä kokonaisvaltaisesti yhtenäiset standardit. Rahallisen pääoman siirtyessä rajattomasti sekä ulkomaailta tulevien sijoitusten yleistyessä huomaamme selkeän tarpeen yhtenäistää kirjanpidon käytäntöjä ja samalla asettaa yhtenäiset standardit tätä myöten. Kansainväliset IFRS standardit otettiin käyttöön huhtikuun ensimmäinen päivä vuonna 2001. Sittemmin yhdeksänkymmentä maata ovat omaksuneet standardit. Osana globaalia markkinayhteisöä myös Nigerian talousrakenne kutsuu mahdollistamaan luontevan siirtymän kyseisiin standardeihin. Tutkintoni kysyy IFRS standardien vaikutusta taloudellisissa lausunnoissa kvantitatiivisen menetelmän kautta. Tutkintoni kysyy myös IFRS systeemin hyötyjä ja haasteita sekä tarkastelee lähemmin missä määrin kyseisiin standardeihin ollaan Nigeriassa siirrytty.

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Akinyemi Olumide Akindele

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1 INTRODUCTION

This is the introductory part of the research work. The introductory part of this research material consists of the background of the study, it will also give a view of the objective of this study, it also includes the research problem, definition and limitation of study and an overall structure of the research work.

1.1 Background Information

Globalization of capital markets requires a unified global accounting, reporting and disclosure set of standards. As a result of increasing volume of cross border capital flows and the growing number of foreign direct investments via mergers and acquisitions in the globalization era, the need for the harmonization of different practices in accounting and the acceptance of worldwide standards has arisen. This worldwide standard is International financial reporting standards (IFRS) <http://ces.epoka.edu.al/icme/21.pdf>

The International Accounting Standards Board adopted the IFRS framework on 1 April, 2001; the standards were adopted by over 90 countries around the world. International financial reporting standards (IFRS) was established and approved by the International Accounting Standards Board (IASB). The goals of the IFRS Foundation and the IASB is to develop, in the public interest, a single set of high-quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles. < http://www.ifrs.org>

In pursuit of this goal, the IASB works in close cooperation with stakeholders around the world, including investors, national standard-setters, regulators, auditors, academics, and others who have an interest in the development of high-quality global standards. <http://www.ifrs.org>

Nigeria's fast growth in the global business community necessitates that regulators and operators in the Nigerian financial system take proactive steps to ensure a seamless migration to the IFRS Reporting Framework.
<http://www.proshareng.com/news/11364>

On 28 July 2010, the Nigerian Federal Executive Council approved 1st January 2012 as the effective date for convergence of accounting standards in Nigeria with International Financial Reporting Standards (IFRS). The Council directed the Nigerian Accounting Standards Board (NASB), under the supervision of the Nigerian Federal Ministry of Commerce and Industry, to take further necessary actions to give effect to Councils' approval.
<http://www.iasplus.com/country/nigeria.htm>

On 3 September 2010, the Nigerian Accounting Standards Board (NASB) announced a staged implementation of IFRS, as follows: Publicly listed entities and significant public interest entities are expected to implement IFRS by 1 January 2012, Other public interest entities are expected to implement IFRS by 1 January 2013 and Small and medium-sized entities are expected to implement by 1 January 2014. <http://www.iasplus.com/country/nigeria.htm>

On 20 July 2011 a workshop was held in Abuja Nigeria and the workshop was about attracting investments into Nigeria. During the workshop, the Nigerian Federal Minister of Trade & Investment, Dr. Olusegun Aganga, announced the signing of the law necessary for Nigeria to implement International Financial Reporting Standards (IFRSs) in Nigeria.
<http://www.iasplus.com/country/nigeria.htm>

On 28 July 2010, the Nigerian Federal Executive Council announced a 'Road Map' for Nigeria's staged adoption of IFRS, commencing from 1 January 2012. The necessary law to enact the changes in the Financial Reporting Council of Nigeria Act 2011, had previously been passed by the Nigerian legislature, but had not been signed into law by the Nigerian President.
<http://www.iasplus.com/country/nigeria.htm>

With the Nigerian President signing the act into law, the final processes for Nigeria's adoption of IFRS can now be put in place. The effect of the law is to create a new Financial Reporting Council, incorporating and replacing the existing Nigerian Accounting Standards Board (NASB), which will issue and regulate accounting, actuarial, valuation and auditing standards. <http://www.iasplus.com/country/nigeria.htm>

Finally the IFRS has been signed into Nigerian law by the president of Nigeria President Goodluck Jonathan <http://www.vrl-financial-news.com/accounting/the-accountant/issues/ta-2011/ta-6092/ifrs-signed-into-nigerian-law.aspx>

< http://www.businessdayonline.com/NG/index.php/news/76-hot-topic/24928-nigeria-ready-to-implement-ifrs-as-jonathan-signs-frc-bill->

Financial regulators in Nigeria have given 2012 as the deadline within which the Banks operating in Nigeria should migrate to IFRS from the current General Accounting Principles (GAP). <http://www.afriquejet.com/news/africa-news/nigerian-bank-hosts-conference-on-international-financial-reporting-2010071552851.html>

Only three banks in Nigeria started preparing their financial report according to International financial reporting standards (IFRS) before it was adopted in Nigeria in January 2012. I checked all the websites of the banks in Nigeria but only these three banks have published their financial report based on International financial reporting standards (IFRS) on their websites. These three banks are Guarantee Trust Bank (GTB), Access Bank and Zenith Bank. In my research work I will only use these three banks. <http://www.accessbankplc.com> <http://www.zenithbank.com> <http://gtbank.com>.

1.2 The Objective of the study

The purpose of this study is to make research concerning the impacts of IFRS (International Financial Reporting Standards) adoption on financial statements. This will be achieved by conducting a survey and questionnaires will be directed to the employees in three banks that have already adopted IFRS to know their opinion concerning the impacts of IFRS adoption on financial statements.

1.3 Research problems or questions

This study will critically examine the following areas with respect to the impacts of International Financial Reporting Standard (IFRS) adoption on financial statements in Nigeria.

What is the adoption level of IFRS in Nigeria?

What are the benefits of adopting IFRS in Nigeria?

What are the demerits of adopting IFRS in Nigeria?

What is financial statement?

What are the elements of financial statements?

1.4 Definition and Limitations of the thesis

International Financial Reporting Standards (IFRS) are standards and rules for reporting financial information. International Financial Reporting Standards (IFRS) was established and approved by the Financial Accounting Standards Board (IASB).The accounting board that succeeded International Accounting Standards Committee (IASC) is the International Accounting Standards Board (IASB), which promulgated International Accounting Standards (IAS), in 2001. The existing IAS have the same status as the more recently issued IFRS <Epstein, Barry J.; Jermakowicz, Eva K.. IFRS Policies and Procedures. Hoboken, NJ, USA: Wiley, 2008. P 1.>

Financial Statements are structured financial representation of the financial position and the transaction undertaken by an enterprise. <IASC`s 2000 Bound Volume of International Accounting Standards by International accounting Standards committee: 81>. The purpose of the financial statements is to provide information about the financial position, cash flow, and performance of an enterprise which has to be useful for the users in order to make economic decisions. The components of financial statements include the balance sheet, income statement, statement showing equity, cash flow statement and accounting policies and explanatory notes. < IASC`s 2000 Bound Volume of International Accounting Standards by International accounting Standards committee: 82 >.

There are many banks in Nigeria but it will not be possible to examine the whole banking sector because of time constraint. In this research work, the focus will be on three banks (Guarantee Trust Bank-GTB, Access bank, and Zenith Bank) as well as on the impacts of IFRS adoption of these three banks (Guarantee Trust Bank-GTB, Access bank, and Zenith Bank). This thesis writing is also limited to the benefits or advantages of preparing financial statements according to International Financial Reporting Standards (IFRS) and the disadvantages of adopting International Financial Reporting Standard (IFRS).

1.5 Structure of the Study

The structure of this research is as follows: Chapter one consists of the introduction of the thesis, background information, objective of study, the research questions or problem, scope and limitations of the study.

Chapter two consists of the theoretical framework. In this chapter, the general overview of accounting is discussed. The definition of accounting, the definition of bookkeeping, accounting concepts, the importance of accounting knowledge and the users of financial statements.

Chapter three focuses on financial statement. The definition of financial statements, the objective of financial statements, the assumptions of financial statements, qualitative characteristics of financial statements and elements of financial statements are discussed.

Chapter four focuses on accounting professional bodies and accounting standards. The accounting professional bodies in the world, in West Africa and in Nigeria are discussed. The International accounting standards and the Nigerian accounting standards are also discussed in this chapter.

Chapter 5 is meant to describe the empirical approach of the study as to the methods used in reaching a viable conclusion of the whole research. This includes the research process, strategy and design. The objective of this chapter is to use case studies in other to solve the research questions.

Chapter 6 will further describe and analyze the case company in relation to the research framework. Here the answers will be sort to all research questions. In this chapter the empirical findings will be analyzed.

Finally, the last part, chapter 7, will be for the summary and conclusions. In this chapter, recommendations on the impacts of IFRS adoption that have been analyzed will be presented. It will also provide for expansion and possible future studies.

2 GENERAL OVERVIEW OF ACCOUNTING

2.1 Definition of accounting and bookkeeping

There are many definitions of accounting and there is no way we will define accounting and not referring to book keeping. In this case, I will first define bookkeeping before defining accounting because there has to be bookkeeping before we can make account. In this research, two definitions of bookkeeping will be given. Bookkeeping is the systematic recording, sorting and summarizing of events (expressed in dollars) that affect the financial condition of a business. (Accounting essentials by Neal Margolis and N.Paul Harmon. Bookkeeping is the recording and safe keeping of the accounting information for the preparation of accounting statements in forms suitable for understanding. (Get your Financial Accounting Right Book One 2001 Edition by O.Adetifa, J.O.Ajileye, R.O. Oluwasanmi: 2)

As mentioned, accounting has many definitions but in this research, three definitions of accounting will be given. Accounting is defined as follows:

Accounting includes and goes beyond bookkeeping. Accounting is also concerned with the analysis and interpretation of financial data, and with setting up bookkeeping system. In general accounting emphasizes analysis, while bookkeeping emphasizes recording. (Accounting essentials by Neal Margolis and N.Paul Harmon: 2)

Accounting is a process. It is a process of recording, measuring, interpreting and communicating information about economic wealth and income. (Accounting for Business by Jack Sands: 1).

Accounting is the art of recording, classifying and summarizing in a useful manner and in monetary terms, transactions and events which are of financial character and subsequent interpretation. Accounting includes designing forms and records to be used, designing accounting systems data analysis, decision making, report and financial statement preparation and the interpretation of these reports and statements. (Get your Financial Accounting Right Book One 2001 Edition by O.Adetifa, J.O.Ajileye, R.O. Oluwasanmi: 2).

2.2 Accounting concepts and principles

There are numbers of accounting concepts and principles based on which we prepare our accounts. Accounting concept are accepted assumptions and guidelines. The basic accounting concepts and principles are:

Entity, going concern, monetary unit, periodicity, historical, prudence, materiality, objectivity, consistency, accruals or matching, revenue realization, uniformity, full disclosure and relevance

(Get your Financial Accounting Right Book One 2001 Edition by O.Adetifa, J.O.Ajileye, R.O. Oluwasanmi: 6-14).
(202.82.16.155/bss/account/notes/Accounting_concept.ppt)

Entity

In accounting the business is a separate entity different from its owner. For example if Mr Akinyemi incorporates a company known as Akinyemi enterprises; in this case Mr Akinyemi is a different person from Akinyemi enterprises. Each of them can be sued separately and they can even sue themselves. Another example is that if the owner has personal incomes and expenses, it should not be treated as the incomes and expenses of the business. The personal property of the owners should not be included in the premises account of the business. (Get your Financial Accounting Right Book One 2001 Edition by O.Adetifa, J.O.Ajileye, R.O. Oluwasanmi: 6).

Monetary Unit

This means that all the transactions of the business should be recorded in terms of money. This concept provides a common unit of measurement. If all items are stated in monetary terms, the disadvantages are that the value of money may not remain stable especially in the period of inflation. This concept does not record whether or not the company has a good management team because it cannot be measured in monetary terms. Accounting also cannot measure the moral of employee and strength of the competition in monetary terms. In summary, this concept says that accounting does not provide all information about the firm but it only provides the economic information that can be expressed in monetary terms. (Get your Financial Accounting Right Book One 2001 Edition by O.Adetifa, J.O.Ajileye, R.O. Oluwasanmi: 8).

Periodicity

This means that accounting information should be prepared periodically or at stated intervals for example monthly, quarterly, half yearly and yearly. The reason why it is necessary to prepare accounting periodically is that, accounting information or results of an enterprise are required quite often by the users such as government, investors, management, employees. The period of results varies from company to company. It is the desire of the investors that the information is timely and reliable. (Get your Financial Accounting Right Book One 2001 Edition by O.Adetifa, J.O.Ajileye, R.O. Oluwasanmi: 8).

Historical Cost

One of the most difficult problems in accounting is the determination of the amounts to be recorded and reported for various assets and liabilities. Accountants, businessmen, tax authorities and other accounting professionals and users have found out that cost is generally the value most useful as a basis for accounting records. Assets and liabilities are accounted for on a basis of cost in other words assets should be shown on the balance sheet at the cost of purchase instead of current value. By using cost as a basis for record keeping, accountants can provide objective and verifiable data in their reports. (Get your Financial Accounting Right Book One 2001 Edition by O.Adetifa, J.O.Ajileye, R.O. Oluwasanmi: 10).

Prudence/conservatism

This concept demands exercising great care in the recognition of profit whilst all known losses are adequately provided for. The concept of prudence says that, accountants should take the figures which understate rather than overstate profit. The accountants should take the figures which will cause the capital of the firm to be shown at a lower amount rather than higher amount. The accountants should also select a figure which will result to a lower value of assets rather than a higher value. In summary this concept means “Anticipate no profit but provide for all possible losses.

For example Stock valuation is on the basis of lower of cost and net realizable value. The provision for doubtful debts should be made. Fixed assets must be depreciated over their useful economic lives. (Get your Financial Accounting Right Book One 2001 Edition by O.Adetifa, J.O.Ajileye, R.O. Oluwasanmi: 9).

Materiality

Materiality depends on the size and nature of an item. Accounting statements should concern themselves with matters which are significant because of the size and should not consider trivial matters. What is material in a small business could be different from what is material in a large organization. For example a bottle of ink is bought and used for more than one year, it may be termed as fixed asset but the price of the ink is too small that it is not worth recording it as a fixed asset. If it is not a material item then it should be charged as an expense in the period it is bought even if it lasts for more than one accounting period.

Another good example is that, the cost of staple machine, pencil sharpener and paper clips should be charged as expenses in the profit and loss account even though it lasts for more than one accounting year. The size and type of the firm also determines which items are materials. For example a firm having a great deal of machinery may treat all items of machinery costing less than €500 as not material whereas another firm which makes about the same profit but has very little machinery may treat €300 machinery as a material item. (Get your Financial Accounting Right Book One 2001 Edition by O.Adetifa, J.O.Ajileye, R.O. Oluwasanmi :9).

Objective

This means that accounting information should be presented in a verifiable manner. There must be availability and adequate evidence supporting the validity of the accounting data. If accounting information is objective, it also means that if two people look through an accounting report they should be able to come to the same conclusion and accounting information should be free from bias.

For example if there is sales contract, there must be verifiable evidence like invoice or contact papers. Another example is that the recognition of revenue should be based on verifiable evidence like delivery of goods or issue of invoices. The principle of objectivity also helps the accounting users of accounting information/data to minimize time of information scrutiny. (Get your Financial Accounting Right Book One 2001 Edition by O.Adetifa, J.O.Ajileye, R.O. Oluwasanmi: 14).

Consistency

This principle means that there should be consistency in accounting policies used in the preparation of the accounts. Companies should choose the most suitable accounting methods and treatment and then consistently apply them in every period. There are different methods of treating depreciation and stock valuation. For example if a company adopts the reducing balance method, the company should not change to straight line method in other period. Another example is that, if a company adopts first-in-first-out method as stock valuation method the company should not change to weighted average method in other period.

Although changes can also be made but with a very good reason for instance when the new method is considered better than the old method and can also reflect the true and fair view of company`s financial position. When there is a change, the change and its effect should be disclosed in the financial statements as well. (Get your Financial Accounting Right Book One 2001 Edition by O.Adetifa, J.O.Ajileye, R.O. Oluwasanmi: 13).

Accrual or Matching

This concepts means that for any accounting period, the revenue and all the costs incurred that generate the revenue must be matched and reported for the periods. And if revenue is carried over from a period or deferred to future period, all elements of costs and expenses relating to that revenue should also be carried over or deferred.

In summary revenue are recognized when they are earned but not until cash is received. Expenses are also recognized as they are incurred, but not until when cash is paid. Net income for the period is determined by subtracting expenses incurred from revenues earned.

For example, in December 1997 accounting year end of Akinyemi enterprises, a total cash sales of €15,000 was made , all credit sales invoices awaiting payment from customers amounted to €45,000. During the year the enterprise had incurred and paid €12,000 worth of expenses and also €14,000 worth of expenses has been incurred and not been paid for. According to accrual concept, the total sales for the period is the sum of the cash sale and the credit sales i.e. €15,000 cash sales + €45,000 credit sales to give a total amount of €60,000 which is the real sales figure. Since the credit sales has been recognized for 1997, the concept emphasizes that all expenses incurred commercially for the year must also be recognized i.e. €12,000 paid expenses + €14,000 incurred but not yet paid for which now gives a total expenditure of €26,000.

Therefore the profit or loss account will record total recognized sales of €60000 less total recognized expenditure of €26,000 which is equal to €34,000 Net profit

(Get your Financial Accounting Right Book One 2001 Edition by O.Adetifa, J.O.Ajileye, R.O. Oluwasanmi: 12).

Revenue Realization

The revenue realization principle provides the answer to when revenue should be recognized. Revenue is realized when the earning process is virtually complete, when an exchange transaction has occurred and when the buyer has admitted his liability to pay for goods or services provided and the ultimate collection is very certain. For example sales are recognized when the goods are sold and delivered to the customers or services are rendered and the customer agreed to the terms on the invoice. The principle also provides that revenues are recognized when it is earned and not when money is received. (Get your Financial Accounting Right Book One 2001 Edition by O.Adetifa, J.O.Ajileye, R.O. Oluwasanmi: 11).

Uniformity

In summary uniformity principle means that if there are different companies in the same industry they should adopt the same accounting methods and treatments for similar transactions. The practice helps in the aspect of inter-company comparisons of their financial positions.
<202.82.16.155/bss/account/notes/Accounting_concept.ppt>

Full disclosure

This principle means that financial statements should be prepared to show a true and fair view of the financial position and the performance of the business organization. All materials and relevant information must be disclosed in the financial statements. (Get your Financial Accounting Right Book One 2001 Edition by O.Adetifa, J.O.Ajileye, R.O. Oluwasanmi: 13).

Relevance

The financial statements should be prepared in such a way that it will meet the requirements and objective of the users of financial accounting. The relevant information that will satisfy the needs of most users should be recorded in the financial statements.

<202.82.16.155/bss/account/notes/Accounting_concept.ppt>

2.3 The Importance of accounting Knowledge

The knowledge of accounting helps the individual in an organization to have a better understanding of the corporate goal of the organization since it is primarily stated in monetary terms. It also enables the individuals in the organization to appreciate the organization better. Accounting knowledge also helps in preparation of departmental budget. Accounting also gives the knowledge of wages negotiation since the user can interpret the financial statements.

(Get your Financial Accounting Right Book One 2001 Edition by O.Adetifa, J.O.Ajileye, R.O. Oluwasanmi: 3).

2.4 Users of Financial statements

1. Management: the management needs financial statements for assets control, to determine the efficiency of management policy and to definitely know the proportion of cost incurred to revenue. The information needed from the financial statements are records concerning assets, records of cost revenue and the level of profitability.
2. Shareholders and investment Analysts: the shareholders and investment analysts need the financial statement to make appropriate investment decisions for example buying and selling of shares. The information needed from the financial statements are: profitability level and share value.
3. Lenders including Banks: the lenders and Banks need the financial statement to make decision whether more facility can be granted or not. The information needed form the financial statements are: Liquidity level, interest coverage and the ratio of debt to equity.
4. Employees: the financial statements help the employees to decide whether more facility can be granted or not. The information needed form the financial statements are: Liquidity level and profitability level.
5. The Tax Authority: the financial statements help the tax authority to determine the amount of tax payable by the company. The information needed form the financial statements are details of revenue and expenses.

6. Auditors: the auditors need the financial statements of the organization for general audit purpose and to give an opinion concerning the company`s state of affairs. The information needed form the financial statements are: Liquidity level and profitability level.
7. Government: the government of a country needs the financial statements to formulate fiscal policies. The information needed form the financial statements are: details of revenue and expenditure and the details of assets and liabilities.

   The other users include: the Stock Exchanges, the Trade Associations, the Financial Reporters and Analysts.

   (Get your Financial Accounting Right Book One 2001 Edition by O.Adetifa, J.O.Ajileye, R.O. Oluwasanmi: 4-5).

The Financial Accounting Standards Board (FASB) defined the main users as present and potential investors, creditors and other users interested in making rational investment, credit and similar decisions.

Furthermore, the International Accounting Standard Committee (IASC) states that the users of accounting are present and potential shareholders and creditors and employees. Other users of accounting are suppliers, customers, trade unions, financial analysts, statisticians, economists, and taxing and regulatory authorities.

In addition, the corporate report in Britain lists seven kinds of accounting users which are: the equity investors, the loan creditor, the employee, the analyst advisers, the business contact (customers, trade creditors, and suppliers), the government, and the public (taxpayers, customers)

(International Accounting and Multinational Enterprises by Jeffrey S. Arpan and Lee H. Radebaugh: 205)

3 FINANCIAL STATEMENTS

3.1 Definition of financial statement

Financial statements are prepared and presented annually and it is also part of the process of financial reporting. The whole set of financial statements are balance sheet, income statement, cash flow statement and notes and explanatory materials to the account.

Financial statements are mainly prepared and presented for the external users. In some cases financial statements may look similar but still there are differences which may be caused by external factors which are economical, legal and economic situation.

Due to the differences that may occur in the preparation and presentation of the financial statements by different countries, the International Accounting Standards Committee (IASC) is faced with the responsibility of bridging the differences by harmonizing regulations, accounting standards and procedures relating to the preparation and presentation of financial statements.

<International financial reporting standards (IFRSs): including international accounting standards (IASs) and interpretations as at 31 March 2004 / International Accounting Standards Board: 22>.

3.2 The Objective of Financial statements

The main objective of financial statements is to provide information concerning the financial position and performance of a business organization which is useful to the users so as to make economic decision. Financial statements also give a well view of the stewardship and accountability of management. This also help the users to make economic decision may be to hold or sell their investment and may be to change the management. Financial statement is also prepared to meet the common needs of the users. <International financial reporting standards (IFRSs) : including international accounting standards (IASs) and interpretations as at 31 march 2004 / International Accounting Standards Board: 26>.

3.3 The Assumptions of Financial statements

Accrual Basis

Financial statements are always on accrual basis of accounting. This means that the effects of transactions and financial events are recognized at the time they occur. If a financial statement is prepared on accrual basis, it shows the past transactions which involve the payment and receipt of cash and also the obligations to pay and receive cash in the future. For example, if a sale of €50 is made on credit, the company will record the transaction of €50 in their sales account even if the money is not received yet and €50 will also be recorded in account receivable ledger. If the purchases of €60 is made on credit, the company will record the transaction of €60 in their Purchases ledger even if the money is not paid yet and €60 will also be recorded on account payable.

<International financial reporting standards (IFRSs): including international accounting standards (IASs) and interpretations as at 31 March 2004 / International Accounting Standards Board: 27-28>.

Going Concern

This means that an enterprise will continue in operation for the foreseeable future. It is assumed that the enterprise has neither intention nor the necessity of liquidating or of curtailing significantly the scale of its operation. <International financial reporting standards (IFRSs) : including international accounting standards (IASs) and interpretations as at 31 march 2004 / International Accounting Standards Board: 28>.

3.4 Qualitative Characteristics of Financial Statements

There are four main qualitative characteristics of financial statements which are: Understandability, relevance, reliability and comparability. <International financial reporting standards (IFRSs): including international accounting standards (IASs) and interpretations as at 31 march 2004: 28>

1. Understandability: A good quality of the information in the financial statement is that the users must be able to understand it. It is also important that users of financial statement should have a good and proper knowledge concerning the business, accounting and economic activities of the business enterprise. The users of financial statements should also be ready to read it voluntarily. <International financial reporting standards (IFRSs) : including international accounting standards (IASs) and interpretations as at 31 march 2004: 28>
2. Relevance: The information on the financial statement must be useful or relevant to the users for decision making (economic decision). <International financial reporting standards (IFRSs): including international accounting standards (IASs) and interpretations as at 31 march 2004>. Materiality is mentioned as an aspect of relevance. <2003 Miller International accounting standards guide by David Alexander and Simon Archer: 2.03>. Information is said to be material if its omission or misstatement could affect the user's economic decision on financial statements. <International financial reporting standards (IFRSs) : including international accounting standards (IASs) and interpretations as at 31 march 2004:28-29>
3. Reliability: The information on the financial statement must be reliable so that users can depend on it. For financial statement to be reliable, it means the information must not have error and must not be biased. It is also said that, information may be relevant but not reliable. If the information on the financial statement is not reliable, it will always mislead the users in making economic decision. <International financial reporting standards (IFRSs) : including international accounting standards (IASs) and interpretations as at 31 march 2004: 29>.

   Faithful representation, substance over form, neutrality (freedom from bias), prudence (subject to neutrality), and completeness is mentioned as aspect of reliability <2003 Miller International accounting standards guide by David Alexander and Simon Archer: 2.03>
4. Comparability: The financial statement must possess the attribute which will help the users to compare it in order to pin point the movement of the financial position and performance. The financial statement must show the corresponding

information for the periods. For example the financial statement showing the Balance sheet for 2009, 2010 and 2012 for easy comparison. .<International financial reporting standards (IFRSs) : including international accounting standards (IASs) and interpretations as at 31 march 2004: 31>

3.5 Elements of Financial statements

The element of financial statements refers to the transactions which have financial effect on the financial statements. The elements which affect the balance sheet are asset, liability and equity. These elements also show the financial position of the business organization. The elements which are directly related to the measurement of performance in the income statement are income and expenses. <International financial reporting standards (IFRSs) : including international accounting standards (IASs) and interpretations as at 31 march 2004: 32>

3.5.1 Assets

An asset is a resource controlled by the entity arising from past events and from which economic benefits are expected to flow to the entity in the future.<International financial reporting standards (IFRSs) : including international accounting standards (IASs) and interpretations as at 31 march 2004: 33-34>.

Asset is the wealth of a company. According to the basic characteristics of an asset, it can be divided into three categories which are: tangibles, claims and currency and intangibles.

<Accounting for Business by Jack Sand: 13>

Tangible Assets

Tangible assets are those assets that you can see and touch. Tangible assets can further be divided into two categories, those that provide services to the business organization and those that are consumed physically or used up. The assets that provide services to the business organization are described as plant and equipment, property or capital assets or fixed assets for example land, buildings, machinery, furniture and fixtures and equipment. <Accounting for Business by Jack Sand: 14>

Claims and currency

Claim is the right that you will receive payment or services from another person, business or government. Claim could be against the bank because of money deposited at the bank. Claims could also be against the supplier for making payment in advance. Claims could also be against the customers for the payment for goods and services. Claims could also be in form of lending to someone or investing in something. A good example of claim for amount lent or invested is corporation shares or government bonds. Currency is best described as the coins and bills issued by the central bank of a country.
Claims and currency are grouped in three main categories which are cash, receivables and investments. <Accounting for Business by Jack Sand: 15-16>

Intangible assets

Intangible asset gives a competitive advantage to a business enterprise and intangible assets do not have a physical form. Intangible assets are also best described as the conditions that a business is operating on which contribute to its profits. <Accounting for Business by Jack Sand: 17>

There are some conditions that can be identified specifically while some cannot be identified specifically. The examples of the conditions that can be identified physically are patent right, copyright, trademarks, franchises, and licenses. The example of the conditions that cannot be identified physically could be in form of consumer taste and the general name in accounting given to the conditions that cannot be identified physically is called goodwill. <Accounting for Business by Jack Sand: 17>

Goodwill is best described as the favorable attitude of employees and customers towards a business enterprise and its products. <Accounting for Business by Jack Sand: 17>

Furthermore, Assets have a future economic value which may flow to the entity in a number of ways. For instance an asset can be:

- Exchanged for other assets.
- Assets can be used alone or combine with other assets to produce goods and services that will be sold by the business enterprise.
- Assets can be used to settle a liability.
- Assets can be distributed to owners of the entity.

<International financial reporting standards (IFRSs): including international accounting standards (IASs) and interpretations as at 31 march 2004: 34>

3.5.2 Liabilities

Liability is an obligation. A liability is a present obligation of the entity arising from past events, the settlement of the obligation results in an outflow from the resources embodying economic benefits. <International financial reporting standards (IFRSs): including international accounting standards (IASs) and interpretations as at 31 march 2004: 35>. Obligations of a business include the amounts owing to lenders or any other entity for loan taken and the amount owing the suppliers for goods purchased on credit. <Accounting for Business by Jack Sand: 17>

The settlement of a present obligation involves the giving up economic resources in order to satisfy the claim of the other party or entity. The settlement of present obligation may include: the transfer of other assets, payment of cash, replacement of a particular obligation with another obligation, conversion of the obligation to equity and provision of services.

<International financial reporting standards (IFRSs): including international accounting standards (IASs) and interpretations as at 31 march 2004: 35>

Generally Liability is the result of past transactions or events. For instance, the credit purchase or acquisition of goods and the use of services and the receipt of a bank loan results in an obligation to pay back. <International financial reporting

standards (IFRSs): including international accounting standards (IASs) and interpretations as at 31 march 2004: 35>

3.5.3Equity

Equity is the residual interest in the assets of a business organization after deducting all its liabilities. Assets minus liabilities= Equity. At the same time, it does not mean that asset cannot be divided into sub classifications that are shown separately in the balance sheet. For example funds contributed by shareholders, retained earnings, reserves representing appropriations and reserves representing capital maintenance adjustment. <International financial reporting standards (IFRSs): including international accounting standards (IASs) and interpretations as at 31 march 2004: 36>

The amount, at which equity is shown in the balance sheet, depends on the measurement of assets and liabilities. The aggregate amount of equity coincidentally corresponds with the aggregate market value of the shares of a business entity or the sum that could be raised by disposing the net assets. <International financial reporting standards (IFRSs): including international accounting standards (IASs) and interpretations as at 31 march 2004: 36>

3.5.4 Income

Income is best described or defined as the revenues and gains of the business organization. Revenue is realized during the ordinary activities of a business enterprise. Examples of revenues are sales, interest, dividends, fees, rent and royalties. <International financial reporting standards (IFRSs): including international accounting standards (IASs) and interpretations as at 31 march 2004: 37>

Gains may or not arise during the ordinary activities of an entity. Gains stand for increases in economic benefits. Example of gains includes proceeds realized on the disposal of non-current assets. Income also includes gains that are not yet realized, for example those arising on the revaluation of marketable securities. Some asset could also be received by income for example receivables, cash and goods and services received for the exchange of goods and services supplied. Income can also be realized through the settlement of liabilities. Take for example a company provides goods and services to a lender for the settlement of an obligation of loan repayment. <International financial reporting standards (IFRSs): including international accounting standards (IASs) and interpretations as at 31 march 2004: 37-38>

3.5.5 Expenses

Expenses are best defined as losses and those expenses that arise during the ordinary activity of a business enterprise. The expenses that arise in the course of the ordinary activities of an entity are wages, cost of sales, depreciation. Expenses take the form of an outflow from cash or equivalent of cash and it also takes the form of depletion or depreciation of assets such as property, plant and machinery. <International financial reporting standards (IFRSs): including international accounting standards (IASs) and interpretations as at 31 march 2004: 38>

Losses represent decrease in the economic benefit and may or not occur in the course of the ordinary activities of a business. Example of losses is the results from disaster like flood, fire and those arising from the disposal of non-current assets. Expenses may also come inform of unrealized losses, for example the effects of increases in the exchange rate for a foreign currency. <International financial reporting standards (IFRSs): including international accounting standards (IASs) and interpretations as at 31 march 2004: 38>

3.6 Cash Flow

Cash flow is a part of the financial statements. Cash flow can be defined as the inflow and outflow of cash and cash equivalents. Cash equivalents are liquid investments that are readily convertible to cash at any time. Cash equivalents are short-term just like cash. <International financial reporting standards (IFRSs): including international accounting standards (IASs) and interpretations as at 31 march 2004: 634>

3.6.1 Benefits of Cash flow

Cash flow statement is useful because it provides the users of financial statements the clear picture or information on the ability of a business to generate cash and cash equivalents and how the cash flow is been utilized. Cash flow statement helps the users of financial statement to compare the report of operating performance of different companies. The cash flow statements also provide the information about the liquidity and solvency of a business enterprise. <International financial reporting standards (IFRSs): including international accounting standards (IASs) and interpretations as at 31 march 2004: 634>

3.6.2 Presentation of Cash Flow Statement

Cash flow statement reports cash flow during the period classified by operating, investing and financing activities. <International financial reporting standards (IFRSs): including international accounting standards (IASs) and interpretations as at 31 march 2004: 636>

Operating activities

The amount of cash flow from operating activities shows the extent to which the operations of the enterprise have generated adequate or enough cash flows to maintain the operations of the business, repay loans and make new investment without seeking for finance from external sources. <International financial reporting standards (IFRSs): including international accounting standards (IASs) and interpretations as at 31 march 2004: 636>

In addition, the cash flow from operating activities can be obtained from revenue-producing activities of a business organization and also they form the transactions and events undergone before profit or loss is derived.

These are the examples of cash flows from operating activities:

- Cash receipt and payments from contracts held for dealing or trading purposes
- Cash payment to suppliers for goods and services
- Cash receipts from the sale of goods and rendering of services

- Cash payment to employees
- Cash receipts and cash payments of an insurance entity for premiums and claims, annuities and benefits from other policies.
- Cash payments or refunds of income taxes unless they can be specifically identified with financing and investing activities
- Cash receipts from royalties, fees, commissions, and other revenue

<International financial reporting standards (IFRSs): including international accounting standards (IASs) and interpretations as at 31 march 2004: 636>

Investing activities

Cash flows arising from investment activities show the extent to which expenditures have been made for resources that will generate future income and cash flows.

These are the examples of cash flows from investing activities:

- Cash receipt from sales of property, plant and equipment, intangibles and other fixed or long-term assets.
- Cash payments to purchase property, plant and equipment, intangibles and other fixed or long-term assets.
- Cash advances and loans made to other parties excluding advances and loans made by a financial institution.
- Cash received from the repayment of advances and loans made to other parties excluding advances and loans made of financial institution.
- Cash receipts from forward contract, option contracts, future contracts and swap contracts excluding the contracts made for trading purposes or the receipt are classified as financing activities.
- Cash payments for forward contract, option contracts, future contracts and swap contracts excluding the contracts made for trading purposes or the payments are classified as financing activities.
- Cash receipts from sales of equity of other entities except for the receipts for those instruments considered to be cash equivalents and those made for trading

purposes. Cash payment to acquire equity of other entities except for the payments for those instruments are considered to be cash equivalents and those made for trading purposes.
<International financial reporting standards (IFRSs): including international accounting standards (IASs) and interpretations as at 31 march 2004: 637>

Financing Activities

Cash flows arising from financing activities are useful to predict claims on future cash flows by providers of capital to the entity.

These are the examples of cash flows from financing activities:

- Cash proceeds from issuing loans, debentures, notes, bonds, mortgages and other short or long-term borrowing.
- Cash payments to owners to acquire shares or to redeem the entity`s share.
- Cash payments by the lessee for the reduction of outstanding liability relating to a finance lease.
- Cash proceeds from issuing shares and other equity.
- Cash repayments of amount borrowed.

<International financial reporting standards (IFRSs): including international accounting standards (IASs) and interpretations as at 31 march 2004: 638>

4 ACCOUNTING PROFESSIONAL BODIES AND ACCOUNTING STANDARDS

4.1 Accounting professional bodies

The accounting professional bodies in the world, West Africa and in Nigeria are discussed thus:

4.1.1 International Federation of Accountants (IFAC)

The International Federation of Accountants (IFAC) is the global organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. International Federation of Accountants (IFAC) is comprised of 164 members and associates in 125 countries and jurisdictions, representing approximately 2.5 million accountants in public practice, education, government service, industry, and commerce.

(www.ifac.org)

Mission and Strategy

The International Federation of Accountants (IFAC) mission is to serve the public interest by:

Promoting the value of professional accountants worldwide;

Contributing to the development of strong professional accountancy organizations and accounting firms, and to high-quality practices by professional accountants;

Speaking out on public interest issues where the accountancy profession's expertise is most relevant;

Contributing to the development, adoption and implementation of high-quality international standards and guidance (www.ifac.org)

Purpose

International Federation of Accountants (IFAC) was established to strengthen worldwide accountancy profession in the public interest by:

- Developing high quality international standards and supporting their adoption and use.
- Facilitating collaboration and cooperation among its member bodies.
- Collaborating and cooperating with other international organizations.
- Serving as the international spokesperson for the accountancy profession. (www.ifac.org)

The Activities of International Federation of Accountants (IFAC)

- It has increased collaboration with IFAC members and greater outreach to regional accountancy organizations.
- IFAC has increased the role in the regulation of international profession.
- There is also greater communications with international regulators, standard setters, development agencies, investment community and other stakeholders;
- IFAC has really expanded focus on small and medium practices and developing nations.
- It has also enhanced closer liaison with the largest accountancy firms through the Forum of Firms.
- It is also addressing the need for high quality financial reporting and financial management through the development of International Public Sector Accounting Standards.

(www.ifac.org)

4.1.2 Accounting professional body in West Africa

Introduction

The Association of Accountancy Bodies in West Africa (ABWA) was inaugurated on the 10th August 1982 in Lagos, Nigeria. The headquarters of ABWA was located at the Institute of Chartered Accountants of Nigeria (lCAN) Secretariat in

Lagos, Nigeria and it was moved to the ICAN building in Abuja on May 2002. (http://www.abwa-online.org)

ABWA was established by Accountancy Bodies and Professional Accountants operating in the West Africa sub-region, it was registered in Nigeria as a body corporate in 1994. Which means it can sue and can also be sued. (http://www.abwa-online.org)

The table which shows the membership of ABWA (Association of Accountancy Bodies in West Africa) can be found in appendix 4

Vision and mission statement

The Vision statement of the Association of Accountancy Bodies in West Africa (ABWA) is to be the foremost regional accountancy body in Africa.

The Association of Accountancy Bodies in West Africa (ABWA) states that its mission is to continue to strengthen the Accountancy Profession in West Africa by enhancing the technical competence and ethical standards of members for effective service delivery by adopting best practices in the public interest, as well as contributing to the development and sustainability of the regional economies.

(http://www.abwa-online.org)

Objectives

The Objectives of the Association of Accountancy Bodies in West Africa (ABWA) are:

• To develop and enhance the accountancy profession in West Africa and thereby improve governance, eliminate waste and corruption, reduce poverty and enhance the standard of living of the people in the West African sub-region.

• To provide for the development of professional ethics and standards in member bodies.

• To act as the center for dissemination of information on accounting standards and development of accountancy thoughts and practices in West Africa.

(http://www.abwa-online.org)

The activities of association of Accountancy Bodies (ABWA) in West Africa

- The development of framework for harmonization of professional and technical accounting education and practice in West Africa.
- The Regional expansion in the francophone countries in West Africa.
- The development of uniform ethical code of conduct in member's bodies in West Africa.
- Strengthening and consolidation of Professional Accounting and Auditing standards and practices in the sub region. (http://www.abwa-online.org)

4.1.3 Accounting professional Body in Nigeria

The accounting professional body in Nigeria is the Institute of Chartered Accountants of Nigeria (ICAN)

The Institute of Chartered Accountants of Nigeria (ICAN)

The Institute of Chartered Accountants of Nigeria (ICAN) is a professional accounting body in Nigeria and it was created by an Act of Parliament No. 15 of September 1, 1965. (www.ican-ngr.org)

Mission Statement of ICAN

To produce world-class chartered accountants, regulate and continuously enhance their ethical standards and technical competence in the public interest. (www.ican-ngr.org)

The objectives and duties of ICAN

The objectives and duties of the Institute as lay down in section 1 (1) of the Act, are:

(a) To determine what standards of knowledge and skill are to be attained by persons seeking to become members of the accountancy profession and raising those standards from time to time as circumstances may permit.

(b) To secure in accordance with the provisions of the Act, the establishment and maintenance of registers of Fellows, Associates and Registered Accountants entitled to practice as accountants and auditors and publishing from time to time lists of those persons.

(c) To perform through the Council under this Act the functions conferred on it by the Act.

(www.ican-ngr.org)

4.2 Accounting Standards

The accounting bodies are the bodies that set the accounting standards. The International accounting standards and the Nigerian accounting standards are discussed under this heading.

4.2.1 International Accounting Standard Committee (IASC)

The International Accounting Standard Committee (IASC) began to exist on the 29th of June, 1973. The agreement of accountancy bodies in Austria, Canada, France, Germany, Japan, Mexico, the Netherlands, the United Kingdom and Ireland and the united state of America has brought it into existence. In 1982, a revised agreement and constitution were signed. As from 1983, International Accounting Standard Committee (IASC) has included all the professional accountancy bodies that are members of the International Federation of Accountants (IFAC) in its membership. In January 2000, the International Accounting Standard Committee (IASC) was having 143 members in 104 countries, representing over 2 million accountants. (International Accounting Standard s 2000: 11)

Objective of IASC

To formulate and publish in the public interest accounting standards to be observed in the presentation of financial statements. To promote their worldwide acceptance and observance. To work generally for the improvement and harmonization of regulations, accounting standards and procedures relating to the presentation of financial statements. (International Accounting Standard s 2000: 11)

The use of International Accounting Standards

International Accounting Standards have been so useful around the world for improving and harmonizing financial reporting globally.

1. International Accounting Standards serves a basis for national accounting requirements.
2. It serves as a standard of measurement for countries that develop their own accounting system for example countries in Asia, China, and Central Europe.
3. It is also used to present financial statements by the stock exchanges and regulatory authority that allow foreign and domestic companies following the International Accounting Standard.
4. It is also use by European Commission to produce results that meet the capital market.
5. It is also used by developing companies.
   (International Accounting Standard s 2000: 19-20)

The table that consists the list of International accounting standards is in appendix 5.

Trustees

The trustees direct the foundation activities of International Accounting Standard Committee (IASC). The Trustees are made up of different individuals from different functional and geographical backgrounds. The trustees appointed in such a way that they are six from Europe, six from North America, four from Asia Pacific and three from any other area so a s to maintain a geographical balance. Five of the nineteen Trustees are representatives of accounting profession and international accounting users, preparers and academics. The other eleven Trustees were not selected through the process of geographical nomination.

The Objectives of the Trustees

1. The Trustees raise funds for the International Accounting Standard Board (IASB).
2. The Trustees also support the due process of International Accounting Standard Board (IASB) and its effectiveness.
3. The Trustees also approve the budget of International Accounting Standard Board (IASB) and they are also responsible for the changes in constitution.

<International financial reporting standards (IFRSs): including international accounting standards (IASs) and interpretations as at 31 March 2004 / International Accounting Standards Board: 4>.

4.2.2 Standards Advisory Council

The Standards Advisory Council comprises of about fifty members. The SAC usually meets at least three times a year.

Objectives of SAC are:

1. The Standards Advisory Council (SAC) informs the International Accounting Standard Board (IASB) of the implication of proposed standards for the preparers and users of financial statements.
2. The Standards Advisory Council (SAC) also gives advice to the International Accounting Standard Board (IASB) on priorities in the work of International Accounting Standard Board (IASB).
3. The Standards Advisory Council (SAC) also gives other advice to the International Accounting Standard Board (IASB) or the trustees on some other issues.

<International financial reporting standards (IFRSs): including international accounting standards (IASs) and interpretations as at 31 March 2004 /

International Accounting Standards Board: 9>.

4.2.3 International Financial Reporting Interpretations Committee (IFRIC)

The International Financial Reporting Interpretations Committee (IFRIC) was established in the year 2002 by the trustees. IFRIC is a committee that is appointed by the International Accounting Standard Committee (IASC) foundation trustees which assists the IASB to establish and also improve the standards of financial accounting and reporting for the usefulness of the preparers, users and auditors of financial statements.

The objectives of IFRIC

1. The International Financial Reporting Interpretations Committee (IFRIC) promotes the rigorous and the uniform application of International Financial Reporting Standard (IFRS).
2. The International Financial Reporting Interpretations Committee (IFRIC) also helps the International Accounting Standard Board (IASB) to achieve international convergence of accounting standards.
   <International financial reporting standards (IFRSs): including international accounting standards (IASs) and interpretations as at 31 March 2004 / International Accounting Standards Board: 8-9>.

4.2.4 International Accounting Standards Board

The International Accounting Standard Board (IASB), Started its operation in the year 2001. The main aim of the International Accounting Standard Board (IASB) is to develop, in the public interest, a single set of high quality, global accounting standards that require transparency and comparability of information in general purpose financial statement and to promote the use and accurate application of its standards. The International Accounting Standard Board (IASB) publishes its own standard and it is called International Financial Reporting Standards (IFRSs). <International financial reporting standards (IFRSs): including international

accounting standards (IASs) and interpretations as at 31 March 2004 / International Accounting Standards Board: 14>.

4.2.5: International Financial Reporting Standards (IFRS)

IFRS are defined as Standards and Interpretations adopted by the International Accounting Standards Board (IASB). International Financial reporting Standards comprises of International Financial Reporting Standards (IFRS); International Accounting Standards (IAS); interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC). < http://www.nasbnigeria.org>

The International Accounting Standard Board (IASB) adopted International Accounting Standard (IASs) issued by the International Accounting Standard Committee (IASC) on 1 April, 2001 and the standards were adopted by over 90 countries around the world. International Accounting Standards includes IFRSs, IASs, SIC interpretations and IFRIC Interpretations. International Financial Reporting Standards are developed through an international process which includes accountants, financial analysts, stock exchanges, academics and other interested individuals, regulatory and legal authorities, business community, organizations around the world and other users of financial statement. <www.ifrs.com>

The table below shows the list of IFRS 1-9 and the effective dates.

		Effective Date
IFRS 1	First time Adoption of IFRSs	1, July 2009
IFRS 2	Share-based Payment	1 January 2010
IFRS 3	Business Combinations	1 July 2009

IFRS 4	Insurance Contracts	1 January 2005
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
IFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2009
IFRS 7	Financial Instruments: Disclosures	1 July 2009
IFRS 8	Operating Segments	1 January 2010
IFRS 9	Financial Instruments	1 January 2015

Table 1: International financial reporting standards (IFRS) <www.ifrs.org>

The International Accounting Standard Board (IASB) is funded and overseen by the International Accounting Standard Committee (IASC). The International Accounting Standard Board (IASB) also receives financial support from central and development banks, industrial companies throughout the world, accounting firms, international and professional organizations, major accounting firms and private financial institutions. <http://www.ifrs.org>

4.2.6 The benefits of IFRS adoption

Benefits of IFRS to users and preparers of financial statements

If a business adopts IFRS, the business will be able to present its financial statement on a single set of high quality and global standards.

Nigerian Statement of accounting Standards are partly outdated and are not sufficiently comprehensive enough to become a basis for preparation of high quality financial statements. Nigeria will benefit from IFRS adoption.

Adoption of IFRS will result in high quality, transparent and comparable financial statements that are based on modern accounting principles and concepts that are being applied in global markets.

If a company uses IFRS, the company could enjoy the benefit of raising capital from abroad.

Comparison is made easier with a foreign competitor if a company presents its financial statement according to IFRS.

There are companies which have subsidiaries in countries that permit IFRS and this will make the use of one accounting language possible companywide.

IFRS also help the local investors to make better investment decisions.

The adoption of IFRS will improve cross border investment by enhancing comparability of financial statements prepared anywhere in the world.

<www.ican-ngr.org>

IFRS reduces the costs of doing business across borders by reducing the need for

Supplementary information. <www.nasbnigeria.org>

Benefits of IFRS for national regulatory bodies

Nigeria SASs (Statement of accounting standards) are partly on old IAS, some have been amended or withdrawn by IASB.

The Nigeria SASs (Statement of accounting standards) does not cover all the aspects of financial reporting encountered by preparers of financial statements.

Nigerian Accounting standard Board will be alert to the best international accounting practice (IFRS) to guide them in the establishment of highly improved reporting practices in Nigeria.

It brings about a higher and improved standard of financial disclosure.

It also brings about better ability to attract and monitor listings by foreign companies. <www.ican-ngr.org>

4.2.7 Demerits of IFRS adoption in Nigeria

Political/sovereignty issues: Europe sees itself as the 'biggest customer' the IASB sees the US as the biggest prize. Some countries are willing to adopt full IFRS without retaining some power to adopt and amend, others are not.

Cultural and economic factors: can a single set of reporting standards truly meet the needs of economies at very different stages of development.

How to unlearn previous Nigerian GAAP.

Training resources on IFRS are not readily available at affordable costs in Nigeria.

<www.ican-ngr.org>

Another disadvantage is that organizations will have to upgrade their information technology as they adopt IFRS. The companies incur additional cost to upgrade the information technology system. <www.nasbnigeria.org>

Organizations may need to add financial personnel who are more familiar with IFRS to their teams. It is costly to employ new financial personnel. <www.nasbnigeria.org>

Businesses have become more global and therefore lose a significant part of its national identity. <www.nasbnigeria.org>

Adopting IFRS will also undermine domestic financial reporting (the Nigerian Statement of Accounting Standards). <www.nasbnigeria.org>

4.2.8 Accounting standards and regulations in Nigeria

The Nigerian Accounting Standards Board (NASB) came into existence on the 9th of September 1982. This body is independent and it is the only recognized body in Nigeria which has the responsibility of developing and issuing statement of accounting standards for preparers and users of financial statements for example commercial enterprise, investors and government. The activity, objective, responsibility, duty of the Nigerian Accounting Standards Board (NASB) is similar to the National Accounting Standard body in other countries for example Accounting Standard Board, United Kingdom, Financial accounting Standards Board United State of America (USA). < http://www.nasbnigeria.org>

Vision and mission statement of NASB

“The vision of the Nigerian accounting standard board is to be one of the worlds’ leading accounting standard setting bodies with the primary aim of promoting and sustaining investors’ confidence in published financial reports”.

< http://www.nasbnigeria.org>

The mission of NASB is to promote general acceptance of published financial reports by developing high quality accounting standards that are consistent with international practices. Ensuring strict compliance with the standards thereby enhancing investor`s confidence in the Nigerian economy.

< http://www.nasbnigeria.org>

Objectives of NASB

- The board has the objective to develop and publish in the public interest, high quality accounting standards to be observed in the preparation of financial statements.
- To promote the general acceptance and adoption of such standards by preparers and users of financial statements.
- Advise the Minister on the making of regulations under Section 356 of the Companies and Allied Matters Act 1990.
- Advise the Federal Government on matters relating to accounting standards.
- To actively participate in the development of accounting standards internationally.
- To promote and support research in the financial reporting, in particular, for emerging markets.
- To promote and enforce compliance with the accounting standards developed.

- Review from time-to-time the accounting standards developed in line with the prevalent social, economic and political environment.
- Receive copies of all qualified reports together with detailed explanations for such qualifications from auditors of the account within a period of 60 days from the date of such qualification.

< http://www.nasbnigeria.org>

The Statements of accounting Standards in Nigeria

These statements of accounting standards are the rules and regulations financial accounting in Nigeria are based on or prepared. The statement of accounting standards consists of statement of accounting standards (SAS) 1-31. The list of SAS 1-31 are in appendix 1 and the member bodies of financial reporting council of Nigeria are in appendix 2.

< http://www.nasbnigeria.org>

5 RESEARCH METHODOLOGY

This chapter focuses on research methods, research design, and data collection, analysis to be used for this study and the research findings.

5.1 Definition of research

Research is a vital part of decision making process. Business research is a systematic inquiry whose objective is to provide the information that will allow managerial problems to be solved< Business Research Method by Boris Blumberg,Donald R.Cooper and Pamela S.Schindler 2010: 4> Business research can be defined as the systematic and objective process of gathering, recording and analyzing data for aid in making business decisions.< Business Research Method by William G. Zikmund: 5>

5.2 Research Design

Research Design is the total plan for relating the conceptual research problem to relevant and practicable empirical research. Research design reveals the type of research for example descriptive, exploratory or causal and the priorities of the researcher. Research design also provides a plan for collection of data and how data is analyzed. < Research method in Business Studies by Pervez Ghari and Kjell Gronhaug 2010: 54>

Research Design can also be defined as a master plan specifying the methods and procedures for collecting and analyzing needed information. < Business Research Method by William G. Zikmund: 59>

Research design can be classified into three namely: Exploratory, Descriptive and Casual. Exploratory research is an unstructured and research problem is badly understood. Descriptive research is a type of research which the research problem is structured and well understood. Causal research is a type of research whereby the research problems are structured and well understood. < Research method in Business Studies by Pervez Ghari and Kjell Gronhaug 2010: 54-57>

5.3 Qualitative versus Quantitative research method

There have been discussions concerning the method that is most suitable or scientific in research work. No method or technique is better or scientific than the other but the method or technique that is most suitable for a research work depends on the research problem and its purpose. (Research methods in Business studies by Pervez Ghari and Kjell Gronhaug 2010:105)

The quality of the research work cannot be used as the difference between qualitative and quantitative research but the procedure makes the difference. In qualitative research, statistical method or any other procedures of quantification is not used. Another difference between the quantitative and qualitative is that, measurement is used in quantitative research while measurement is not used in qualitative research work. (Research methods in Business studies by Pervez Ghari and Kjell Gronhaug 2010:104)

Difference between qualitative versus quantitative methods

The table below shows the difference between the emphases in qualitative versus quantitative methods:

Qualitative methods	**Quantitative methods**
Emphasis on understanding	Emphasis on testing and verification
Focus on understanding from the respondent`s point of view	Focus on facts and reasons for social events.
Interpretation and rational approach	Logical and critical approach
Observations and measurements in natural settings	Controlled measurements
Subjective `insider view´ and closeness to data	Objective `outsider view´ distant from data
Explorative orientation	Hypothetical-deductive; focus on hypothesis testing

Process oriented	Result oriented
Holistic perspective	Particularistic and analytical
Generalization by comparison of properties and contexts of individual organism	Generalization by population membership

Table 2: Source: Pervez Ghari and Kjell Gronhaug 2010: 105

Qualitative research requires skills and experience to analyze data. The skills required to do qualitative research are thinking abstractly, stepping back and analyzing situations, recognizing and avoiding biases, obtaining valid and reliable information, having theoretical and social sensitivity being able to keep analytical distance while utilizing past experience, and having sharp sense of observation and interaction(Research methods in Business studies by Pervez Ghari and Kjell Gronhaug 2010: 105). Most of the time researchers emphasize on one of the methods. The combination of qualitative and quantitative methods can also be used in the same study. (Research methods in Business studies by Pervez Ghari and Kjell Gronhaug 2010: 105).

There are three major components of qualitative research and they are explained below:

1. Data: usually collected through interviews and observations.
2. Interpretative or analytical procedure: this is the technique to analyze data in order to reach at findings.
3. Report: It could be in form of written or verbal. In a situation when a student has to make a report, it has to be in a written form of project or thesis.
   (Research methods in Business studies by Pervez Ghari and Kjell Gronhaug 2010:106).
   For this study, quantitative research will be used. Questionnaires will be made and sent out to the financial and accounts departments of the banks. Measurement will be used. Statistical Package for the Social Sciences (SPSS) will be used as the measurement tool for this research.

5.4 Sources of data

There are two types of data sources. The two types are secondary and primary data sources.

Secondary data

Secondary data are information collected by others for purposes that can be different from our own. (Research methods in Business studies by Pervez Ghari and Kjell Gronhaug 2010: 90)

Secondary data helps us to understand our research problem and to solve them. Secondary data includes journal articles, books, online sources of data for example websites of companies, government, semi-government and catalogues. (Research methods in Business studies by Pervez Ghari and Kjell Gronhaug 2010:92)

Advantages of Secondary data

Secondary data usage saves a lot of time and money because the information is readily available. The researcher just needs to visit the library to locate and use the resources. Secondary data helps the researcher in research problem formulation. It also helps the researcher to answer or solve research problem. Secondary data provides a quality and reliable information especially if the data are collected from international organizations and governments. Secondary sources provide us with information to make cross cultural/international research which make it easy to compare similar data from two or more countries. (Research methods in Business studies by Pervez Ghari and Kjell Gronhaug 2010: 94)

Types of Secondary data

We have two main types of secondary research which are: Internal sources and external sources.

Internal sources include information on customers, employees, suppliers, marketing plans and competitors.

External sources include journal articles, published books, and primary data. <William G. Zikmund: 132-139>

Primary Data

Primary data are data gathered and assembled specifically for the project at hand. In some research process, secondary data might not be available or might not be able to answer our research questions. In this situation we must use primary data and primary data is the type of data we collect by ourselves. The methods of primary data collection are observations, experiments, surveys (questionnaire) and interviews. (Research methods in Business studies by Pervez Ghari and Kjell Gronhaug 2010: 99)

Advantage of primary data

The advantage of primary data is that they are collected for a particular study. That is to say, primary data are more consistent with our research question and research objectives. (Research methods in Business studies by Pervez Ghari and Kjell Gronhaug 2010: 99)

Disadvantage of Primary data

The disadvantage of primary data is that it takes a lot of time to collect data and the cost is high. Another disadvantage is that the researcher depends on the willingness and ability of the respondent for quality information. (Research methods in Business studies by Pervez Ghari and Kjell Gronhaug 2010: 100)

For this study, primary and secondary methods are used. The primary data will be derived from survey (questionnaires) while the secondary methods are derived from textbooks, websites and publications.

5.5 Reliability, Validity and Sensitivity

Reliability

Reliability is the degree to which measures are free from error and therefore yield consistent results. Reliability applies to a measure when similar results are obtained over time and across situation. <Business Research Methods by William G. Zikmund: 279-280>

To know may be a result is reliable the test-retest method is used. Test-retest method is the administering of the same scale or measure to the same respondents at separate points in time in order to test for reliability. < Business Research Methods by William G. Zikmund: 280>

Let us take for example, a researcher measures customer satisfaction and find out that 70 percent of the population is satisfied with the customer service. If the study is repeated a few weeks after under the same conditions, and the researcher finds out that 70 percent of the population is satisfied with the customer service that means that the measure is reliable.

Validity

This can be defined as the ability of a scale or measuring instrument to measure what is intended to be measured.

A result is expected to be reliable and at the same time be valid. For example a tailor takes some measurement with a ruler and the he may obtain the same measurements over time, it is also possible that the ruler is bent. Definitely the ruler is not providing a perfect measurements because it is bent which means it is not a valid measure. If the ruler was straight the result would have been reliable and valid as well. < Business Research Methods byWilliam G. Zikmund: 281>

Sensitivity

Sensitivity of a scale is an important measurement concept, particularly when changes in attitudes or other hypothetical constructs are under investigation. This refers to an instrument ability to accurately measure variability in stimuli and responses. <Business Research Methods by William G. Zikmund: 284>

6 RESEARCH FINDINGS

Only three banks in Nigeria started preparing their financial report according to International financial reporting standards (IFRS) before it was adopted in Nigeria on 1 January, 2012. I checked all the websites of the banks in Nigeria but only these three banks have published their financial report based on International financial reporting standards (IFRS) on their websites. These three banks are Guarantee Trust Bank (GTB), Access Bank and Zenith Bank. In my research work I will only use these three banks. <http://www.accessbankplc.com> <http://www.zenithbank.com> <http://gtbank.com>.

Guarantee Trust Bank

Guaranty Trust Bank plc was incorporated in July 1990, as a private limited liability Company, wholly owned by Nigerian individuals and Institutions. The Bank was licensed as a Commercial Bank in August 1990 and commenced operation in February 1991. <http://www.gtbank.com/investor-relations/affiliates-and-subsidiaries.html>

Guarantee Trust Bank has five banking subsidiaries established outside of Nigeria - Guaranty Trust Bank (Gambia)Ltd ("GTB Gambia"), Guaranty Trust Bank (Sierra Leone) Ltd ("GTB Sierra Leone"), Guaranty Trust Bank (Ghana) Ltd ("GTB Ghana"), Guaranty Trust Bank (Liberia) Ltd ("GTB Liberia") and Guaranty Trust Bank (United Kingdom) Ltd ("GTB UK"). The Bank services its customers from 154 branches in Nigeria, as well as other branches of its subsidiaries throughout the region. < http://www.gtbank.com/investor-relations/affiliates-and-subsidiaries.html>.

Guaranty Trust was one of the first banks in Nigeria to institute International Financial Reporting Standards (IFRS) http://www.gtbank.com/component/content/article/54-press-releases/246-gtbank-best-bank-in-nigeria.html

Access Bank

Access Bank Plc, a leading African financial services group headquartered in Nigeria, was incorporated in 1989 as a private limited liability company and subsequently listed on the Nigerian Stock Exchange in 1998. Access bank is licensed to carry out commercial banking services; providing a comprehensive bouquet of financial and non-financial services to individual and corporate customers. Access bank has subsidiaries in 9 African countries – Nigeria, Ghana, Sierra Leone, Gambia, Zambia, Burundi, Rwanda and Congo DRC, Cote d'Ivoire, (spanning the 3 monetary zones on the African continent) and the United Kingdom. <http://www.accessbankplc.com>

Zenith Bank

Zenith Bank Plc is a leader in financial services, with headquarters in Nigeria, and subsidiaries in the United Kingdom, Ghana, Sierra Leone, Gambia, and South Africa (Representative Office). Zenith bank was incorporated as Zenith International Bank Limited on 30 May 1990 and Headquartered in Lagos Nigeria as a private limited liability company, the Bank was licensed to carry on the business of banking in June 1990. On May 2004, Zenith Bank's name was changed to Zenith Bank Plc to reflect its status as a public limited liability company. On 21 October 2004 the Bank's shares were listed on the Nigerian Stock Exchange (NSE) following a highly successful Initial Public Offering (IPO). Over a million Nigerian institutions and individuals currently own the shares of the bank. < http://www.zenithbank.com>

The questionnaires were sent out to 60 members of staff working at the financial and account department of the banks. The questionnaires were sent through convenient method. The questionnaires were sent to the email addresses of the members of staff by the help of the contact persons I have in the banks. Having contact persons in the banks made this questionnaire distribution easier. The questionnaires were sent to the financial and account departments of the banks because I know that they have the relevant information I need and they are the ones that are fit to answer the questions. I had to wait for 2 weeks to get the response to the questionnaires and within those 2 weeks I had to send reminder to my contact persons to help me remind the bankers concerning the questionnaires. If I had not sent a reminder I might not get response because this department of the bank is very busy. 46 questionnaires were answered and returned and this constitutes 76.6% of the total questionnaires sent to the respondents. The questionnaires which were returned are used in making a critical analysis of the impacts of IFRS adoption on financial statement. A copy of the questionnaire I sent can be found in appendix 3. The response to the questionnaires distributed is analyzed below:

6.1 Years of experience of the workers

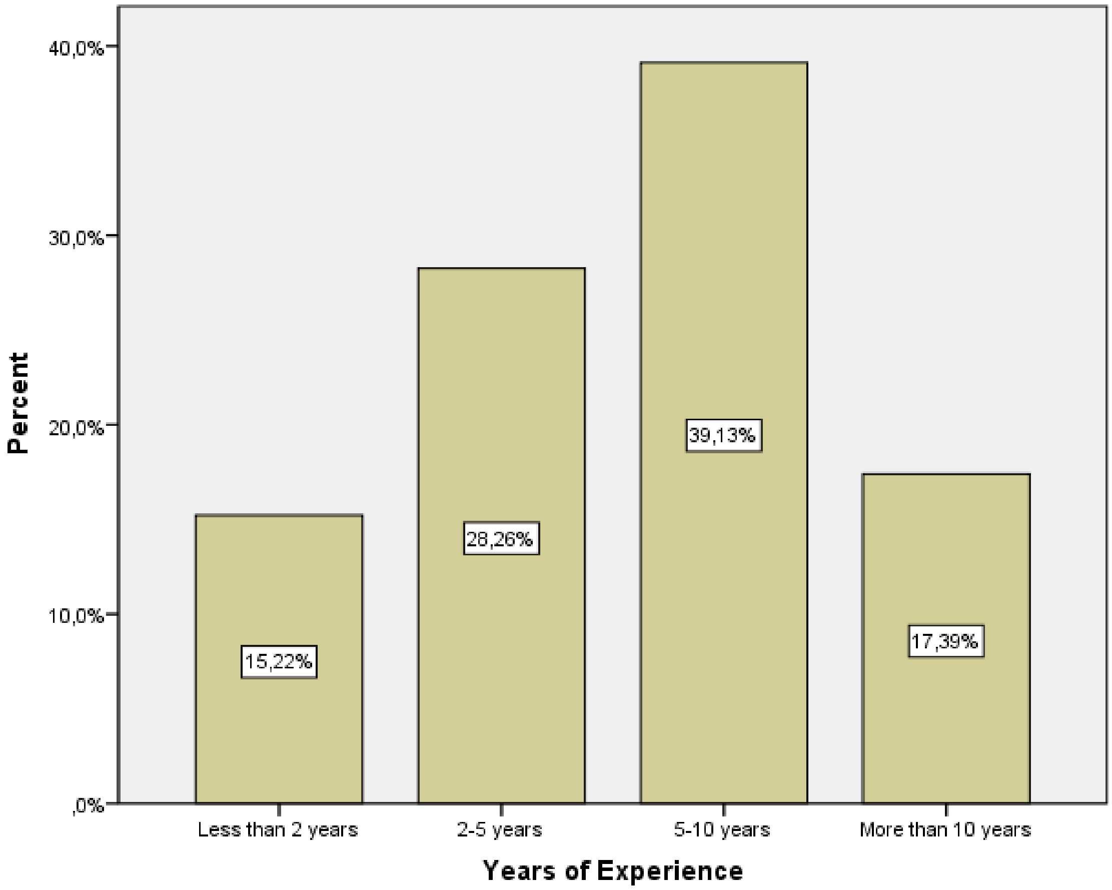

Figure 1: Years of experience

Figure 1 show the years of experience of banks staff. The question was designed to survey the level of experience of respondents and the aim was to know the number of years that respondent have been working in the banks. 15.22 percent of the bankers who answered the questionnaire have less than 3 years experience whiles 25.26 percent have 2-5 years of experience, 39.13 percent have 5-10 years experience and 17.39 percent have more than 10 years of experience respectively. This shows how respective respondents are familiar with the Nigerian GAAP before the banks started using International Financial Reporting Standard and they must have been conversant with several annual reports thereby justifying their answers.

6.2 Reaction towards the introduction of IFRS

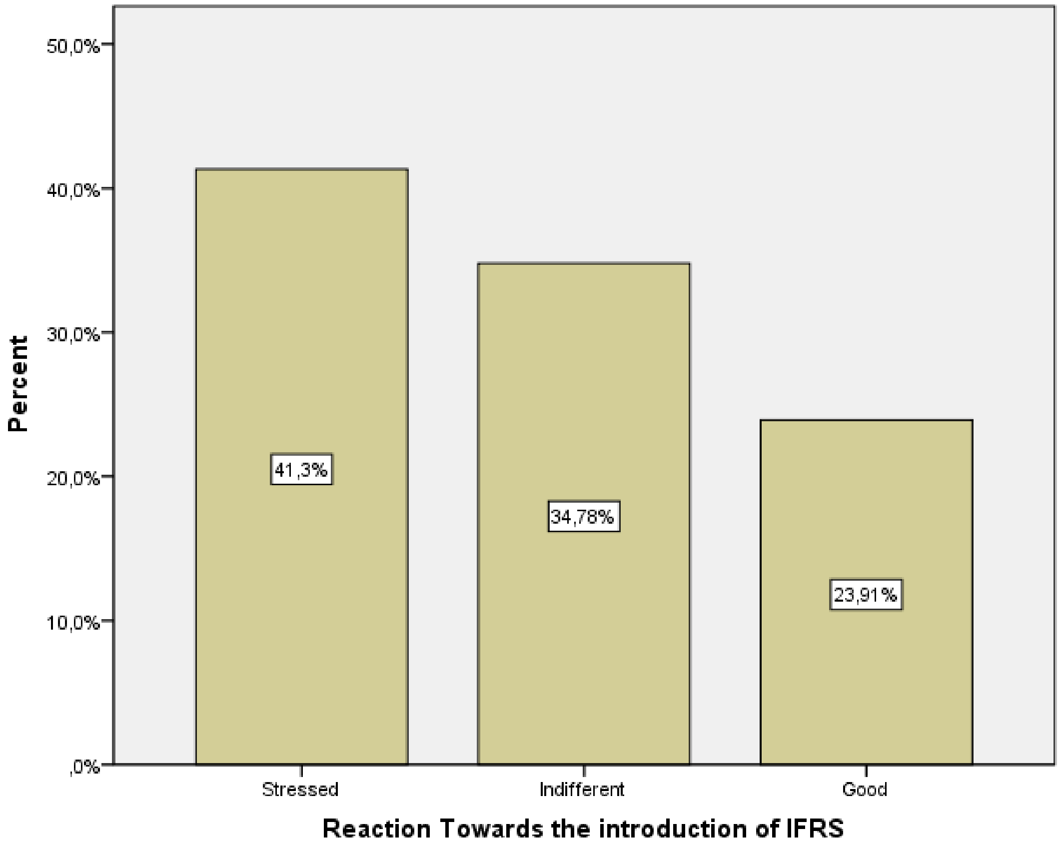

Figure 2: Reaction towards the introduction of IFRS

Figure 2 shows the reaction of the workers when IFRS was introduced. 41.3 percent of the respondents feel that the introduction of IFRS is stressful, 34.78 percent feel indifferent about the introduction of IFRS, and 23.91 percent also feels that the introduction of IFRS is good while nobody feels bad about the introduction of IFRS. The percentage that had the feelings that IFRS is stressful is the highest percentage.

6.3 The difficulties encountered at the first time adoption of IFRS

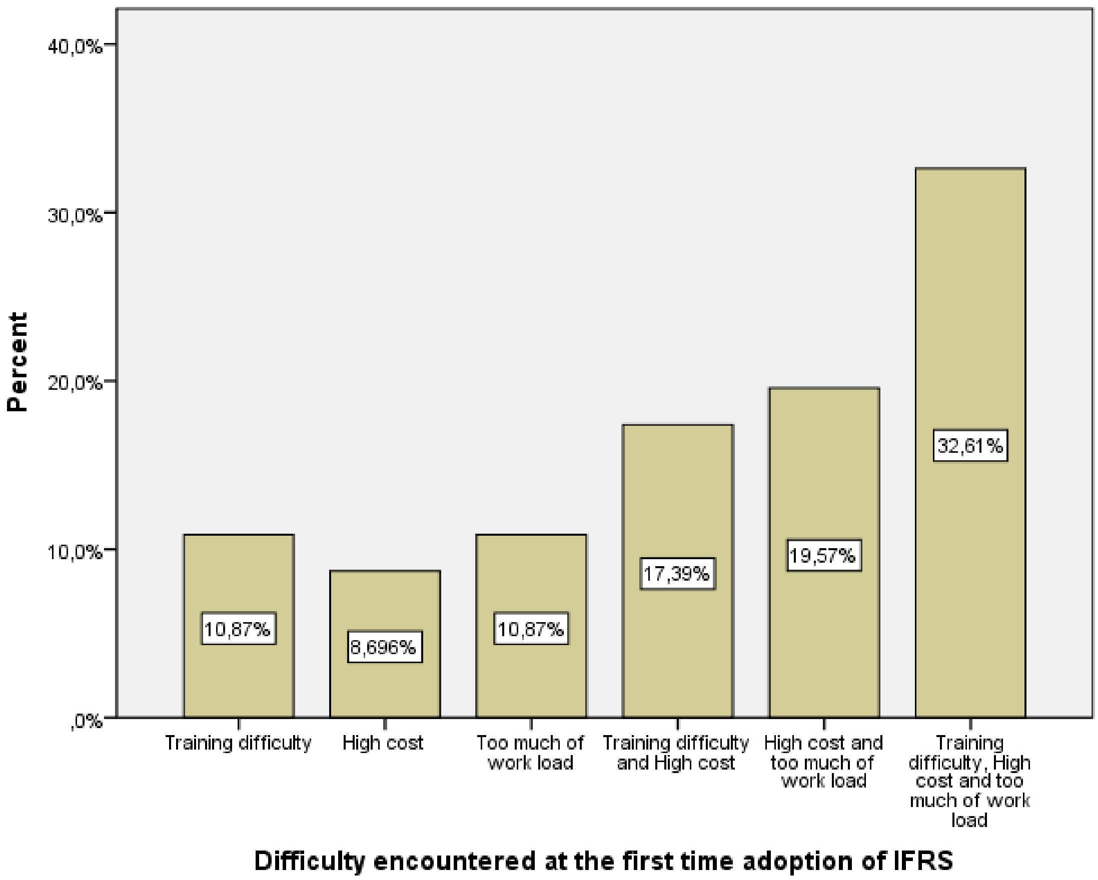

Figure 3: the difficulties encountered at the first time adoption of IFRS

Figure 3 shows the difficulties encountered at the first time adoption of IFRS. 10.87 percent respondents experienced training difficulty, 8.69 percent respondents say that IFRS involves high cost, 10.87 percent experienced too much of work load, 17.39 percent experienced both training difficulty and high cost, 19.57 percent experienced both high cost and too much of work load and 32.61 percent encountered the three difficulties which are training difficulty, high cost and too much of work load. The highest percentage concerning the difficulties that were encountered at the first time adoption is 32.61 percent which says that IFRS has training difficulty, high cost and too much of workloads. This means that in most cases, a company in Nigeria will encounter training difficulty, high cost and too much of work load at the first time adoption of IFRS which is consistent with the “demerits of IFRS adoption in Nigeria” in chapter 4.

6.4 Involvement in training activities when IFRS was introduced

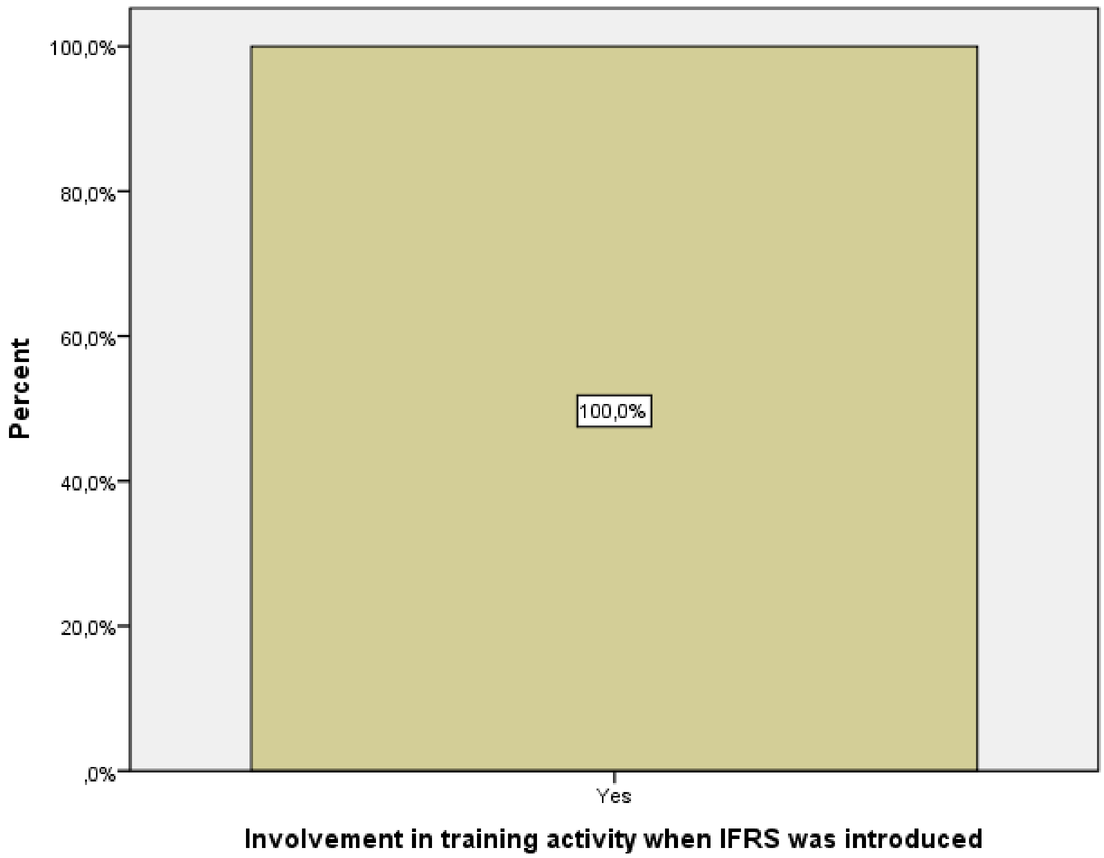

Figure 4: Involvement in training activity when IFRS was introduced

Figure 4 shows if the respondents were involved in training activity or not. This question was a yes or no answer. All the respondents say that they were involved in training activities when IFRS was introduced. If 100 percent of the respondent could say that they all undergone training process when IFRS was introduced that means there has to be a form of training when introducing IFRS into a company in Nigeria.

6.5 Involvement in Seminar activities when IFRS was introduced

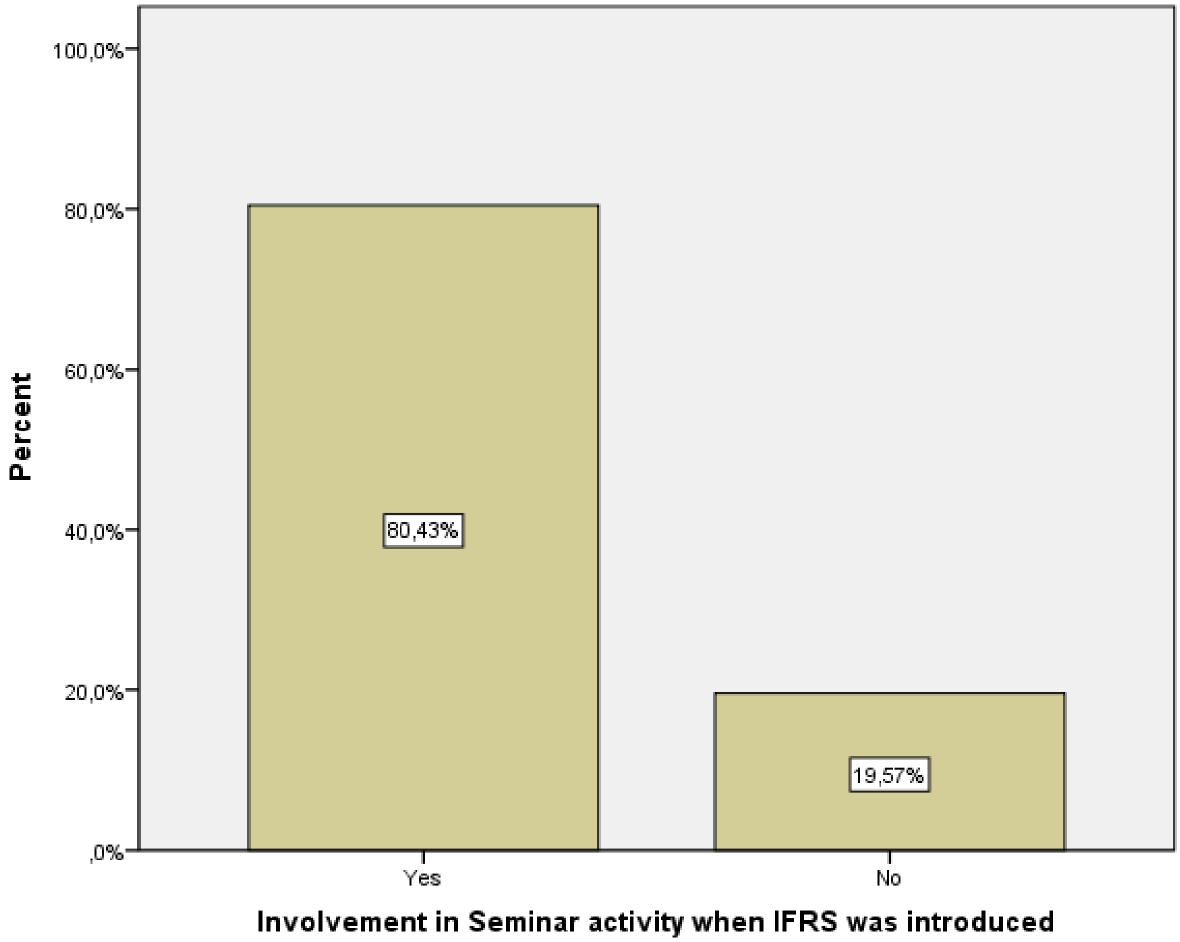

Figure 5: Involvement in seminar activity when IFRS was introduced

Figure 5 shows if the respondents were involved in seminar activity or not. This question was a yes or no answer. 80.43 percent of the respondents say that they were involved in seminar activities while 19.57% respondents say that they were not involved in seminar activities when IFRS was introduced. If 80 percent of the respondents could say they attended seminar when IFRS was introduce, this means it is necessary for the department members of a company that will adopt IFRS to attend seminars concerning IFRS.

6.6 IFRS has affected the Nigerian GAAP

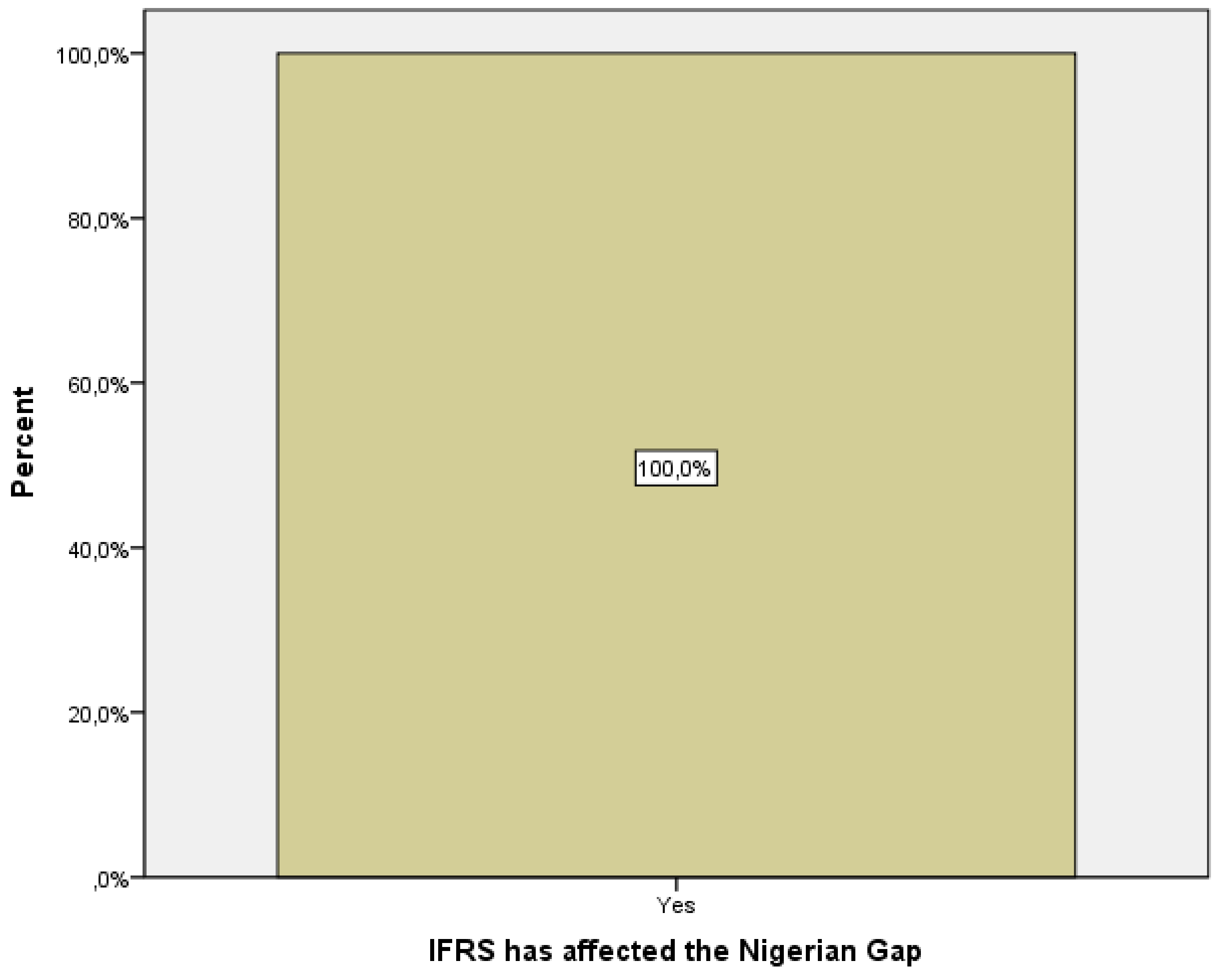

Figure 6: IFRS has affected the Nigerian GAAP

Figure 6 shows if IFRS has affected the Nigerian GAAP or not. This question was a yes or no answer. All the respondents say that IFRS has affected the Nigerian GAAP. If all the respondents could say that IFRS has affected the Nigerian GAAP they were formally using, this means that it is true that IFRS has affected the Nigerian GAAP that was formally used in the three banks.

6.7 Adoption of all the IFRS 1-9

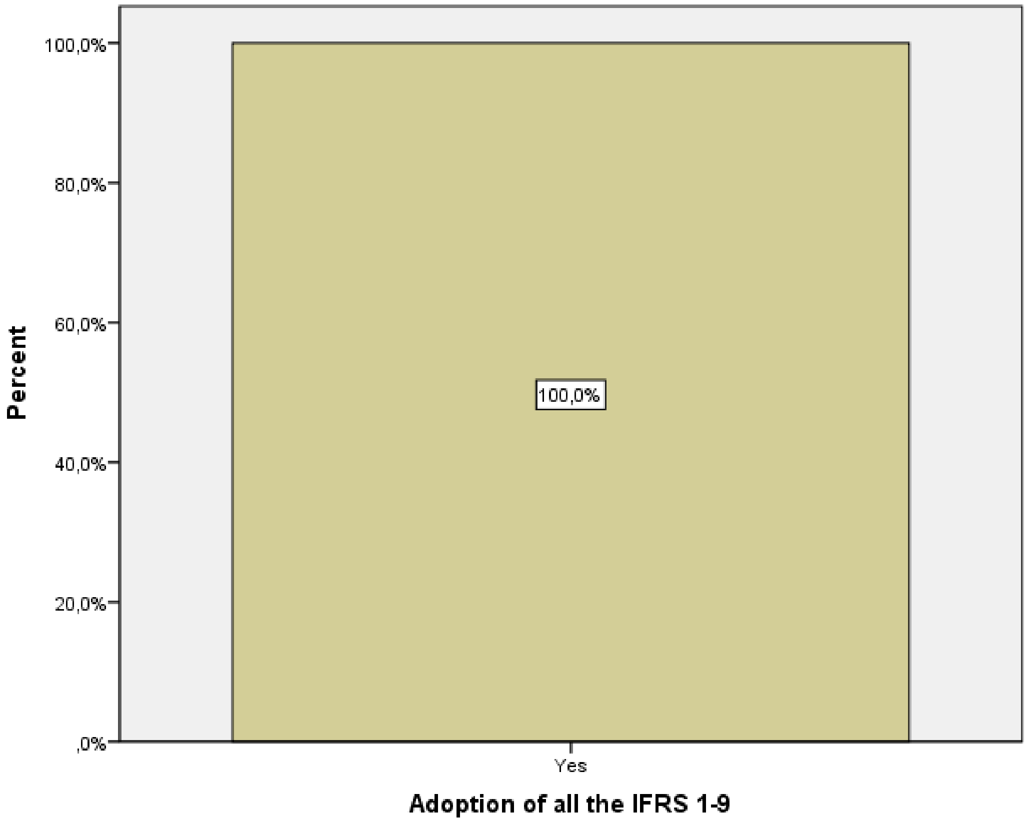

Figure 7 : Adoption of all IFRS 1-9

Figure 7 shows if all IFRS 1-9 were adopted or not. This question was a yes or no answer. All the respondents say that all IFRS 1-9 were adopted by the bank they work for. If all the respondents could say that they have adopted all the IFRS 1-9, this means that it is true that the three banks have adopted IFRS 1-9.

6.8 IFRS has increased the numbers of investors

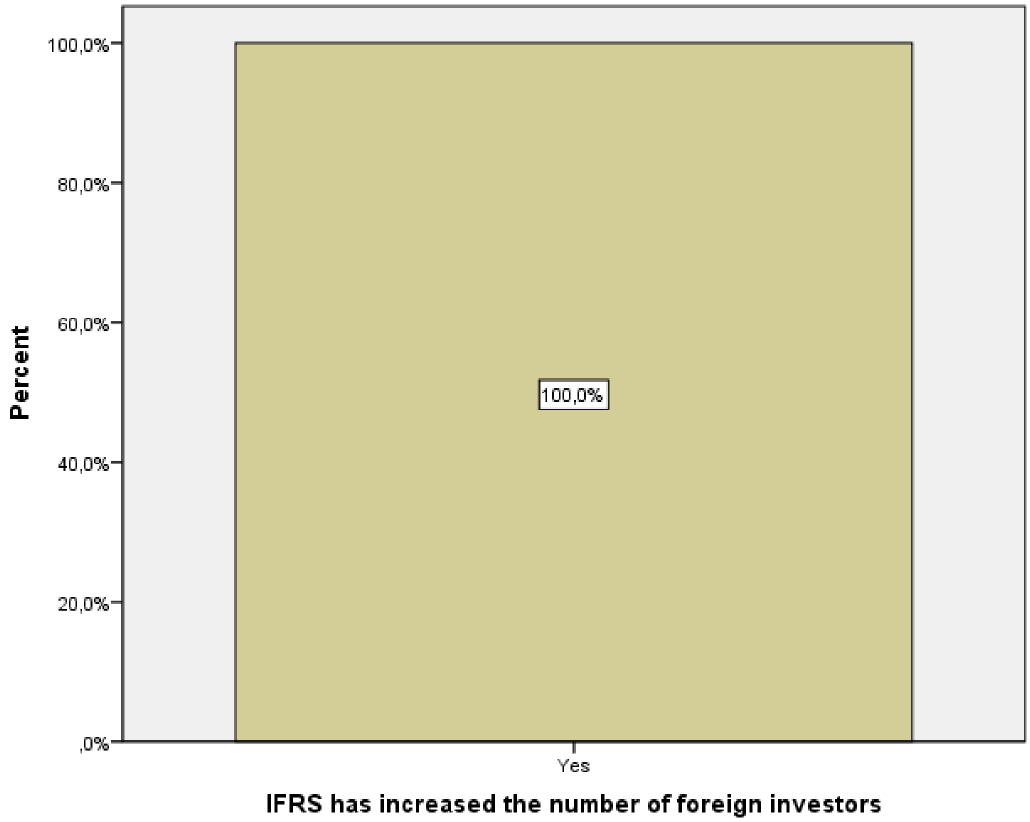

Figure 8 : IFRS has increased the number of foreign investors

Figure 8 shows if IFRS adoption has increased the number of foreign investors or not. This question was a yes or no answer. All the respondents say that IFRS adoption has increased the number of foreign investors in the bank they work for. If all the respondents could say that IFRS has increased the number of foreign investors, this means that it is true that IFRS has increased the number of foreign investors in the three banks. It can be said that companies that adopt IFRS in Nigeria has the possibility of increase in the number of foreign investors which is consistent with the “benefits of IFRS adoption” by the Institute of Chartered Accountants of Nigeria(ICAN) in chapter 4.

6.9 Benefit of raising capital from abroad

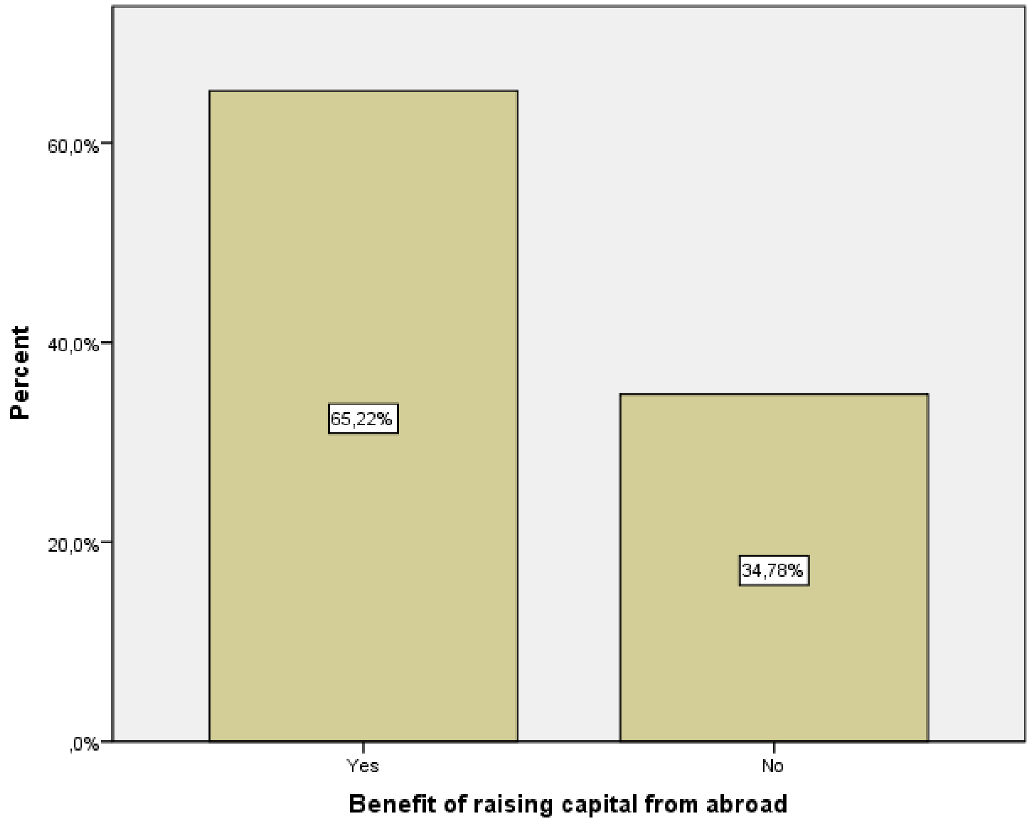

Figure 9: Benefit of raising capital from abroad

Figure 9 shows if IFRS adoption has helped to raise capital from abroad. This question was a yes or no answer. 65.22 percent respondents say that IFRS adoption has helped to raise capital from abroad while 34.78 percent say that IFRS adoption has not brought the benefit of raising capital from abroad. 65.22 percent of the respondents say that IFRS adoption helps them to raise capital from abroad. If 65.22 percent of the respondents could say that IFRS helps them to raise capital from abroad, this means that it is true that IFRS helps to raise capital from abroad. It can be said that companies that adopt IFRS in Nigeria has the possibility of raising capital from abroad which is consistent with the “benefits of IFRS adoption” by the Institute of Chartered Accountants of Nigeria(ICAN) in chapter 4.

6.10 Nigerian GAAP is partly outdated

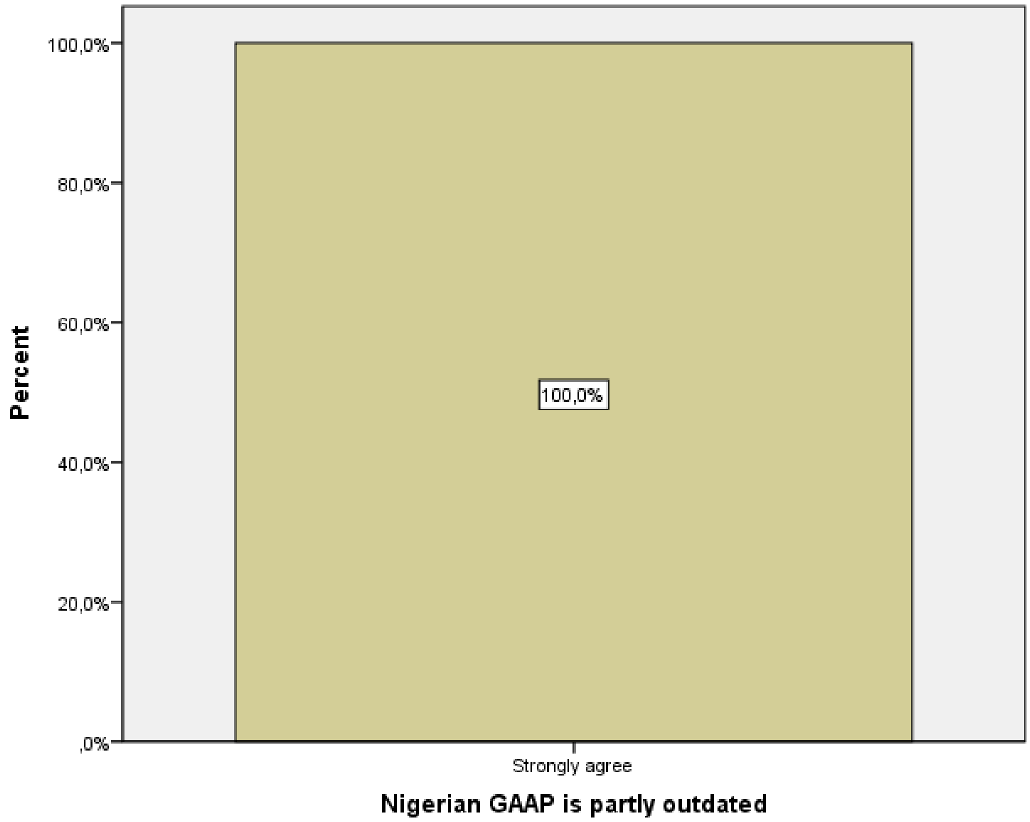

Figure 10: Nigerian GAAP is partly outdated

The respondents were asked if the Nigerian GAAP is partly outdated and they were given five answer options which are: Strongly disagree, slightly disagree, undecided, slightly agree, and strongly agree. All the respondents strongly agreed that Nigerian GAAP is partly outdated. If all the respondents could strongly agree that Nigerian GAAP is partly outdated that means it is true that Nigerian GAAP is partly outdated. It is a good thing that Nigeria has adopted IFRS which is consistent with the “benefits of IFRS adoption” by the Institute of Chartered Accountants of Nigeria (ICAN) in chapter 4.

6.11 Nigerian GAAP is not sufficient enough to prepare quality financial statements

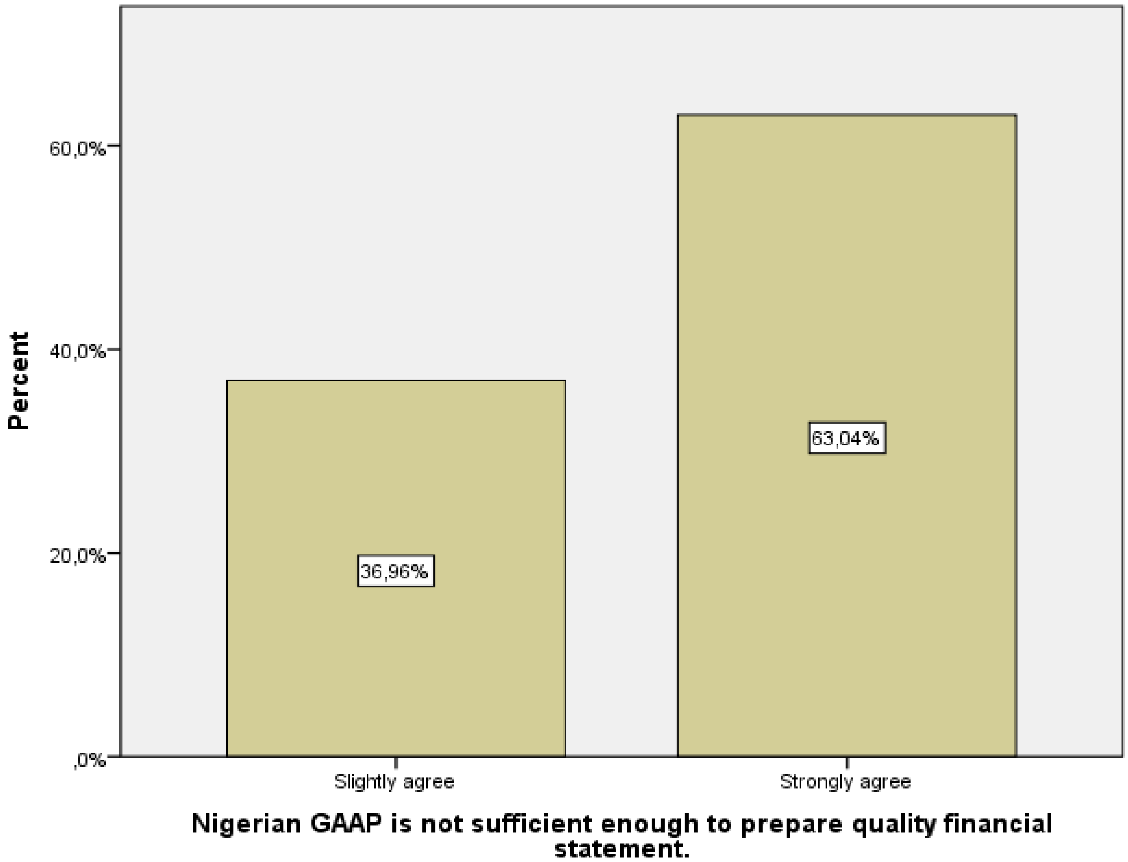

Figure 11: Nigerian GAAP is not sufficient enough to prepare quality financial statement

The respondents were given five answer options which are: Strongly disagree, slightly disagree, undecided, slightly agree, and strongly agree. 36.96 percent of the respondents slightly agreed that Nigerian GAAP is not sufficient enough to prepare quality financial statement while 63.04 percent of the respondents strongly agreed that Nigerian GAAP is not sufficient enough to prepare quality financial statement. If 36.96 percent of the respondents slightly agreed that Nigerian GAAP is not sufficient enough to prepare quality financial statement while 63.04 percent of the respondents strongly agreed that Nigerian GAAP is not sufficient enough to prepare quality financial statement, which means it is true that Nigerian GAAP is not sufficient enough to prepare quality financial statement. It is a good thing that Nigeria has adopted IFRS which is consistent with the "benefits of IFRS adoption" by the Institute of Chartered Accountants of Nigeria (ICAN) in chapter 4.

6.12 IFRS is better than Nigerian GAAP

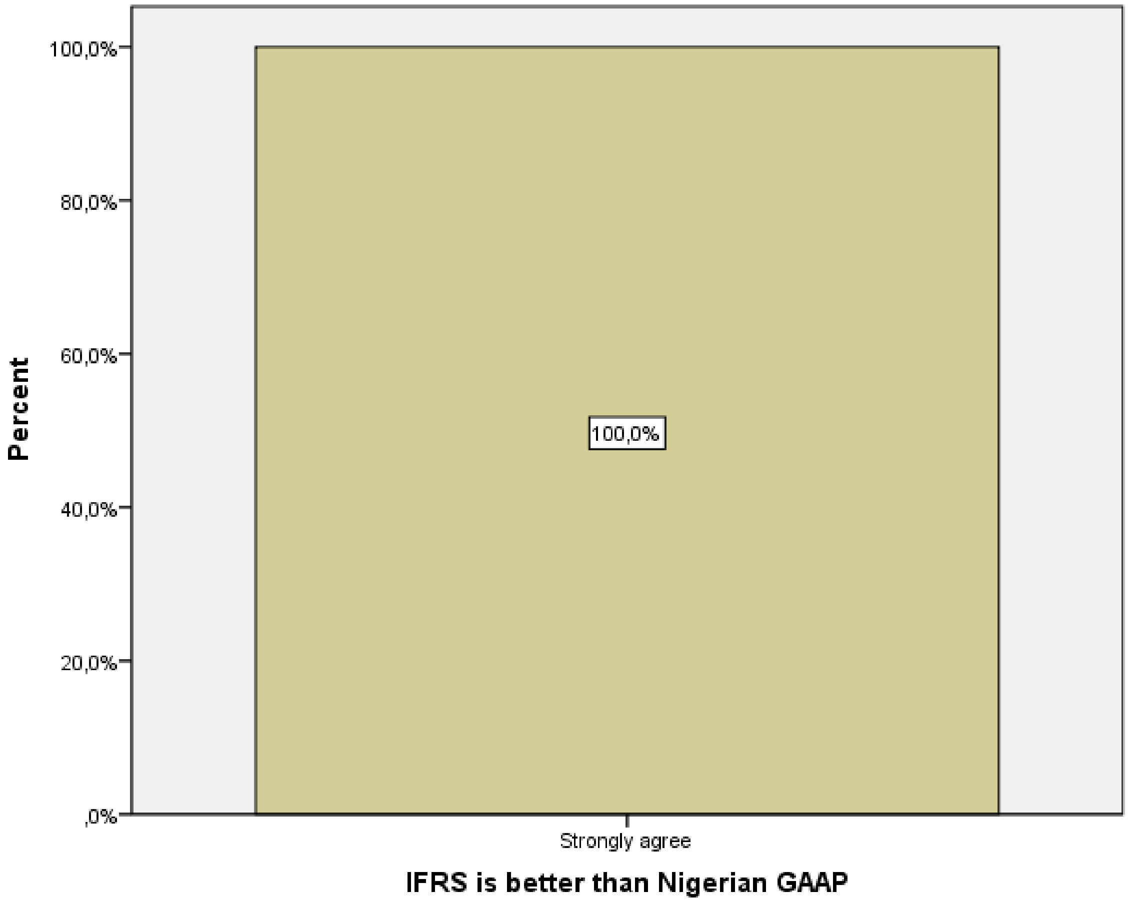

Figure 12: IFRS is better than Nigerian GAAP

The respondents were given five answer options which are: Strongly disagree, slightly disagree, undecided, slightly agree, and strongly agree. All the respondents say that IFRS is better than Nigerian GAAP. If all the respondents could strongly agree that IFRS is better than Nigerian GAAP, that means it is really true that IFRS is better than Nigerian GAAP.

6.13 IFRS has improved the reporting practice compare to Nigerian GAAP

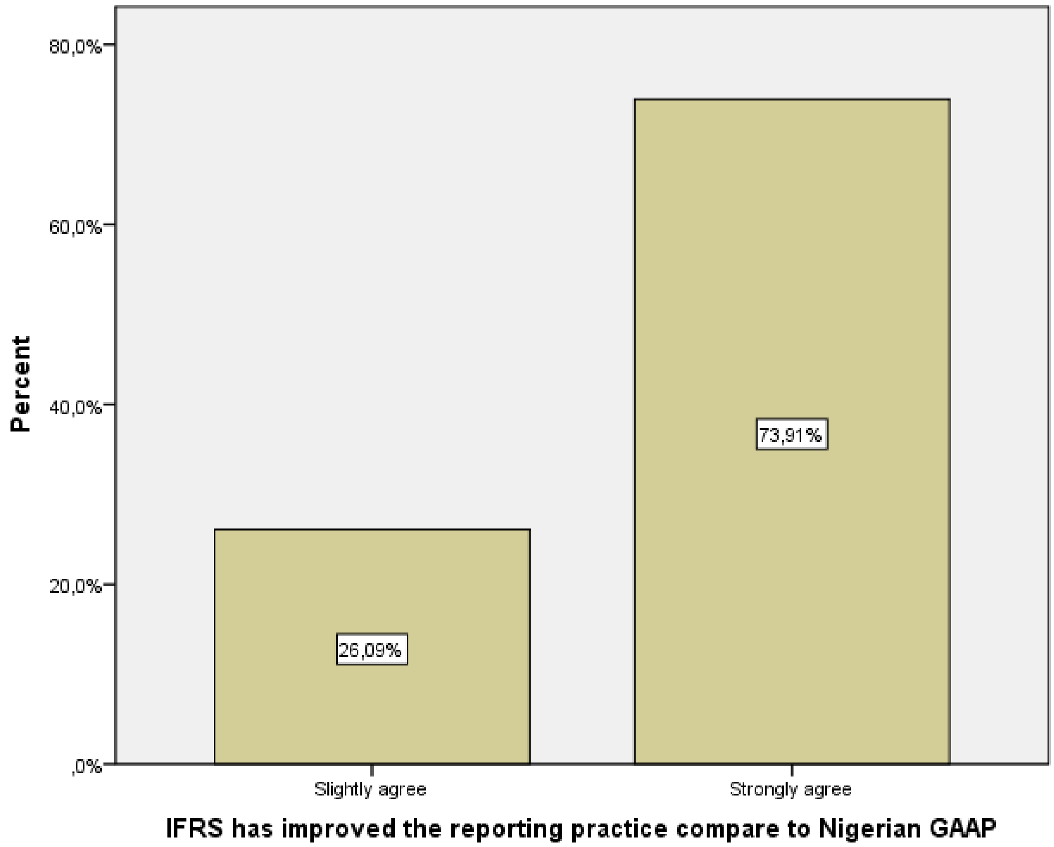

Figure 13: IFRS has improved the reporting practice compare to Nigerian GAAP

The respondents were given five answer options which are: Strongly disagree, slightly disagree, undecided, slightly agree, and strongly agree. 26.09 percent of the respondents slightly agreed that IFRS has improved the reporting practice compare to Nigerian GAAP while 73.91 percent of the respondents strongly agreed that IFRS has improved the reporting practice compare to Nigerian GAAP. If 26.09 percent of the respondents slightly agreed that IFRS has improved the reporting practice compare to Nigerian GAAP and 73.91 percent of the respondents strongly agreed that IFRS has improved the reporting practice compare to Nigerian GAAP that means that it is true that IFRS has improved the reporting practice compare to Nigerian GAAP which is consistent with the "benefits of IFRS adoption" by the Institute of Chartered Accountants of Nigeria (ICAN) in chapter 4.

6.14 IFRS is cumbersome

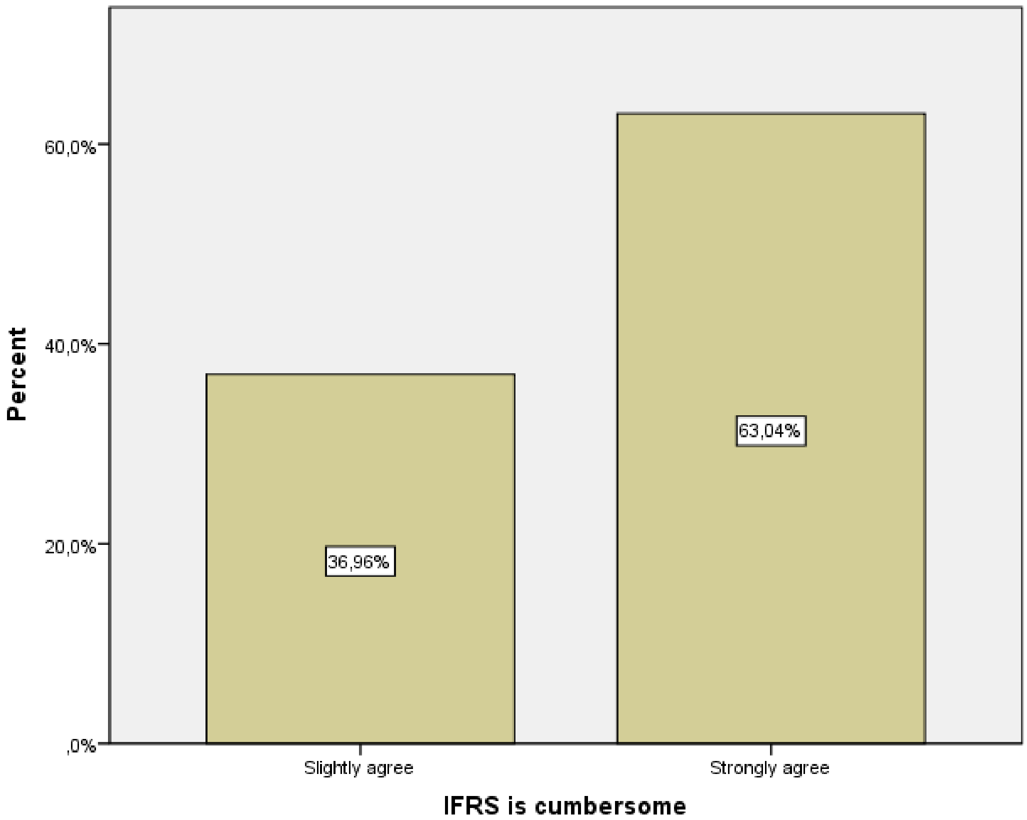

Figure 14: IFRS is cumbersome

The respondents were given five answer options which are: Strongly disagree, slightly disagree, undecided, slightly agree, and strongly agree. 36.96 percent of the respondents slightly agreed that IFRS is cumbersome and 63.04 percent of the respondents strongly agreed that IFRS is cumbersome. If 36.96 percent of the respondents slightly agreed that IFRS is cumbersome and 63.04 percent of the respondents strongly agreed that IFRS is cumbersome, that means that it is true that IFRS is cumbersome.

6.15 IFRS adoption brings about high quality financial statement

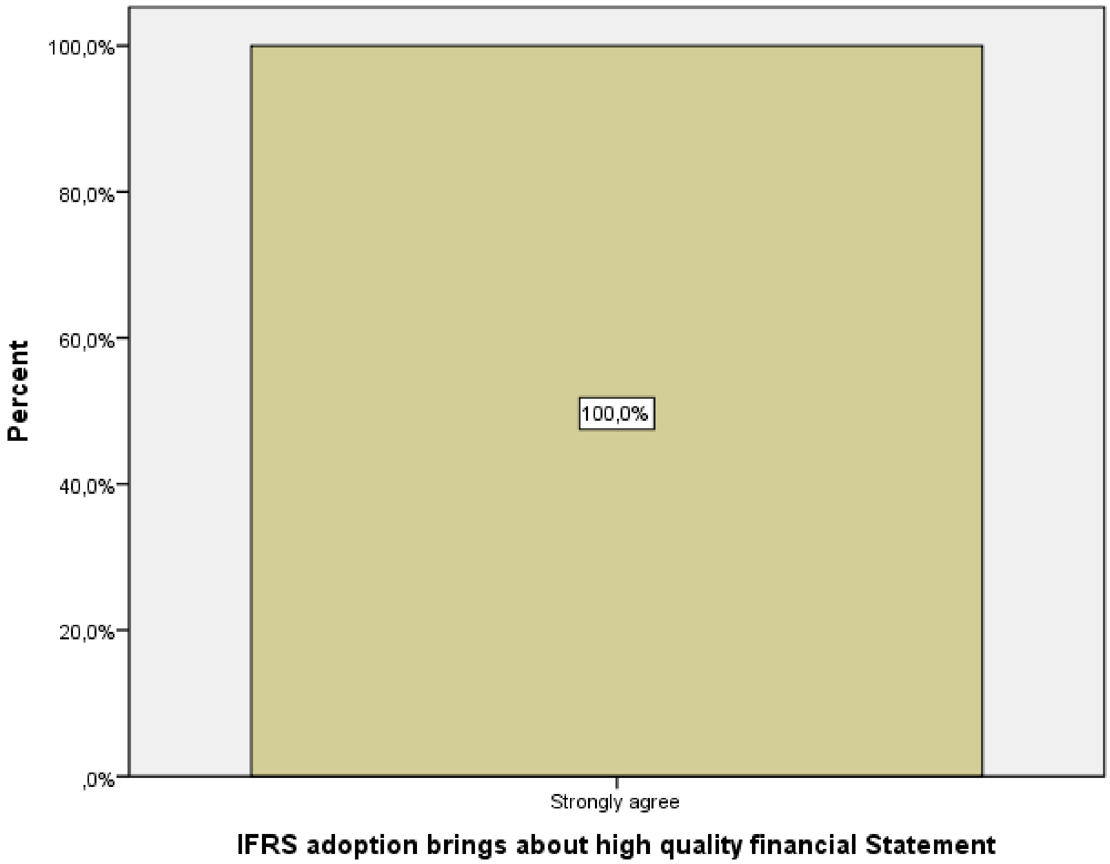

Figure 15: IFRS adoption brings about high quality financial statement

The respondents were given five answer options which are: Strongly disagree, slightly disagree, undecided, slightly agree, and strongly agree. All the respondents strongly agreed that IFRS adoption brings about high quality financial statement. If all the respondents could strongly agree that IFRS adoption brings about high quality financial statement, which means that it is really true that IFRS adoption brings about high quality financial statement which is consistent with the “benefits of IFRS adoption” by the Institute of Chartered Accountants of Nigeria (ICAN) in chapter 4.

6.16 IFRS adoption brings about transparent financial statements

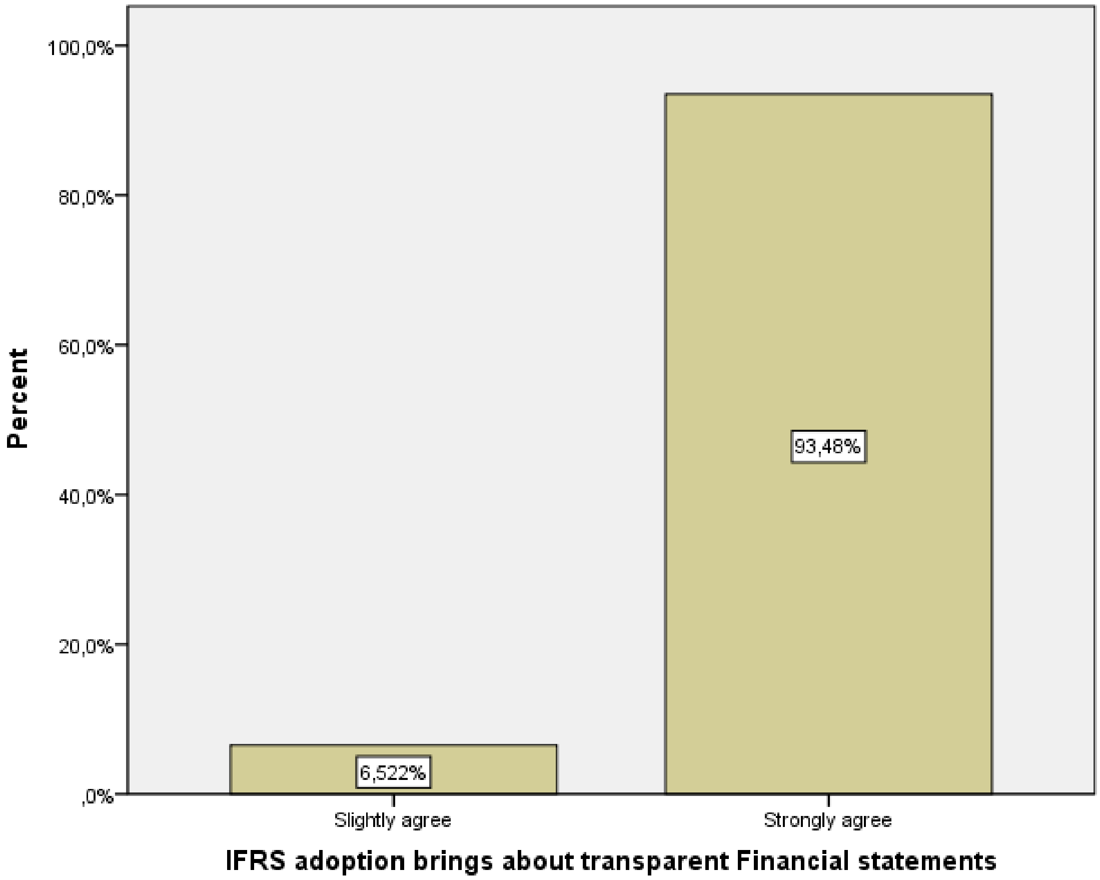

Figure 16: IFRS adoption brings about transparent financial statements

The respondents were given five answer options which are: Strongly disagree, slightly disagree, undecided, slightly agree, and strongly agree. 6.52 percent of the respondents slightly agreed that IFRS adoption brings about transparent financial statements and 93.48 percent strongly agreed that IFRS adoption brings about transparent financial statements. If 6.52 percent of the respondents slightly agreed that IFRS adoption brings about transparent financial statements and 93.48 percent strongly agreed that IFRS adoption brings about transparent financial statements, which means that it is true that IFRS adoption brings about transparent financial statements and it is consistent with the “benefits of IFRS adoption” by the Institute of Chartered Accountants of Nigeria (ICAN) in chapter 4.

6.17 IFRS brings about comparable financial statements

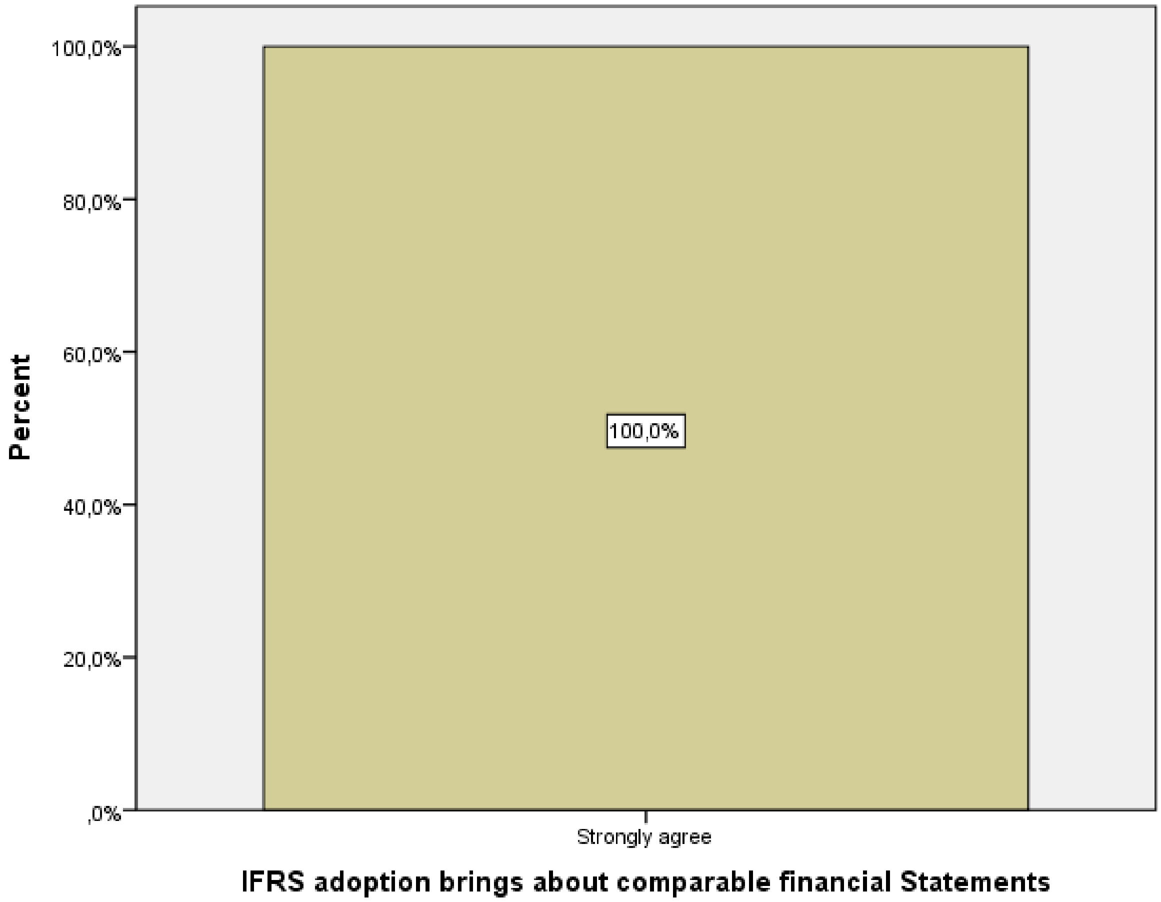

Figure 17: IFRS adoption brings about comparable financial statements

The respondents were given five answer options which are: Strongly disagree, slightly disagree, undecided, slightly agree, and strongly agree. All the respondents strongly agreed that IFRS adoption brings about comparable financial statements. If all the respondents strongly agreed that IFRS adoption brings about comparable financial statements, which means that it is true that IFRS adoption brings about comparable financial statements which is consistent with the “benefits of IFRS adoption” by the Institute of Chartered Accountants of Nigeria (ICAN) in chapter 4.

6.18 IFRS helps the local investors to make better investment decisions than Nigerian GAAP

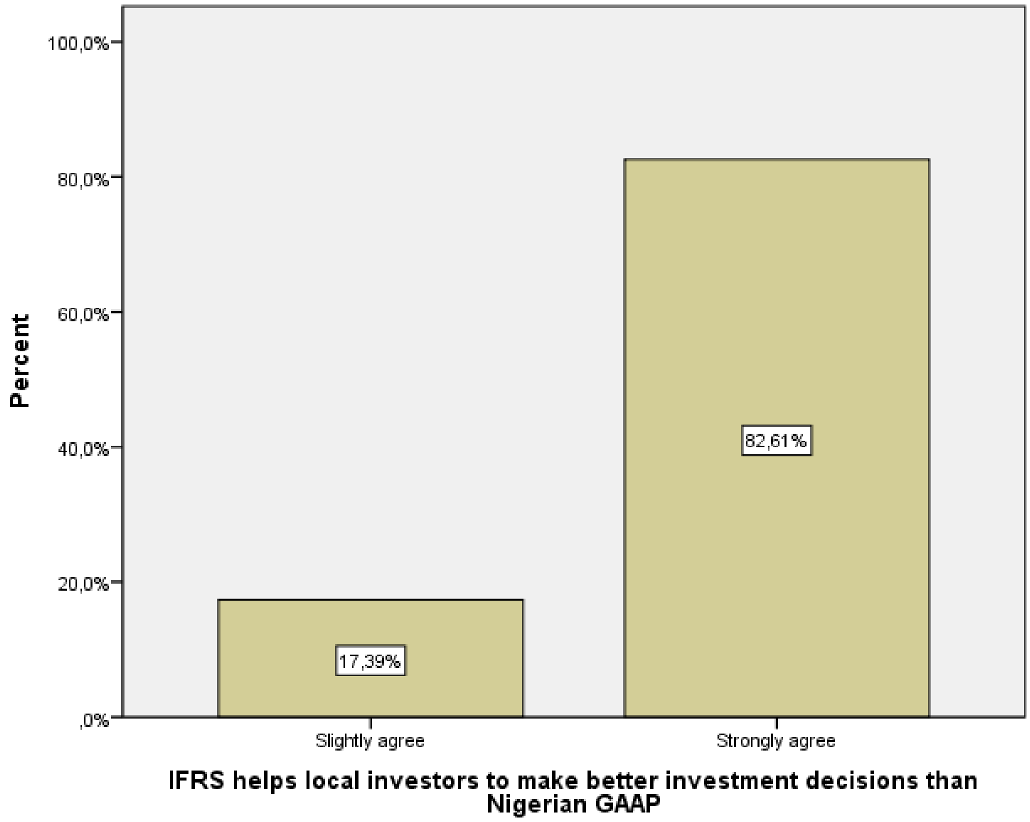

Figure 18: IFRS helps the local investors to make better investment decisions than Nigerian GAAP

The respondents were given five answer options which are: Strongly disagree, slightly disagree, undecided, slightly agree, and strongly agree. 17.39 percent of the respondents slightly agreed that IFRS helps the local investors to make better investment decisions compare to Nigerian GAAP and 82.61 percent strongly agreed that IFRS adoption helps the local investors to make better investment decisions compare to Nigerian GAAP which is consistent with the "benefits of IFRS adoption" by the Institute of Chartered Accountants of Nigeria (ICAN) in chapter 4.

6.19 The cost of adopting IFRS is too high compare to the benefit that will be enjoyed

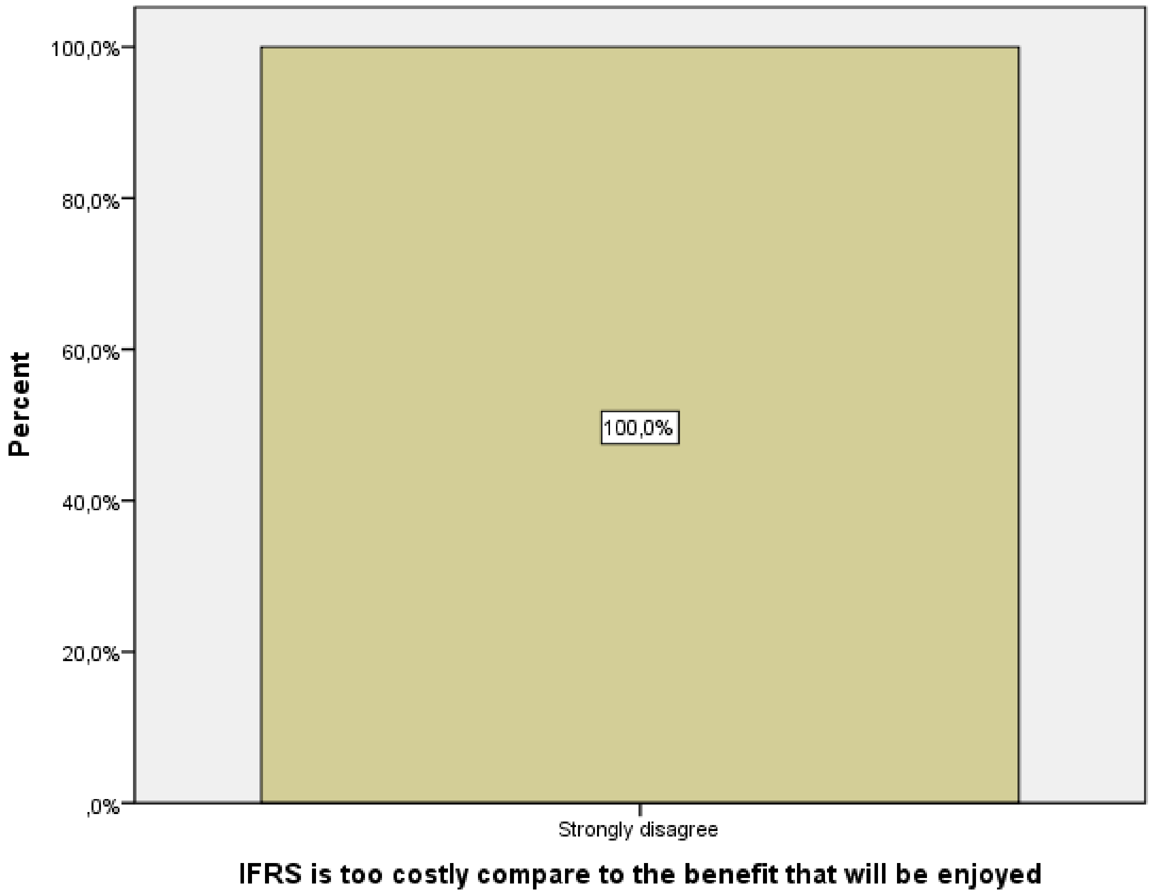

Figure 19: The cost of adopting IFRS is too high compare to the benefits that will be enjoyed.

The respondents were given five answer options which are: Strongly disagree, slightly disagree, undecided, slightly agree, and strongly agree. All the respondents strongly disagreed that the cost of adopting IFRS is too high compare to the benefits that will be enjoyed. If all the respondents strongly disagreed that the cost of adopting IFRS is too high compare to the benefits that will be enjoyed, which means that the cost of adopting IFRS is not too high compare to the benefits that will be enjoyed.

7 CONCLUSION AND RECOMMENDATION

This part of the research is the final part and it will include the summary of the research study. This part will also include the conclusion and recommendation. Suggestions for future research will also be included in this chapter.

7.1 Summary

The research commenced by giving an overview concerning the need for International Financial Reporting Standards. Globalization of capital markets requires a unified global accounting, reporting and disclosure set of standards. As a result of increasing volume of cross border capital flows and the growing number of foreign direct investments via mergers and acquisitions in the globalization era, the need for the harmonization of different practices in accounting and the acceptance of worldwide standards has arisen. This worldwide standard is International financial reporting standards.

Nigeria's fast growth in the global business community necessitates that regulators and operators in the Nigerian Financial System take proactive steps to ensure a seamless migration to the IFRS Reporting Framework.

The research further commenced by giving a general overview concerning accounting because this research topic is related to accounting field. It looked into accounting and bookkeeping definitions, accounting concepts and principles, the importance of accounting knowledge and the users of financial statements. International financial reporting standards (IFRS) affect the preparation of financial statements which has made me to discuss about financial statements as well. This report discussed about the definition, objective, assumptions and elements of financial statements.

Furthermore, this report discussed about accounting professional bodies and accounting standards. This report also discussed about the International accounting professional body, accounting professional body in West Africa and accounting professional body in Nigeria. Concerning the accounting standards, international accounting standards and accounting standards in Nigeria were discussed.

Thereafter, the Research methodology and the research on the case companies concerning the impacts of IFRS adoption were conducted. The benefits of adopting IFRS were considered and the demerits were also considered.

7.2 Conclusion and Recommendations

Adopting IFRS is a very big move for the firms, accounting regulatory body and the government in Nigeria because the benefits are more than the demerits as discussed earlier in this report. For every good thing introduced there are also challenges as well.

At the moment in Nigeria, IFRS is not in the syllabus of the students in tertiary institution. IFRS should be included in the syllabus of accounting student in the tertiary institutions so that students will have the knowledge before entering into the labour market.

IFRS cannot be put into practice if personnel do not go through some form of training which has been proven in “chapter 6 figure 4: Involvement in training activity when IFRS was introduced and 100% answered yes”. Training resources should be readily available at affordable price which was mentioned in the demerits of “IFRS adoption in Nigeria in chapter 4”. If possible the government should subsidize the cost of training resources. In some situations the companies have to add financial personnel who are more familiar with IFRS to its team and this will bring about additional cost which is consistent with the “demerits of IFRS adoption in Nigeria mentioned in chapter 4”. Another challenge is that organizations will have to upgrade their information technology as they adopt IFRS. The companies incur additional cost to upgrade the information technology system which is consistent with “demerits of IFRS adoption in Nigeria mentioned in chapter 4”. Adopting IFRS will also undermine domestic financial reporting (the Nigerian Statement of Accounting Standards) which is consistent with the ”demerits of IFRS adoption in Nigeria mentioned in chapter 4”.

The firms adopting IFRS in Nigeria have made the good choice because IFRS will help them to raise capital from abroad which is consistent with the “benefit of IFRS adoption mentioned in chapter 4 and also 65.22% agreed that IFRS adoption has helped the company they work for to raise capital from abroad and this can be found in question 9”. IFRS will also boost investor’s confidence to invest in their company. IFRS will also make their financial statements comparable, transparent and rich in quality which is consistent with the “benefit of IFRS adoption mentioned in chapter 4 and also 6.52 percent of the respondents slightly agreed and 93.48 percent strongly agreed that IFRS adoption brings about transparent financial statements and this can be found in question 16”. In question 15 all the respondents strongly agreed that IFRS adoption brings about high quality financial statement. In question 17 all the respondents strongly agreed that IFRS adoption brings about comparable financial statements.

IFRS enables the local investors to make a better investment decision which is consistent with the “benefits of IFRS adoption in Nigeria mentioned in chapter 4”. IFRS reduces the cost of doing business across borders which is consistent with the “benefits of IFRS adoption in Nigeria mentioned in chapter 4”.

IFRS will also assist the government and the accounting regulatory body to attract international investors which is consistent with the “benefits of IFRS adoption mentioned in chapter 4”. The Nigerian Accounting Standard Board will be alert to the best international accounting practice (IFRS) to guide them in the establishment of highly improved practices in Nigeria which is consistent with the “benefits of IFRS adoption mentioned in chapter 4”.

The study aims at understanding the impacts of International Financial Reporting Standards (IFRS) adoption in Nigeria and the benefits of adopting IFRS and the demerits as well. More importantly the questions concerning the impacts of IFRS were subtly considered in this study.

7.3 Suggestions for Future Studies

The IFRS is a broader scope of accounting which I cannot discuss everything about it in this study. This study focused on the impacts of IFRS adoption in Nigeria which I limited it to the multinational companies and banking sector. However, it would be highly appropriate for further studies to be conducted on the comparison of Nigerian GAAP with IFRS in practical sense. Further studies should be done on the application of the adopted standards and how well companies in Nigeria apply these standards. Finally, another area of study recommendable for further investigation would be how small and medium scale enterprises adopt and comply with IFRS in Nigeria in the nearest future.

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APPENDICES

Appendix 1

The Statements of accounting Standards in Nigeria

These statements of accounting standards are the rules and regulations financial accounting in Nigeria are based on.

SAS 1 - Disclosure of accounting policies

This standard dictates the rules, principles, bases, conventions and practices adopted by an organization to prepare and present financial statements.

SAS 2 - Information to be disclosed in Financial Statements

This standard dictates the basis for the presentation of financial statements, so as to ensure comparability with a company's own financial statements of past periods and with the financial statements of other companies.

SAS 3 - Accounting for Property, Plant and Equipment

This standard is concerned with the accounting for property, plant and equipment under the historical cost concept and the revaluation of specific items of property, plant and equipment.

SAS 4 - On Stocks

This standard deals with the accounting treatment for inventories under the historical cost concept.

SAS 5 - Construction Contracts

This standard deals with the accounting treatment of revenue and costs related with construction contracts.

SAS 6 - On Extraordinary Items & Prior Year Adjustments

This standard deals with examining of the issues involved in the calculation of operating income in an accounting period and to dictate the accounting treatment of extraordinary items and prior year adjustments and their appropriate disclosure in the financial statements.

SAS 7 - On Foreign Currency Conversions & Translations

This standard is to provide uniformity in accounting treatment for foreign exchange transactions and translation in the financial statements of Nigerian company`s foreign branches, subsidiaries, associates, or joint ventures based in a country other than Nigeria.

SAS 8 - Accounting for Employees' Retirement Benefits

This standard dictates the period the cost of providing retirement benefits should be recognized as an expense, the amount that should be recognized and information to be disclosed in the company's financial statements.

SAS 9 - Accounting for Depreciation

This standard provides a guide for uniform and acceptable methods of calculating and reporting depreciation on items like property, plant and equipment; whether such items are stated at their historical costs or revalued amounts.

SAS 10 - Accounting by Banks and Non-Bank Financial Institutions (Part I)

This standard provides a guide for accounting policies and accounting methods that should be used by banks in the preparation of their financial statements. Improved accounting and reporting practices are of great importance so as to ensure reliable financial statements that are comparable across the industry.

SAS 11

On Leases

This standard makes sure that financial statement which is published at the end of the financial period has sufficient information about lease transactions so as to make it possible for users of such statements to determine the effects of lease commitments on the present and future operations of the reporting enterprises and to ensure that there is uniformity in the disclosure of terms and classes of leases in financial statements.

SAS 12 - Accounting for Deferred Taxes

This standard provides a guide for uniform and acceptable methods and bases used in providing for deferred taxes, computing for deferred taxes and presentation of deferred taxes in the financial statements.

SAS 13 - Accounting for Investments

This standard deals with the situation whereby the size of the investments does not enable the investor to have significant power to influence the financial and operating decisions of the investee enterprise.

SAS 14 - Accounting in the Petroleum Industry: Upstream Activities

This standard provides a guide for accounting and reporting for upstream activities which involves the acquisition of mineral interest in properties, exploration (including prospecting), development, and production of crude oil and gas.

SAS 15 - Accounting by Banks and Non-Bank Financial Institutions (Part II)

This standard provides a guide for accounting policies and accounting methods to be used by Non-Bank Financial Institutions with focus on loss recognition, income recognition, classification and disclosures in the financial statements.

SAS 16 - Accounting for Insurance Business

This standard introduces financial accounting and reporting standards for the financial statements of non-life and life assurance undertakings.

SAS 17 - Accounting in the Petroleum

This standard provides a guide on accounting practices and reporting methods that companies operating in the downstream sector of the Nigerian petroleum industry, such companies; refining and petrochemicals, marketing and distribution and liquefied natural gas should follow.

SAS 18 - Statement of Cash Flows

This standard provides a guide concerning cash receipts and cash payments of a company over a period of time; it also shows the pattern of generating cash and utilizing cash.

SAS 19 - Accounting for Taxes

This standard deals with taxes on business organizations. The taxes include companies Income Tax, Value Added Tax, Capital gains Tax, Petroleum Profits Tax, and Education Tax; this standard replaces the statement of accounting Standard Number 12.

SAS 20 - On Abridged Financial Statements

This standard shows the minimum contents of abridged financial statements; standardize formats for presentation of abridged financial statements and improve comparability and usefulness of abridged financial statements.

SAS 21 - On Earnings per Share

This standard dictates the principles for the calculation and the presentation of earnings per share which will help to compare performance among different companies in the same period and among different accounting periods for the same company. The attention is on the denominator of the earnings per share determination.

SAS 22 - On Research and Development Costs

This standard dictates the accounting treatment for research and development costs. It also provides an acceptable and uniform accounting practice for entities that is involved in research and development activities.

SAS 23 - On Provisions, Contingent Liabilities and Contingent Assets

This standard is concerned with financial transactions of significant impact on the result of an entity that may not have been concluded with certainty at the end of a financial year and order to ensure systematic and consistent basis of accounting for provisions, contingent liabilities and contingent assets, there is need to standardize their recognition, treatment and disclosure in financial statements.

SAS 24 - Segment Reporting

This was added on 20.04.2007. This standard provides acceptable guide for the classification of business and location by segment; it is also concerned with the determination of what constitutes material segment; and the formats for the presentation of financial statements by segments.

SAS 25 - Telecommunications Activities

This was added on 11.02.2008. This Standard provides the basis for streamlining the accounting treatment in order to improve the comparability and usefulness of financial statements prepared for telecommunications activities.

SAS 26 - Business Combinations

This was added on 11.02.2008. A business combination can be best defined as the bringing together of separate entities or businesses into one reporting entity. The result of almost all business combinations is that one entity, the acquirer, takes control of one or more other businesses.

SAS 27 - Consolidated and Separate Financial Statements

This was added on 11.02.2008. The standard aims at reducing alternative methods in accounting for subsidiaries in consolidated financial statements and in accounting for investments in the separate financial statements of a parent company or investor.

SAS 28 - Investments in Associates

This was added on 11.02.2008. This Standard sets out the requirements in establishing significant influence and providing specific requirements on accounting for associates in the consolidated financial statements under the equity method and the disclosures required.

SAS 29 - Interests in Joint Ventures

This was added on the 11.02.2008. This Standard provides the guidelines as to the scope of accounting for interests in Joint Ventures, the alternative methods that may be adopted and the limited circumstances under which interests in Joint Ventures might be accounted for at cost, less any provision for impairment.

SAS 30 - Interim Financial Reporting

This was added on 11.02.2008. Interim financial reports are accounting information which shows the financial activities of a company for a period that is less than a financial year. The report can be quarterly or semiannually.

SAS 31 - Intangible Assets

This was added on 1.3.2011. This standard deals with the accounting treatment of Intangible assets.

< http://www.nasbnigeria.org>

Appendix 2

Member Bodies of financial reporting council of Nigeria

The financial reporting council (FRC) is a parastatal of the Federal Government which operates independently in discharging of its technical duties. The board of financial reporting council (FRC) comprises of:

- Central Bank of Nigeria (CBN)
- Corporate Affairs Commission (CAC)
- Federal Inland Revenue Service (FIRS)
- Federal Ministry of Commerce (FMC)
- Federal Ministry of Finance (FMF)
- Nigerian Accounting Association (NAA)
- Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA)
- Nigeria Deposit Insurance Corporation (NDIC)
- Securities and Exchange Commission (SEC)
- The Institute of Chartered Accountants of Nigeria (ICAN)
- Auditor-General for the Federation
- Accountant-General of the Federation
- Association of National Accountants of Nigeria (ANAN)
- The Chartered Institute of Taxation of Nigeria (CITN)

< http://www.nasbnigeria.org>

Appendix 3

Research on the impact of IFRS adoption on financial statement

Dear Respondents

I am writing my thesis that seeks to survey your opinion **on the impacts of IFRS adoption on financial statements.** All information provided will be treated as strictly confidential and answers will be released only as summaries in which no individual respondent will be identified. I am very grateful for your time and effort when answering this questionnaire.

PART A

1. How many years of experience do you have in this organization?

Less than 2 years☐ 2-5 years☐ 5-10years☐ More than 10 years☐

2. How did you feel when IFRS was introduced?

Bad☐ Stressed☐ Indifferent☐ Good☐

3. What is the difficulty you encountered at the first time adoption of IFRS?

Training difficulty☐ High cost☐ too much work of load☐ others please specify☐

4. Did you go through formal training when IFRS was introduced?

Yes☐ No☐

5. Have you ever attended any seminar concerning IFRS?

Yes☐ No☐

6. Has IFRS really affected the Nigerian Gap you were formally using?

Yes☐ No☐ If yes please specify

7. Has your company adopted all the IFRS 1-9?

Yes☐ No. If No, please specify

8. Is the increase in number of your foreign investors as a result of IFRS adoption?

Yes☐ No☐

9. Has your company enjoyed the benefit of raising capital from abroad?

Yes☐ No☐

PART B

10. Do you think Nigerian statement of accounting standards is partly outdated?

Strongly disagree☐ Slightly disagree☐ Undecided☐ Slightly agree☐ Strongly agree☐

11. Nigerian statement of accounting standards is not sufficiently comprehensive enough to become a basis for preparation of high quality financial statements.

Strongly disagree☐ Slightly disagree☐ Undecided☐ Slightly agree☐ Strongly agree☐

12. IFRS is better than Nigerian GAAP

Strongly disagree☐ Slightly disagree☐ Undecided☐ Slightly agree☐ Strongly agree☐

13. In practice IFRS has really improved the reporting practice in your company compare to the Nigerian GAAP.

Strongly disagree☐ Slightly disagree☐ Undecided☐ Slightly agree☐ Strongly agree☐

14. IFRS is difficult or cumbersome.

Strongly disagree☐ Slightly disagree☐ Undecided☐ Slightly agree☐ Strongly agree☐

15. The adoption of IFRS has brought about high quality financial statements.

Strongly disagree☐ Slightly disagree☐ Undecided☐ Slightly agree☐ Strongly agree☐

16. The adoption of IFRS has brought about transparent financial statements.

Strongly disagree☐ Slightly disagree☐ Undecided☐ Slightly agree☐ Strongly agree ☐

17. The adoption of IFRS has brought about comparable financial statements.

Strongly disagree☐ Slightly disagree☐ Undecided☐ Slightly agree☐ Strongly agree☐

18. IFRS can help the local investors to make better investment decisions compare to the Nigerian GAAP.

Strongly disagree☐ Slightly disagree☐ Undecided☐ Slightly agree☐ Strongly agree☐

19. The cost of adopting IFRS is too high compare to the benefits that will be enjoyed.

Strongly disagree☐ Slightly disagree☐ Undecided☐ Slightly agree☐ Strongly agree☐

Appendix 4

The table below shows the membership of ABWA (Association of Accountancy Bodies in West Africa). As of 2011, ABWA had the following members:

Country	**Acronym**	**Name**
Benin	OECCA - BENIN	Ordre des Experts Comptables at Comptables Agréés du Benin
Burkina Faso		Ordre National des Experts Comptables et des Comptables Agrees du Burkina Faso
Cameroon	ONECCA	Ordre National des Experts Comptables du Cameroon Bilingual
Cote d' Ivoire		Ordre des Experts Comptables et Comptables Agréés de Cote d'Ivoire
Gambia	GAA	The Gambia Association of Accountants
Ghana	ICA	Institute of Chartered Accountants of Ghana
Guinea	OECAG	Ordre des Experts Comptables Agréés de Guinee
Liberia	LICPA	Liberian Institute of Certified Public Accountants
Mali	ONECAM	Ordre National des Experts Comptables et des Comptables Agréés du Mali
Niger	ONECCA-N	Ordre National des Experts Comptables et Comptables Agréés du Niger
Nigeria	ICAN	Institute of Chartered Accountants of Nigeria
Sierra Leone	ICASL	Institute of Chartered Accountants of Sierra Leone
Senegal	ONECCA	Ordre National des Experts Comptables et Comptables Agréés du Sénégal

Togo	ONECCA-TOGO	Association Togolaise des Experts Comptables Diplomas

Table 1: membership of ABWA (http://www.abwa-online.org)

Appendix 5

The International accounting standards (IAS)

Below is the list of the International accounting standards (IAS):

IASC Standards Standard	Number	Purpose
IAS	1	Presentation
IAS	2	Inventory
IAS	7	Cash flow statements
IAS	8	Accounting policies, changes in accounting estimates and errors
IAS	10	Events after the balance sheet date
IAS	11	Construction contracts
IAS	12	Accounting for taxes on income
IAS	14	Segment reporting
IAS	16	Property, plant and equipment
IAS	17	Accounting for leases
IAS	18	Revenue
IAS	19	Employee benefits
IAS	20	Accounting for government grants and disclosure of government assistance
IAS	21	The effects of changes in foreign exchange rates
IAS	22	Business combinations
IAS	23	Borrowing costs

IAS	24	Related party disclosures
IAS	26	Accounting and reporting by retirement benefit plans
IAS	27	Consolidated financial statements and accounting for investments in subsidiaries
IAS	28	Accounting for investments in associates
IAS	29	Financial reporting in hyperinflationary economies
IAS	30	Disclosure in the financial statements of banks
IAS	31	Financial reporting of interests in joint ventures
IAS	32	Financial instruments: disclosure and presentation
IAS	33	Earnings per share
IAS	34	Interim reporting
IAS	35	Discontinuing operations
IAS	36	Impairment of assets
IAS	37	Provisions, contingent liabilities and the contingent assets
IAS	38	Intangible assets
IAS	39	Financial instruments: recognition and measurement
IAS	40	Investment property

IAS	41	Agriculture

Table 2: International Accounting Standards <www.ifrs.org>

Appendix 6

Abbreviations:

Association of Accountancy Bodies in West Africa (ABWA)

Association of National Accountants of Nigeria (ANAN)

Central Bank of Nigeria (CBN)

Corporate Affairs Commission (CAC)

Federal Inland Revenue Service (FIRS)

Federal Ministry of Commerce (FMC)

Federal Ministry of Finance (FMF)

Financial reporting council (FRC)

General Accounting Principles (GAP)

Guarantee Trust Bank (GTB)

International financial reporting standards (IFRS)

International Accounting Standards Board (IASB)

International Accounting Standards Committee (IASC)

International accounting standards (IASs)

International Federation of Accountants (IFAC)

Institute of Chartered Accountants of Nigeria (lCAN)

International Financial Reporting Interpretations Committee (IFRIC)

Nigerian Accounting Standards Board (NASB)

Nigerian Stock Exchange (NSE)

Nigerian Accounting Association (NAA)

Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA)

Nigeria Deposit Insurance Corporation (NDIC)

Standards Advisory Council (SAC)

Standing Interpretations Committee (SIC)

Statement of accounting standards (SAS)

Securities and Exchange Commission (SEC)

Statistical Package for the Social Sciences (SPSS)

The Chartered Institute of Taxation of Nigeria (CITN)