

VAMK, UNIVERSTIY OF APPLIED SCIENCES

Makinde Olaniyi Olusegun

**THE DIFFERENCE BETWEEN LOCAL AND
FOREIGN BANKS USING INTERNATIONAL
ACCOUNTING STANDARD AND
STATEMENT OF ACCOUNTING STANDARD:
Case of Nigeria Banks**

Business Economics and Tourism

2009

FORWARD

I started working on my thesis in September 2008; I had known the topic of my research proposal longer time enough before embarking on the topic, which was unusual of every student. It took me approximately nine month to get it done

The researched topic was interesting to me because is related to culture and the way laws and rules are being implemented in the financial institution, that lead to my sought for an industry where I would be able to seek information about the use of accounting standard. I sought for many bank s and realised there were only two that were not listed on the stock exchange market and one was unwilling to give releases information for my research, I had no choice but only to settle for one local bank and two other that are listed and using some parts of the international accounting standards. I think that was one of my limitations in this research work. However I am confident that I have been able to work on accounting and gain experiences for future usage.

I would like to thank both nuclear and extended family, friends and well-wishers, who have contributed morally, emotional and financial to this thesis. My sincere appreciation also goes to all staffs, supervisors and managers of the case company I used in seeking information.

Many thanks to my thesis supervisor Mr. Adebayo Agbejule, for his moral support and invaluable comments and suggestions he gave in the course of my writing.

Makinde Olaniyi Olusegun

Friday December 5, 2009

VAMK, UNIVERSITY OF APPLIED SCIENCES

Degree Programme of International Business

ABSTRACT

Author	Makinde Olaniyi
Topic	The difference between local and foreign banks using international accounting standard and Statement of accounting standard Case: Nigerian Banks
Year	2009
Language	English
Pages	53+7 Appendices
Name of Supervisor	Adebayo Agbejule

The research focuses on three bank's financial reporting and why they had adopted the different accounting standards. The banks are Union Bank of Nigeria Plc, First Bank of Nigeria Plc and Standards chartered of Nigeria Ltd. I chose the topic because of my interest in international accounting and way of reporting financial statement in different cultures. The aim of the thesis is to show how companies use different kinds of accounting standards to publish their annual report, the effects of using a particular method of reporting and also to know why financial information are not trusted in the developing countries. The financial information of a company tells much about how companies' images are being seen by both local and foreign investors in the outside world.

In the literature review, I enumerated different accounting standards, the background and functions of both international accounting standards and statement of accounting standards. In my methodology; in the research a qualitative research was conducted by interviewing bank chiefs and also gathered materials from secondary sources. In the empirical part, answers were given to the questions listed above. There was a clear difference between the banks using international accounting standard (IAS) and statement of accounting standard (SAS); the former i.e. banks using IAS will be acceptable and more business ready both locally and internationally while the latter bank using SAS might not

be business ready to foreign investment since its accounting standards is only local standards. Tabulation was made for the financial statement of all the banks by showing the difference between the financial items that are listed and non-listed by the banks. Finally I attached the financial statement of all the case banks used and concluded that, more still needed to be done by Nigerian banks in their implementation of international accounting standard in order for them to attract foreign investors and more reliability and trust are needed in their financial information.

Keywords

International Accounting Standards and Statement of Accounting Standards

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1. INTRODUCTION

The growth in the global trade economy and the globalization of businesses and financial market, financial information used and prepared according to a national accounting system may no longer satisfy the need of user whose decisions are more needed in the global market. The accounting information used in the local or domestic market may not even be sufficient for business and local investors.

Due to the issues above, the adoption of new global environment and necessity for decision maker, accounting regulating authority have try to find out the solution that will allow for the improvement of financial accounting and its major outputs. The global initiative to have a general rule for accounting standard and practices has over the year been worked on.

In order to satisfy and fulfill this objectives the International Accounting Standards Board (IASB) has prepared and published International Accounting Standards (IAS), which has become reference for the global community.

In the last 15years, most of the discussions have focused on development of international accounting standards, and of recent the standards has been adopted by developed countries, such as United State, Canada and other European nations.

Less discussion has focused on developing countries; this is because of the qualities of financial information and reporting, even with the pressure by some individuals, investors, banks and multinational companies and the willingness to attract foreign investment.

Accounting standards are guidelines which define how companies have to display transactions and events in their financial statements and are not purely technical rules but they are the outcome of highly political processes (Horngren, 1973; Watts and Zimmerman, 1978; and Fogarty, Hussein, and Ketz, 1994). This means that there are different actors who come into contact with or are influenced by accounting standards – e.g. preparers, managers, accounting firms, auditors, financial analysts, employees. All these actors might have differing opinions and interests about what an accurate and useful accounting standard is and therefore

might have different incentives in the production and diffusion of accounting standards (Zeff, 1978; Watts and Zimmerman, 1978, Giner, and Arce, 2004).

Although, academics and practitioners agree on the importance of compliance with the requirements of accounting standards as an essential element of the financial reporting infrastructure, many scholars argue that the extent to which standards are enforced and violations prosecuted are as important as the standards themselves (Hossain and Adams, 1995; and Sunder 1997). Thus, the quality of financial information is a function of both the quality of accounting standards and the regulatory enforcement or corporate application of the standards (Kothari 2000; and Hope, 2001). Absent of adequate enforcement, therefore renders the best accounting standards inconsequential. This is because if nobody takes action when rules are breached, the rules remain requirements only on paper. However, in some environments, firms behave towards "mandatory" requirements as if they were voluntary (Marston and Shrivies 1996, Hodges, and Mellett, 2004); Giner, and Arce, 2004; and Cooper and Robson, 2005). Even though accounting policy disclosures are required in most countries as well as by IAS 1 (Saudagaran and Diga 1997), Frost and Ramin, (1997) document considerable variation in accounting policy disclosures within and across countries. The importance of compliance with the requirements of accounting standards is that it enhances transparency, accountability, standardization, uniformity and comparability which in turn enriches the quality of decision of the users and helps in proper allocation of resources in an economy. However, studies in the area as well as on the determinants of application of accounting standards have been few and mixed. For instance, regarding studies on application or compliance, two divergent schools exist.

The application's or rightist's school is advocated by scholars like Choi (1973); Barrett (1977); Klumpes (1997) and Hope (2003b). This school theorizes that firms apply or comply with accounting standards. The second school of thought, advocates- Deaton and Weygandt (1975); Nobes (1990); Benjamin, Maurice, and Lawrence (1990) and Susilowati, Morris, and Gray (2005) theorize that firms do not apply or comply with accounting standards even under mandatory regimes.

Similarly, regarding the determinants of application of the requirements of accounting standards opposing theories exist. For instance, Singhvi (1967); Singhvi and Desai (1971); Buzby (1975); Stanga (1976); Barrett (1977); Hossain, Tan and Adams (1994); Raffournier (1995); Hossain, Perera and Rahman (1995); and Ahmed (1996); has found that firm's size, auditor size, leverage, profitability, managers' country of origin, total debt, qualification of principal accounting officer, proportion of fixed assets to total assets, foreign listing, ownership structure, and industry type were not statistically significant with the level of compliance.

However, the opposing theory, anchored by Barrett (1977); Wallace (1988); Wallace, Naser and Mora (1994); Ahmed and Nicholls (1994); Wallace and Naser (1995) Owusu-Ansah (1998); and Ali, Ahmed and Henry (2004) found company size, ownership structure, company age, multinational company affiliation, auditor size, number of employees, stock exchange listing and profitability to be significantly and positively associated with disclosure levels. Similarly, it was found that multinational and auditor size were significant predictors of disclosure levels, but size, total debt, and qualification of principal accounting officers were not.

Furthermore, divergent views exist on quite a number of issues. The decision to disclose pension obligation has subjected pension accounting to some other controversies and criticisms (Wolk, Tearney and Dodd 2002; Bryne, 2003; and Kantudu, 2006). This is because divergent views exist amongst accountants on how pension obligations should be reported in the financial statements. For example, while some accountants will like pension information disclosed as a liability in the balance sheet, others advocate that it should be disclosed by way of notes to the accounts i.e. as an off balance sheet item. Some may not like to see pension liabilities appearing anywhere in the accounts.

1.2 Aims of the Research

The aim of this study is to identify why banks in Nigeria has adopted IAS or SAS in their financial reporting. The study focuses on Financial Institution namely; Union bank, First bank and Standard chartered bank. This research intends to focus and answer the following question:

1.3 Research Questions

1. What kind of foreign transaction does your bank engaged in?
2. What part of the international accounting standard have you adopted?
3. What are the short comings of bank in the adoption of IAS and SAS?
4. Why is it difficult to trust financial information in the developing counties e.g. (Nigeria)?

1.4 Scope and Limitations of Studies

In my research I focused on local and international banks. The local and international banks are either yet to be listed on the stock market or are list on the stock as they both engaged in many international related transactions; the three banks in question exit and run their businesses in Nigeria and other countries of world.

I limited my research to few Nigeria banks (Union banks, First banks and Standard chartered bank), and their ways of reporting is my main concern; they use international accounting standard (IAS) and statement of accounting standards (SAS) in reporting their financial statement. The banks have different feature and characteristic in their way of reporting, thereby justifying a clear different and prospect the banks, company and investors should or will have in the doing business with other part of the world.

1.5 Structure of the Studies

The Thesis has seven different parts; the first chapter contains the introduction and background of my studies, the aims, objectives and the research questions. The scope and limitation of the study was also discussed and the structure inclusive.

In chapter two of the thesis different accounting standard was discussed; ranging from IAS, SAS, and IFRS. The need for financial information by investors and other organization in making organizational decisions in the way of their reporting was explain. This chapter was applied into empirical part.

The chapter three was basically about the method used in the thesis; the qualitative research method was used in carrying out the research, collecting data through interviewing (conference call) and email, which constitute my primary data.

In the chapter four of the thesis, the empirical framework was dealt with; three banks was interviewed, where the individual banks chiefs and personnel was interview and differences in the banks standards in the financial reporting was highlighted.

Chapter five was about the recommendation; the need to improve and implement the information system and accounting standard in a developing country.

Finally, in chapter six and seven; I presented the summary and conclusion and the need for a further research in the implementation of the accounting standard in different financial institutions and firms in Nigeria.

2. LITERATURE REVIEW

2.1 Accounting Standards

The history of international accounting standards really began in 1966, with the proposal to establish an International Study Group comprising the Institute of Chartered Accountants of England & Wales (ICAEW), American Institute of Certified Public Accountants (AICPA) and Canadian Institute of Chartered Accountants (CICA).

In February 1967 this resulted in the foundation of the Accountants International Study Group (AISG), which began to publish papers on important topics every few months and created an appetite for change. Many of these papers led the way for the standards that followed, when in March 1973 it was finally agreed to establish an international body writing accounting standards for international use.

In June 1973 the International Accounting Standards Committee (IASC) came into existence, with different professional accountancy bodies from Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the United Kingdom, Ireland and the United States of America, with the stated intent that the new international standards it released must 'be capable of rapid acceptance and implementation world-wide'. As at January 2000, there are 143 members in 104 countries, representing over 2 million accountants. The IASC survived for 27 years, until 2001, when the organisation was renamed as the International Accounting Standards Board (IASB). (*International Accounting Standards 2000*)

2.2 International Accounting Standards (IAS)

Between 1973 and 2001 the International Accounting Standards Committee (IASC) released International Accounting Standards. Between 1997 and 1999 the IASC restructured their organisation. Full details of the *Restructuring of IASC (1997-2001)* are available. These changes resulted in the formation of the International Accounting Standards Board (IASB). These changes came into effect on April 1st 2001.

Subsequently the IASB made a statement about current and future standards: IASB publishes its Standards in a series of pronouncements called International Financial Reporting Standards (IFRS). It has also adopted the body of Standards issued by the Board of the International Accounting Standards Committee. Those pronouncements continue to be designated "International Accounting Standards" (IAS).

The IASB approved the *IASB Resolution on IASC Standards* at their meeting in April 2001 which confirmed the status of all IASC Standards and SIC Interpretations in effect as of 1 April 2001.

The Trustees appoint the 14 Board members, who come from different countries mentioned above and have a variety of functional backgrounds. According to the IASC Foundation Constitution, Board members must: comprise a group of people representing, within that group, the best available combination of technical skills and background experience of relevant international business and market conditions in order to contribute to the development of high quality, global accounting standards. There are many sessions in this standard, but to give few examples of the frequently used. Here below are the examples:

Ias 2 Inventories

This Standard prescribes the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. It sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.

Ias 7 Cash Flow Statements

The objective of this Standard is to require the provision of information about the historical changes in cash and cash equivalents of an entity by means of a statement of cash flows which classifies cash flows during the period from operating, investing and financing activities.

2.3 Objectives of IASB'S

(a) To develop, in the public interest, a single set of high quality, understandable and enforceable global accounting standards that require high quality, transparent and comparable information in financial statements and other financial reporting to help participants in the world's capital markets and other users make economic decisions;

(b) To promote the use and rigorous application of those standards; and

(c) In fulfilling the objectives associated with (a) and (b), to take account of, as appropriate, the special needs of small and medium-sized entities and emerging economies; and

(d) To bring about convergence of national accounting standards and International Accounting Standards and International Financial Reporting Standards to high quality solutions.

2.4 International Financial Reporting Standards (IFRS)

On its formation in April 2001 the IASB announced that the IASC Foundation Trustees agreed that accounting standards issued by IASB would be designated "International Financial Reporting Standards" in a statement dated 23rd April 2001.

On May 23rd 2002 the IASB issued published a press release announcing the publication of the *Preface to International Financial Reporting Standards* which Sir David Tweedie, IASB Chairman, said provided 'a brief description of the purpose and function of the main structures of the new arrangements for setting global standards'. The first IFRS was published in June 2003 (IFRS 1, First-time Adoption of International Financial Reporting Standards).

The approval of International Financial Reporting Standards (IFRSs) and related document, such as *Framework for the preparation of financial statements*, exposure drafts and other discussion document, is the responsibility of the (IASB).

The International Financial Reporting interpretations committee (IFRIC) comprises of twelve voting members and a non-voting chairman, all appointed by the trustees. The role of IFRIC is to prepare interpretation of IFRSs for approval by the IASB and, in the context of the framework, to provide timely guidance on financial reporting issues not specifically addressed in IFRSs. The IFRIC replaced the former standing interpretation committee (SIC) IN 2002. (*International Financial Reporting Standards (IFRS) 2004*)

Scope of IFRSs

- IASB Standards are known as International Financial Reporting Standards (IFRSs).
- All International Accounting Standards (IASs) and Interpretations issued by the former IASC and SIC continue to be applicable unless and until they are amended or withdrawn.
- IFRSs apply to the general purpose financial statements and other financial reporting by profit-oriented entities -- those engaged in commercial, industrial, financial, and similar activities, regardless of their legal form.
- Entities other than profit-oriented business entities may also find IFRSs appropriate.
- General purpose financial statements are intended to meet the common needs of shareholders, creditors, employees, and the public at large for information about an entity's financial position, performance, and cash flows.
- Other financial reporting includes information provided outside financial statements that assists in the interpretation of a complete set of financial statements or improves users' ability to make efficient economic decisions.
- IFRS apply to individual company and consolidated financial statements.
- A complete set of financial statements includes a balance sheet, an income statement, a cash flow statement, a statement showing either all changes in equity or changes in equity other than those arising from investments by and distributions to owners, a summary of accounting policies, and explanatory notes.

- If an IFRS allows both a 'benchmark' and an 'allowed alternative' treatment, financial statements may be described as conforming to IFRS whichever treatment is followed.
- In developing Standards, IASB intends not to permit choices in accounting treatment. Further, IASB intends to reconsider the choices in existing IASs with a view to reducing the number of those choices.
- IFRS will present fundamental principles in bold face type and other guidance in non-bold type (the 'black-letter'/'grey-letter' distinction).
- The provision of IAS 1 that conformity with IAS requires compliance with every applicable IAS and Interpretation requires compliance with all IFRSs as well. (*International Financial Reporting Standards (IFRS) 2004*)

2.5 Nigeria Accounting Standard Board (NASB)

The board came into being on September 9, 1982. It is the only board in Nigeria responsible for developing and issuing, in the public interest, a single set of high quality accounting standards that require transparent and comparable information in general purpose financial statement.

The Institute of Chartered Accountant of Nigeria (ICAN) brought the initiative for setting up the Nigeria accounting standard board. ICAN who's for many years was a member of the then international accounting standards committee. The board accommodated in ICAN's secretariat for the first ten years of its existence. ICAN is currently one of the member bodies of the board and has continued to perform its function as such. However, the two bodies function independently.

The work of the NASB is similar to those of the nation Standards setting bodies like the financial accounting standards Boards, USA, Accounting standards boards, United Kingdom, Malaysian Accounting standards Board, Australian Accounting Standards Board etc.

In May 1992, the NASB became a parastatal of the federal Government under the federal ministry of commerce. Ten years later, precisely on the 10th of July 2003,

the president signed into law the Nigerian Accounting standard act, 2003 which establishes the NASB and gives full legal backing to all activities.

In addition to this, and perhaps most importantly, the act established for the board an inspectorate unit with full powers to monitor and enforce compliance with statement of accounting standards. There are many sessions in this standard, but to give few examples of the frequently used. Here below are the examples:

SAS 4 - On Stocks

This standard prescribes the accounting treatment for inventories under the historical cost system. A primary issue in accounting for inventories is the amount of cost to be recognized as an asset and carried forward until the related revenues are recognized. This standard is in accordance with IAS 2, Valuation and presentation of Inventories in the context of historical cost.

SAS 18 - Statement of Cash Flows

This standard provides information about the cash receipts and cash payments of an enterprise over a given period, it indicates the pattern of cash generation and utilization, it reveals how cash is generated from operations or through new capital raised and how payments are made for taxes, dividends, new investments and debts. It is designed to shed light on ail enterprise's financial strength. This standard conforms to IAS 7.

2.6 Functions of NASB

- (a) the board shall develop and publish in the public's interest, accounting standards to be observed in the preparation of financial statement;
- (b) To promote the general acceptance and adoption of such standards developed or received by the board.
- (c) To promote and enforce compliance with the accounting standards developed or received board;

- (d) To review from time to time the accounting standards developed in line with the prevalent social, economic and political environment;
- (e) To receive from time to time notices of non-compliance with its standards from the preparer, user or auditor of an account;
- (f) To receive copies of all qualified reports together with detailed explanations for such qualification from auditors of the accounts within a period of 60 days from the date of such qualification;
- (g) Advise the minister on the making of regulations under section 356 of the companies and allied matters act 1990;
- (h) Advise the federal government on matters relating to accounting standards and
- (i) Perform such duties in the opinion of the council, as necessary or expedient to ensure the efficient performance of the function of the board under this act.

2.7 The Objectives of Financial Statements for Many Organizations and Decision Makers

The statement of principles follows the IASC framework in the identification of the user groups. This identifies the investors group as primary group for whom the financial statement is being prepared. It then states the information needs to each group as follows

Investors: Need information to:

- a. Assess the stewardship of management e.g. In safeguarding the entity's resources and using them properly, efficiently and profitably;
- b. Take decisions about management e.g. Assessing need for new management:
- c. Take decisions about their investment or potential investment e.g. Deciding whether to hold, buy or sell shares and assessing the ability to pay dividends

Lenders: These need information to

- a. Determine whether their loans and interest will be paid on time
- b. Decide whether to lend and on what terms

Suppliers: These need information to:

- a. Decide whether to sell to an entity
- b. Determine whether they will be paid on time
- c. Determine longer-term stability if the company is a major customer

Employee: These need information to:

- a. Assess the stability and probability of the company
- b. Assess the ability to provide remuneration, retirement benefit and employment opportunities.

Customers: These need information to:

- a. Assess the probability of the continued existence of the company taking account of their own degree of dependence on the company e.g. For future provision of specialized replacement parts and servicing products warranties.

The Government: These need information to:

- a. Be aware of the commercial activities of the company;
- b. Regulate their activities;
- c. Produce national statistics

The Public: Members of the public need information to:

- a. Determine the effect on the local economy of the company's activities e.g. Employment opportunities, use local suppliers;
- b. Assess recent development in the company's prosperity and changes in the activities.

2.8 The Qualitative Characteristics of Financial Information

The diagram below shows the hierarchical qualities and the interrelated usefulness of accounting information to decision maker, investors and organizations. The relevance, reliability, comparability and understandability of accounting information are shown in Figure1 below:

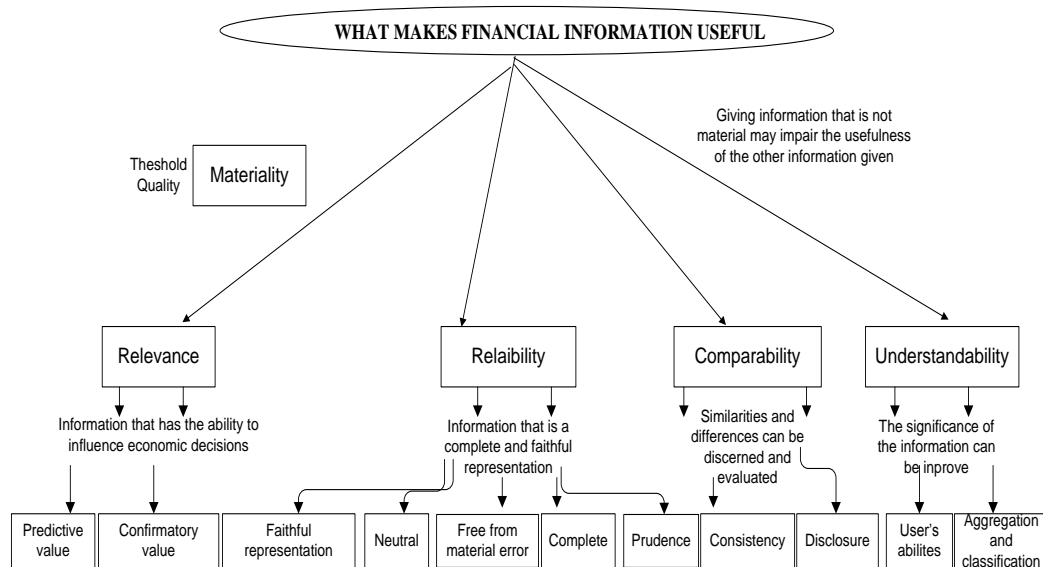


Figure1: The Usefulness of Accounting Information

(Peter Walton, Axel Haller, Bernard Raffournier, International Accounting 2edition, page 2003:74)

From the diagram we can see that for information content to be **relevant** it must have:

- a. The ability to influence economic decisions of users.

- b. Predictive value, i.e. Help user to evaluate or assess past, present or future events,
- c. Confirmatory value, i.e. Help users to confirm their past evaluations.

For information to be **reliable** it must be:

- a. Free from material error, i.e. Transaction have been accurately recorded and reported;
- b. A faithful representation, i.e. Reflecting the commercial substance of transaction;
- c. Neutral, i.e. Not presented in a way to achieve a predetermined result;
- d. Prudent, i.e. Not creating hidden reserves or excessive provisions, deliberately understating assets or gains, or deliberating overstating liabilities or losses;
- e. Complete i.e. The information is complete subject to a materiality

To be useful, the financial information also needs to be **comparable** over time and between companies and be **understandable**

2.9 The EU Directives (IAS)

The main directives which have been passed and which affect accounting are fourth and seventh, while audit is affect by eighth directives.

The Fourth Directives

This includes models presentation of the profit and loss, balance sheet and established minimum accounting requirements for individual companies with limited liability, such as public and private companies limited by shares or by guarantee. The format for the account presentation can be found in the appendix 1 below.

True and Fair View

The article 2 (the objectives of annual accounts);

Article (2.2) this states that the account shall be drawn up according to the provisions of the directives;

Article (2.3) that they shall give a true and fair view of the financial situation of the company;

Article (2.4) that if compliance with accounting rules is not sufficient to give a true and fair view, further disclosures should be made in the notes to the accounts;

Article (2.5) and that if further disclosure is not sufficient to provide a true and view, then, in such an exceptional case, the rules may be overridden.

The table 1 below shows the major differences in the usage and implementation of accounting standard in the developing developed economy. Here there are many European countries had adopted international accounting standard and the standard in place in Nigeria is strictly used there. Also many countries in the European Union had standardized and harmonized her standard and many company and the accounting body in Nigeria are still begging and seeking for the harmonization and standardization.

Table 1: Differences between IAS and SAS

IAS	SAS
This is used in full or part in international market e.g. UK, IRELAND, FRANCE, GERMANY etc	This is partly internationally based and fully locally
This is set by a board called IASC, IFRS, IASB	This is set by NASB comprises of ICAN, CITN, CAC, CBN, CAMD
Highly recognized in the world /global market financial reporting	This is strictly used in Nigeria local financial reporting
This standard is already harmonized by different countries	This is still seeking an urgent need for both standardization and harmonization

3. RESEARCH METHODOLOGY

Research methodology includes the following concepts as they relate to a particular discipline or field of inquiry: A collection of theories, concepts or ideas; comparative study of different approaches; and critique of the individual methods.

There are two basic methods; qualitative and quantitative research.

3.1 Qualitative Research

Qualitative research aims to gather an in-depth understanding of human behavior and the reasons that govern human behavior. Qualitative research techniques allow a researcher to obtain elaborate interpretations of market phenomena without depending on numerical measurements. Qualitative research aims at understanding and it answers primarily to how? –Questions, while quantitative research aims at (causal) explanation. It answers primarily to why? –Questions. Both qualitative and quantitative research can aim at description of social reality.

Characteristics of Qualitative vs. Quantitative Research

1. Uses small versus large samples
2. Emphasizes unstructured (broad range of) versus structured questioning methods
3. Involves subjective interpretation rather than “objective” statistical inference; is researcher-dependent
4. Has an exploratory purpose rather than descriptive and conclusive

It can also be grouped as shown in **Table 2** below: The table below differentiates qualitative and quantitative research according to how data are being obtained and the distinct characteristic of each research method. There is a close parallel in the distinction of the research method.

Table 2: Classification of qualitative and quantitative research

	Qualitative Research	Quantitative Research
Objective	To gain a quality understanding of the basic reasons and motivations.	To quantify the data and generalize the result from the sample of area of interest
Sample	Small number of non-representative case	Large number of representative cases
Data collection	Unstructured	Structured
Data analysis	Its non statistical	Its statistical
Outcome	To develop an initial understanding	It recommends a final course of action

Qualitative research focuses on samples rather than large random samples; it categorizes data into patterns as the primary basis for organizing and reporting results. This typically relies on four methods for gathering information: (1) participation in the setting, (2) direct observation, (3) in depth interviews, and (4) analysis of documents and materials. Some distinctive methods are the use of focus groups and key informant interviews.

3.2 Quantitative Research

Quantitative research aims at presenting a quantitative statistical and numerical measure such as numbers, figure and graphs (Robin Birn 2002:147). Quantitative research is used to measure how many people feel, think or act in a particular way. It's uses surveys and tend to include large samples e.g., - the data ranges from 50 to any number of interviews. Structured questionnaires are usually used integrating mainly closed questions - questions with set responses. There are

various ways used for collecting quantitative information, the most common are on-street or telephone interviews. The majority of market research is conducted by using a representative sample of the total population from which quantitative data is retrieved through structured questionnaires. The respondents' answers are recorded into quantitative measure e.g. numbers which are to represent the opinions of the respondents in a simplified manner. Nowadays, the process of analyzing the data in a quantitative research is facilitated by various computer programmes existing on the market such as the SPSS, SAS and Minitab (Christensen et al. 2001:222-222).

In the early part of my research, I was able to conduct a literature search and discuss the subject with experts in the field. This has really helped me to understand the problems better and narrow down the research focus, which has then, form a basis for my search questions.

In this research an in depth interviews was used; teleconference and analysis of documents and materials (Primary data).

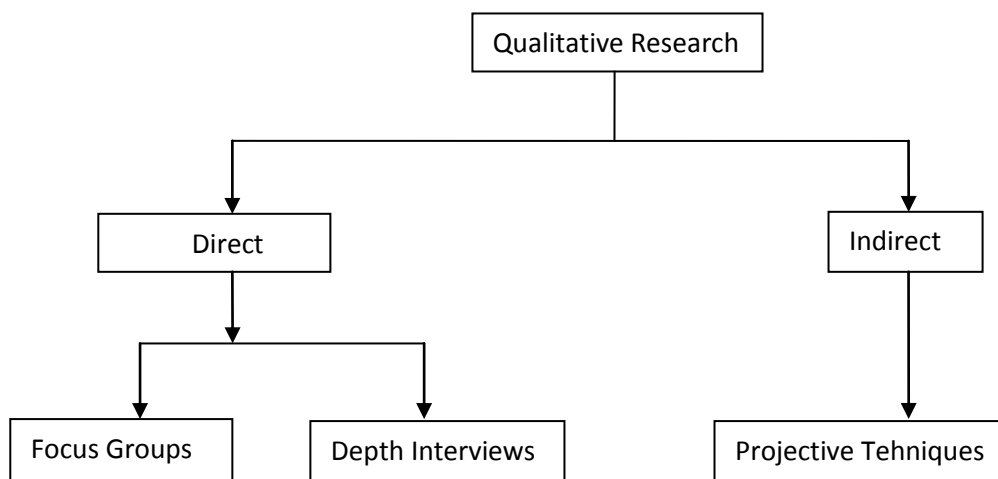


Figure 2: The classification of qualitative research method

A classification of qualitative research procedure (Source: Malhotra 2004)

3.2 Data Collection:

Depth interviews (Teleconference)

I interviewed Mr. Tada Williams of Union Bank of Nigeria Plc (Deputy General Manager), Mr. Olumo Gbenga of Standard Chartered Bank (Head of Foreign Affair Department), Mr. Adekunle Hamed of First Bank of Nigeria Plc (Assistant Manager), and other colleagues in the department gave their comment and view about the topic. The interview was conducted through telephone and teleconferencing (Primary data) since am not in the country when my research was done. My responders assisted my search in identifying the fundamentals information I got couple with the textbooks, journals, Internet and the guidance of my supervisor. They also try to compare and contrast the various standards and its origin.

Analysis of documents and materials (Secondary data): I search for some pre-existing data (Articles, Internet pages, Published Data, Journal) etc. This really helped to provide enough information to resolve the problem being investigated and also serve as a reference base against which to compare the validity or accuracy of primary data.

3.4 Validity and reliability of the study

A research is successful if it gives answers to the research problem (Heikkilä 1999:28). The most important issues to be considered are the validity and the reliability of the research.

Validity is concern with the idea that the research design fully addresses the research questions and objectives you are trying to answer and achieve, while reliability is about the consistency and accuracy of the research, whether another researcher could use your design and obtain similar findings.

The pre-existing data I got have actually justified the validity of my study, so I had little or no problem about the validity, the standards comparison I wrote on had been existing and it has always been updated for individuals, businesses and enterprises, government institutions inclusive. The reliability of my studies could be traced to all material and findings (case study) I made and I tried making references to necessary and relevant material in the course of my thesis. The research is accurate and up to date.

3.5 Case study

Case study is a methodology that involves the collection of data related to an individual or small group through observation, interviews and collection of documentary evidence. It can also be seen as an intensive, detailed description and analysis of a single project or program in the context of its environment.

The purpose of my case study is to provide useful information as to the adoption of IAS or SAS in Nigeria banks; (Union bank, First bank and Standard Chartered bank) in their financial reporting and also to identify the difference between firms (banks) that use local accounting standards (SAS) and banks that implement or adopt (IAS) for their financial statements.

3.6 Some background information about the banks

Union Bank of Nigeria Plc

Union Bank commenced operations in Nigeria in 1917 as Barclays Bank Dominion Colonial Overseas (DCO). It was incorporated as a private limited liability company in Nigeria in 1969. Then later converted to a public limited liability company in 1970. The Bank's shares are quoted on the Nigerian Stock Exchange (NSE), and the world stock market highly recognises the (NSE). As a result of the Nigeria Enterprises Promotion Act of 1972, the Federal Government of Nigeria acquired 51.67% of the Bank's shares, which left Barclays Bank Plc, London with only 40%. By the enactment of the 1972 and 1977 Nigeria Enterprises Promotion Acts, Barclays Bank International disposed its

shareholding to Nigerians in 1979. To reflect the new ownership structure and in compliance with the Companies and Allied Matters Act of 1990, it assumed the name Union Bank of Nigeria Plc.

The Bank also increased its shareholders' funds through a Public Offer/Rights Issue in the last quarter of 2005. With these developments, Union Bank remains one of the most capitalised banks in Nigeria. It has a shareholder' funds of N119.160billion (€529.6m) and operates through 405 networks of branches that are well spread across the country, all of which are on-line, real time.

It has 9 Subsidiaries and Associated Companies:

(a) Consolidated Discounts Ltd.

(b) HFC Bank Ghana Limited.

(c) Unique Venture Capital Management Co. Ltd.

Union bank of Nigeria Plc is leading regional bank in sub-Sahara Africa in terms of its diverse investments across the globe. A glance at the Bank's financial summary reveals its solidity. As at 31st March, 2008, the Bank's gross earnings was N112.988billion(€498.4m); profit before tax was N33.012billion(€145.7m); total assets was N 1,128.890billion(€5.3m); and shareholders' fund was 119.160billion(€525.1m).

First Bank of Nigeria Plc

First Bank of Nigeria is among the largest financial institutions in Nigeria, and is the first major financial institution founded in Nigeria. The current chairman is Umaru Mutallab. The bank is the largest retail lender in the nation, while other banks accept funds from consumers and loan it to small medium scale and enterprises and multinationals, First Bank has created a small market for some of its retails clients. At the end of August 2006, the bank had assets totaling 650 billion Naira (\$5 billion).The bank was also the most highly capitalized stock on the Nigerian Stock Exchange. There services range from: Retail and Corporate,

Investment and Capital Market, Asset Management and Trusteeship, Mortgage Banking, Insurance Brokerage, Microfinance Private Equity and Venture Capital.

Due to the government policies put in place in 2004 by the federal government; National Economic empowerment and development strategy(NEEDS), aim at this had help many financial institutions, First bank inclusive by boosting her image abroad and stabilizing major economic indicators, the foreign direct investment also experience a high turnout. The bank's environmental rule and regulations are constantly ungraded and enforced to ensure a safe environment for its customers and staff.

First banks usually engages in various project e.g. oil and gas, agriculture and telecommunication; these had help also in sustaining the bank in its long year of financial growth. The bank's core competence lays in developing all-inclusive understanding of customer services and eliminating impediments to effective service through continued network, merger & acquisition, product development and strengthening her global its global foot print. In the bank's improvement of its IT and infrastructures, it has planned to establish leadership in customer reach, establish its presence in international markets, well prepared to lead alliances and build infrastructure for the industry, improve relationship management and develop a proactive approach to risk management.

Standard Chartered Bank

The Standard Bank of South Africa merged with the Bank of West Africa in 1965, acquiring businesses including a banking operation in Nigeria. The name was then changed to Standard Bank of West Africa. After four year, Standard Bank Nigeria was incorporated locally to take over the business in Nigeria. In 1971, 13% of the share capital was placed with Nigerian investors. After the world war, the military government sought to increase local control of the retail-banking sector and the Bank's investment in Standard Bank Nigeria (renamed First Bank of Nigeria in 1979) was reduced to 38%. Standard Chartered remained a shareholder of First Bank of Nigeria until 1996.

In 1999 standard chartered entered Nigeria again and opened to customers on 15 September 1999 as totally owned subsidiary of Standard Chartered Bank Plc, headquartered in United Kingdom. It now has sixteen branches located in Lagos, Port Harcourt, Abuja, Ibadan, Kano, Aba and Ota offering a wide range of products and services in both consumer and wholesale banking. It employs over 380 employees and sees Nigeria as a growth centre.

4. EMPIRICAL FRAMEWORK

This is the collection of a large amount of data in reference to the theoretical methods; in which the collection of empirical data is guided largely by preliminary theoretical exploration of what to expect in the chapter. I base my similarities and difference as to initial data searched in my theoretical study.

4.1 Interview

An in-depth Interview was the research method used in gathering my data; I used this method of search because it was the best option when writing quantitative research and also my unavailability in the country to conduct a personal interview, this was actually not ease to get someone in a top position to talk on a particular topic but I was still able to make it. Several emails but got few answers. I gathered all the information to make up my empirical framework.

My questions was directed to individuals in both foreign affairs and accounting department to give their views and comment on the questions I drafted and also to give reasons for their opinions.

Interviewed was conducted for three banks; these comprises of two locally based using SAS and one using the IAS. Their financial statements are scanned below in the appendix.

4.2 Interview Question and Answer (Q&A)

There were four questions in my interview, I interviewed the three banks; first bank of Nigeria Plc, Union bank of Nigeria Plc and Standard Chartered bank Ltd. I came up with my research questions through my theoretical studies and with the help of my supervisor. Here below are the answers to the research questions:

1. What kind of foreign transaction does your bank engaged in?

First bank of Nigeria Plc

“First Bank is an industry leader with over 500 business offices, including a fully fledged subsidiary in London and other branch in Paris. The bank also has a representative office in South Africa. As a further evidence of First Bank’s strength, two foremost risk rating agencies, Fitch and Standard & Poor’s, assigned it international ratings of B+ and BB- respectively with the latter rating being at par with the sovereign rating for the country.

The bank engaged in the transactions ranging from; serving a collateral for business people in securing letter of credit(L&C), engaging in direct remittance, they have branches abroad, that represents the local branches in the daily activities, they serves a agent and financier to exporter and importer in the international business.’’

Union bank of Nigeria Plc

Union bank engages in the following foreign transaction: Trade Finance; Remittance, Correspondent Relations. We have an international banking services department that carry out both import and export segments of international trade. Some other services they give to customers both home and abroad are;

- Confirmation of Letters of Credit
- Stocking Term Finance
- International Trade Finance
- Unconfirmed Letter of Credit
- Export Loans/Overdraft facilities
- Warehousing Finance, etc.

Mr. Tada Williams of Union Bank of Nigeria Plc (Deputy General Manager)

“Transactions in foreign currencies are translated to the Naira at the rates of exchange ruling at the dates of the transactions. Foreign currency balances are converted to the Naira at the rates of exchange ruling at the balance sheet date and the difference arising there-from is dealt with in the profit and loss account. Overseas subsidiary/branches balances are converted to the Naira at the rates of

exchange ruling at the balance sheet date, and any exchange difference arising on the head office investment in the overseas subsidiary/branches is dealt with in the exchange difference reserve account.’’

Standard Chartered bank Ltd

The standard chartered bank had over the year has engaged in more domestic banking in the area of personal banking; deposits (savings account, current account, diva club account, loans, smart credit and mortgages). The bank also offers other services ranging from; credit facilities and wholesale banking; its aims to achieving and providing project & export finance facilities that had added value to business by providing limited recourse financings, export finance, financial advisory, valuation and modeling. The banks Corporate Advisory department assists have the expertise, experience and local knowledge to deliver high quality advice and execution on strategic cross-border advisory and leveraged financing transactions.

Mr. Olumo Gbenga (Head of Foreign Affair Department)

“Foreign Currency Items Transactions denominated in foreign currencies are converted to Naira at the actual exchange rates as of the date of the transaction (or, where appropriate, the date of the related forward contract). Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the official rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included in the profit and loss account.’’

Summary for Question 1

In summary, the three responders said that the first two banks has a strong financial based in both local and international transaction. First bank and Union engages in many foreign transaction and the shareholders are well and properly

placed in the financial report, while the standard chartered engages in little or no foreign transaction has it is seen the her financial statement.

2. What part of the international accounting standard have you adopted?

First bank of Nigeria Plc

Mr. Adekunle Hamed (Assistant Manager)

“First bank has adopted International Financial Reporting Standards (IFRS) as certified by the International Accounting Standards Board, First Bank of Nigeria Plc has now aligned with the strongest global standards of transparency in financial reporting.

According to a release from the Bank, the adoption of IFRS takes immediate effect and will apply to the Bank’s financial report for the year ended March 31, 2009.

First Bank becomes a global player; our financial statements prepared in line with IFRS will be easily comparable with other financial statements worldwide, thus eliminating the need to translate statements prepared under the local SAS for international use.”

Union bank of Nigeria Plc

Mr. Tada Williams (Deputy General Manager)

“Currently, financial statements prepared for reporting in Nigeria and our banks are drawn up in accordance with requirements laid down by Companies and Allied Matters Act CAMA and pronouncements issued by the Nigerian Accounting Standards Board. These Nigerian requirements are, in most cases based on pronouncements issued in the past by the IASB, but are not necessarily fully aligned with the current pronouncements of the IASB (for example certain financial instruments are required to be measured and reported at their fair value under IASB guidelines, whereas under Nigerian requirements these might be measured at historic cost.

Therefore, the presentation of our financial statements is in accordance with the Companies and Allied Matters Act CAMA, Statement of Accounting Standard (SAS) and the auditor conducted their reports in accordance with International Standards on Auditing. For example; the dividend distribution to the company's shareholders is done in accordance with SAS 23 and is recognized as a liability in the financial statements in the period in which the dividend is approved by the shareholders.''

Standard chartered bank Ltd

Mr. Olumo Gbenga (Head of Foreign Affair Department)

“Local accounting standard (SAS) has been in use since the bank started her operation. We had conducted the audit in accordance with International Standards on Auditing, and all books have been properly prepared in accordance with the Banks and Other Financial Institutions Act; which is generally accepted accounting principles in Nigeria and the Companies and Allied Matters Act, 1990.

Example: Loans and advance are stated net of provisions, this is in accordance with the Statement of Accounting Standards for Banks and Non-Bank Financial institutions (SAS 10) issued by the Nigerian Accounting Standards Board and the Prudential Guidelines issued by the Central Bank of Nigeria in the manner.''

Summary for Question 2

In summary, two of the banks; the union and first bank plc had accepted some part of the international accounting standard, this is done through the use of either direct implementation or modification of the international accounting standards to suit the local, while the standard chartered bank had only applies the local accounting standards

3. What are the short comings of the SAS, IAS standards?

First bank of Nigeria Plc

Mr. Adekunle Hamed (Assistant Manager)

“Before, our financial statement rely strongly on local standard of reporting; Company and Applied matter Act (CAMA) and Statement of Accounting Standards (SAS), local shareholders and investors accepted the way of reporting in order to encourage foreign investors and open our market and business for Foreign direct investors, international financial way of reporting should not be compromise. Our corporate affair department had many times organised and conducted meetings with foreign investor most claims are; our weak data base system, the tax system, the regulatory body NASB also lack the human resources and capacity to enforce strict rules and check in the financial reporting.”

Union bank of Nigeria Plc

Mr. Tada Williams (Deputy General Manager)

“To justify, unjustified or conclude about our bank’s accounting standards; knowing full well that it’s had been reviewed and accepted by all stakeholders. My judgement will be based on the findings conducted by an independent external body; the World Bank. In 2008, According to an assessment of the accounting and auditing environment in Nigeria conducted by the World Bank in 2004, Nigerian Statements of Accounting Standards (SASs) are based on the International Financial Reporting Standards (IFRSs). However, differences exist because the most recent revisions of IFRSs have not been incorporated into the Nigerian requirements and some of the IFRSs has not been adopted. Overall, the World Bank concluded that the regulation of accounting and auditing practices was somewhat weak and recommended stronger enforcement mechanisms to improve compliance.”

Standard chartered bank Ltd

Mr. Olumo Gbenga (Head of Foreign Affair Department)

“Since we report our financial statement is in local accounting standard SAS, many investors that are willing to invest in our bank and do business with us are one way or the other interested in doing business with banks that sales it shares to the general public, which we don’t do. Investors are also willing to see that the financial statement are strongly acceptable by the IASB; in the light of this we encourage investor to do business with our foreign branches that are list on the world stock market. We can’t do businesses with some foreign banks when it comes to foreign remittance of hard currency, also we are unable to as act as advising bank (letter of credit) on behave of customer that are into export and import of goods and services, unable to act, deal and trade in foreign exchange transaction; for companies, government etc”

Summary for Question 3

Generally it has been seen that banks that conducts her businesses using international accounting standard will be more business ready to for foreign investments; as their financial reporting and business ethics will be welcome and this enhances the turnover of the firm and will be an active player in the capital market.

4. Why is it difficult to trust financial information in the developing counties e.g. (Nigeria)?

First bank of Nigeria Plc

Mr. Adekunle Hamed (Assistant Manager)

“General I think Nigerian banks engage in a number of malpractices; hiding their true financial position from the regulators, and that most of their claims concerning their rankings are baseless calculations that deceive the public. Example, some of the banks publications about their liabilities are sometimes unfounded, if being properly accounted for, the over N1 trillion (€4.41b) balance

sheets claimed might amounts to nothing in terms of net worth. All these are obvious to the outside world; they invest and live among us.’

Union bank of Nigeria Plc

Mr. Tada Williams (Deputy General Manager)

‘Nigeria has a market-based, statist economy, in which total government expenditure, including consumption and transfer payments, is moderate. Nigeria offers good investment opportunities and incentives in targeted areas and sectors. However, there are many barriers to investment, including poor infrastructure, complex taxes, vague property laws, unpredictable enforcement of regulations, corruption, and crime. While the law provides protection for property rights, including intellectual property rights, enforcement of the law is weak. Political instability caused by religious and ethnic rivalries and social neglect is also a deterrent to investors. Corruption is extensive, as reflected in Nigeria's ranking of 147th out of 180 countries in Transparency International's 2007 Corruption Perceptions index.’

Many foreign investors will require their subsidiaries in Nigeria to report in accordance with IFRS so that the parent company can comply with its reporting requirements in its home territory, to fulfil this local and national financial information should be able to exist under a good political system, basic infrastructures, enforcement of rule of law and good tax system.

Standard Chartered bank Ltd

Mr. Olumo Gbenga (Head of Foreign Affair Department)

‘In my opinion I think the military regime had over the years caused a substantial damage in the social economic environment of our nation. This system of autocratic and dictatorship rule practiced in Africa had diminished and tag our image on the international scene; where information and data coming from Africa are no more invaluable and trust by the outside world. The financial institution is also not left behind this distrust; information and data reported and published by them are either false or incomplete, sometimes it's not even available on the

internet. Most finding, reports and recommendation by the international bodies; IMF, World Bank, IASB etc have not yet been fulfilled by most institutions, this is a way sends many signals to the foreigners and investors who are willing and able to invest in our country.

We also know that infrastructures, stability government, rule of law and education of the people are other major rudiment in allowing and encouraging investment into any national; that we are yet to get there. However I think the system is changing but it will still take a longer for to get there.’’

Summary for Question 4

The financial information in the developing countries like Nigeria, had suffer a long year of backwardness, this has been cause by the imbalance in the political system that had resulted into social unrest, poor basic infrastructures, weak database system and lack of information technology. All the aforementioned had constituted the lack of trust to the financial information gotten or report by business in Nigeria and Africa.

4.3 The Differences between Banks Using IAS and SAS in Her

Financial Reporting (Listed and Non-Listed)

Here below are the differences in the financial reporting among banks using IAS and SAS in the way of reporting, I categories these banks as listed and non-listed on the stock exchange market. The full report of the financial statement for all the banks could be found in appendix 2 below.

The banks that are listed on the stock market engages in many foreign transactions and has adopted some part of IAS and also follows the SAS in their financial reporting, while the non-listed banks has only adopts the SAS meaning it's just uses the Nigeria local standard is her ways of reporting her financial statement.

Since I was able to get response for three banks, I did the tabulation in this format ways:

1. LISTED AND NON-LISTED (FIRST BANK /STANDARD CHARTERED BANK)
2. LISTED AND NON-LSITED (UNION BANK/STANDARD CHARTERED BANK)
3. LISTED AND LISTED (FIRST BANK /UNION BANK)

The differences in the financial statement of two bank; First bank Plc and Standard chartered bank are presented below;

Table 3 Presented the differences between profit & loss account and balance sheet for a listed (First bank/Union bank) and non-listed (Standard Chartered bank)

Profit and Loss Account	
First Bank of Nigeria Plc (Listed)	Standard Chartered Bank (Non listed)
Gross earnings	Gross earnings
Profit before taxation	Profit before taxation
Information technology levy	-
Current taxation	Current taxation
Deferred tax	-
Profit after taxation	Profit after taxation
Amortisation of goodwill	-
Profit attributable to ordinary shareholder	
<u>Appropriation</u>	<u>Appropriation</u>
Statutory reserve	Transfer to statutory reserve
Reserve for small/medium scale industries reserve	Transfer to small scale industries reserve
General reserve	General reserve, end of the year

Some differences between listed and none listed

The first table show the profit and loss account and the differences between the accounting entries of First bank and standard chartered bank, the basic similar entries here are; gross earnings, profit before taxation, and current taxation profit

after taxation etc. Amortization of goodwill is another difference; these are amount/fee paid to or on intangible assets acquired from other firm or organization, while standard chartered bank has no such entry. Due to First bank's use of information technology, they had also paid so many levies for the use, while standard chartered has no such entry too.

Balance Sheet	
First Bank of Nigeria Plc (Listed)	Standard Chartered Bank (Non listed)
<u>Assets</u>	<u>Assets</u>
Cash and short term funds	Cash and short term funds
Due from other financial institution	-
Bills discounted	-
Trading securities	-
Manage fund	Long term investment
Investments	Loans and advances
Investment properties	-
Loans and advances	Other assets
Advances under finance lease	
Other assets	
Fixed assets	
<u>Liabilities</u>	<u>Liabilities</u>
Deposits, and current accounts	Deposits, current and other
Dues to other banks	-
Managed funds	Tax payable
Tax payable	Deferred tax
Deferred tax	Other liabilities
Other liabilities	-
Long term borrowing	

This table shows the balance sheet and differences between the accounting entries of First bank and standard chartered bank, the common difference that could be seen on the table are expanciated below:

In the entries the basic similarities are cash and short terms, long term investment, loans and advances, other assets for both banks. E.g. Trading securities- Is a debt or equity security bought and held for sale in the present term to generate income on short time price changes, this is not in

on the entry in the standard chartered bank since it's not selling her share to the public

While on the standard chartered bank, 'due from other financial institution' are bank assets that consist of demand and time deposits maintained in other banks to facilitate the transfer of funds among the banks either local or international, this is not an entry in the non listed bank because is not expose to foreign transaction and her shares are not sold to the public. Other differences are highlighted on the table.

Table 4 This table shows the differences in the financial statement of two bank; Union bank Plc and Standard chartered bank.

Profit and Loss Account	
Union Bank of Nigeria Plc (Listed)	Standard Chartered Bank (Non listed)
Gross earnings	Gross earnings
Interest paid	-
Overheads	-
Depreciation	-
Profit before provision of risk asset	-
Provision of risk asset	-
Profit before tax	Profit before tax
Current taxation	Current taxation
Deferred tax	Deferred tax
Profit after tax	Profit after tax
Minority interest	Minority interest
Profit after tax and minority interest	-
<u>Appropriation</u>	<u>Appropriation</u>
Statutory reserve	Transfer to statutory reserve
Reserve for small/medium scale	Reserve for small/medium scale
Industries reserve	Industries reserve
General reserve	General reserve

<u>Capital and reserves</u>	<u>Capital and reserves</u>
Shares capital	Share capital
Share premium	Share premium
Bonus issues reserve	Statutory reserve
Statutory reserve	Small scale medium industries reserves
Small scale medium industries reserves	General reserve
General reserve	-
Exchange differences reserves	-
Core capital	
Fixed assets revaluation surplus	
<u>Shareholders funds</u>	
Minority interest	

Some differences between listed and non-listed

On the profit and loss account the differences between union bank and standard chartered bank is not quite much as the two banks has many similar entries, e.g. both bank has ‘Profit after tax and minority Interest’ which means that the Interest of shareholders who, in the total, own less than half the shares in an organization. On the consolidated balance sheets of companies whose subsidiaries are not wholly owned, the minority interest is shown as a separate equity account, while on the income statement, the minority's share of income is subtracted to arrive at consolidated net income. Other basic similar entries here are; gross earnings, profit before taxation, and current taxation, profit after taxation etc.

This second table shows the balance sheet and differences between the accounting entries of banks, the common difference that could be seen on the table are enumerated below:

In the entries the ‘Associated companies’ is one of the distinct differences on the table; this implies that a firm or bank where a person or group of persons can control both, either personally, or via their interests in other

corporate shareholders (listed on the stock market) or has other subsidiaries that are into similar and related products, while firm that is non listed might not or have such branches.

While on the standard chartered bank, 'Dividend' this is a portion of a company's profit paid to its shareholders (common or preferred), this is not seen in the non listed bank has is doesn't not sells its share to the public. Another difference that can be seen here is the 'other liabilities'; the liabilities of a bank that is list is gotten from many shareholders while that of the non list is either from banks, own capital, friends and family.

Table 5 This table highlighted the differences in the financial statement of two bank; Union bank and First bank of Nigeria Plc.

Profit and Loss Account	
<u>Union Bank of Nigeria Plc (Listed)</u>	<u>First Bank of Nigeria Plc (Listed)</u>
Gross earnings	Gross earnings
Interest paid	Profit before taxation
Overheads	Information technology levy
Depreciation	Current taxation
Profit before provision of risk asset	Deferred tax
Provision of risk asset	Profit after taxation
Profit before	Amortisation of goodwill
Current taxation	Profit attributable to ordinary shareholder
Deferred tax	
Profit after tax	
Minority interest	
Profit after tax and minority interest	
<u>Appropriation</u>	<u>Appropriation</u>
Transfer to statutory reserve	Statutory reserve
Transfer to small scale industries reserve	Reserve for small/medium scale industries reserve
Proposed dividend	
Retained profit for the year transferred to general reserve	General reserve

Balance Sheet

Union Bank of Nigeria Plc (Listed)

First Bank of Nigeria Plc (Listed)

Assets

Cash and short term funds
 Due from other banks
 Bills discounted
 Long term investment
 Investment in subsidiaries and
 Associated companies
 Loans and advances
 Advances under finance lease
 Other assets
 Equipment on lease
 Fixed assets

Liabilities

Deposits, current and other accounts
 Dues to other banks
 Taxation
 Deferred tax
 Dividend
 Other liabilities

Capital and reserves

Shares capital
 Share premium
 Bonus issues reserve
 Statutory reserve
 Small scale medium industries reserves
 General reserve
 Exchange differences reserves
Core capital
 Fixed assets revaluation surplus

Shareholders funds

Minority interest
 Total liabilities
 Contingent liabilities

Assets

Cash and short term funds
 Due from other financial institution
 Bills discounted
 Trading securities
 Manage fund
 Investments
 Investment properties
 Loans and advances
 Advances under finance lease
 Other assets
 Fixed assets

Liabilities

Deposits, and current accounts
 Dues to other banks
 Managed funds
 Tax payable
 Deferred tax
 Other liabilities
 Long term borrowing

Capital and reserves

Shares capital
 Share premium
 Bonus issues reserve
 Statutory reserve
 Reserve for small/ medium scale industries
 General reserve
 Exchange differences reserves
Core capital
 Fixed assets revaluation reserve
 Investment properties reserve

Shareholders funds

Total liabilities
 Contingent liabilities

Some similarities between listed and listed banks

The profit and loss account in table 5 shows the accounting entries of Union bank and First bank; here there are many similar entries for both banks: gross earnings, profit before taxation, and current taxation profit after taxation etc. The similarities that occur here is because the two banks are both listed on the stock market and they carry out almost the same yearly financial reporting. Other similarities that could be seen on the table are; statutory reserve and transfer to small scale industries etc

This second table also shows the balance sheet for Union and First bank, the same reasons that applies to the profit and loss account also applies to accounting entries in the balance sheet side. The similarities that could be seen here are; cash and short term funds, due from other banks, loans and advances etc

5. RECOMMENDATION

Since developing accounting involves substantial cost, time consuming and involves too many consultations, NASB should adopt international accounting standards in all sectors, especially because of the globalization and interaction among nations and economies. Doing this with or without modification would not compound the problem, but rather improve the quality of financial statements and financial reporting in Nigeria. The globalization of economies in recent times justifies this. The Nigerian Accounting Standards Board (NASB) should make audit firms not only responsible but also accountable for their clients' non application of accounting standards. This can be achieved through proper monitoring, enforcement and penalties for non application. This, it is believed, would not only enhance quality and professionalism in audit practice but also solve the problems of financial reporting in Nigeria. It would also revive and restore both local and most importantly the foreign investor's confidence and trust in our financial information.

The foreign investors also have a huge part to play; they need to organize more knowledge based seminars and workshops for local companies, investors and individuals who are able and willing to invest in both local and international firms about the prospects and benefits of adopting international accounting standards and the need to be open (trust) in the financial information and reporting. These will improve the confidence and hope of the locals who are willing to do business.

Our economic and social political environment also needs to be well equipped with fresh brains and internationally acclaim academias, who are willing and able to incorporate both local and foreign experience into the system, thereby being to implement many ideals that is being discussed and worked on by our politicians. It is an open secret and truth that many of this standards, regulations and laws are actually in place or somehow it been discussed but the implementation and enforcement is quite weak or not in place, all because of our leaders personal interest and the so called political actor and God fathers.

The information system is also another issue that needed a fundamental and prompt attention, the information system is still weak and inadequate “imagine searching for a company’s financial statement and unable to find it on the internet” this sends lot of signal about a company’s reputation and image, it also jeopardizes an investor trust in the company and country as well. Foreigner hopes melts when they are solving the internet for information and unable to find information that are needed either about a company or country. More needs to be done as to providing available and accurate information on the internet for people’s consumption.

6. SUMMARY AND CONCLUSION

The globalization of business, financial market had lead to need for financial information; this had also necessitated countries to think that there should be a common global rule as to how businesses and information should be conducted, standards needs not to be compromised and practices has to be fulfilled in line with different social cultural and political environment. This leads to the coming together of developed countries to come up with common rules, guidelines and standards to follow, which gave birth to International accounting standards board. Little or no effort had been heard from Africa about standards, even with the help of different business actors.

Professional and academia agreed on the need for setting standard but compliance with the standard is another issue since there are different bodies and culture in different parts of the world, how to enforce the laws is another hurdle, if not, the laws would just only remain on paper. Another issue that was a raised is the issue of disclosure in different country. There are divergent views about the issues from different author; whether to discourse some financial information or not, some said the issue of pension should be disclose in the balance sheet while others said it should be treated in the note to the account i.e. off balance sheet item.

The research focus on the different ways of reporting financial information in banks, I conducted research on both local and international banks doing business in Nigeria. All local banks use statement of accounting standards (SAS) while the international oriented banks use both SAS and international accounting standards (IAS). These two types of standards are accounting standards which define guidelines on how companies have to display transactions and events in their financial statements.

The main objectives of IAS is to develop, promote, fulfil in the public interest, a single set of high quality, understandable standards and rigorous application of those standards by enforcing global accounting standards in the world's capital markets and also try to fulfil the special needs of small and medium-sized entities

in the emerging economies; and to ensure convergence of national accounting standards. The SAS was also established to develop and publish in the public's interest, accounting standards to be observed in the preparation of financial statement; promote the general acceptance and adoption of such standards and to promote and enforce compliance with the accounting standards. It shall also review from time to time the accounting standards developed in line with the prevalent social, economic and political environment; and advise the federal government on matters relating to accounting standards.

An overview of both accounting standard was also presented; the IAS comprises of 41 standards while the SAS comprises of 30 standards. I continued and made reference to the European directives on the use of presentation of the both balance sheet and profit and loss account; the fourth, seventh and eighth directives, the directive gave a standard format to be followed in the presentation of financial statement in all Europe member state.

In my research I used qualitative method, which answers the question 'how and why'. The research concentrated on the questions:

1. What kind of foreign transaction does your bank engaged in?
2. What part of the international accounting standard have you adopted?
3. What are the short comings of the SAS, IAS standards?
4. Why is it difficult to trust financial information in the developing countries e.g. (Nigeria)?

It focuses on three bank's financial reporting and why they had adopted the standards. The banks are Union Bank of Nigeria Plc, First Bank of Nigeria Plc and Standards chartered of Nigeria Ltd.

In my empirical data I was able find to answers to the following questions listed above. I also made a tabulation for the financial statement of all the banks listed above; showing the difference between the items that are, listed and non-listed (first bank /standard chartered bank), listed and non-listed (union bank/standard chartered bank), listed and listed (first bank /union bank).

In conclusion I gave some recommendation on the how individual, foreign investor and company can improve the use of the accounting standards in financial reporting and auditing in developing nation as more still needs to be done.

6.1 Further Studies

I think there is still a need for further studies in this research, the limitations I had was; there were few banks that are not listed on the stock market, this means, there was a limited no of banks I could have chosen from to get my data. It was also difficult to know how much of the parts of the standards the banks implements in her financial statement, because of the firm's secrecy, which I couldn't help but only to work on the few ones I got. Also being the first person to write on international accounting and reporting made it more challenge for me to get information and find very fundamental answers to my questions and curiosity, so I believe more needs to do done to have less criticised thesis. In all I believe I had done my best, if proper check and scrutinising is conducted and done on my research.

Quantitative research could also be used in a future research to analyse and find the parts and aspect of the accounting standards being use by banks or other financial institution, this could somehow assist in obtaining more and fundamental result to know the numbers of banks using what type of accounting standards and why it's being implemented.

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INTERVIEWS:

Interviewee: Mr. Tada of Union Bank of Nigeria Plc (DGM), Mr. Olumo of Standard Chartered Bank (Foreign Affair Department), Mr. Adekunle of First Bank of Nigeria Plc and other colleagues.

8. APPENDIX

1

STANDARD FORMATS

11

FINANCIAL STATEMENTS

Standard Formats

The directives introduced standard format for both profit and loss and balance sheet, there are four versions of profit and loss account, and two balance sheets. It has been proof that the degree of the detail of the classification in the formats depends on the size of the companies. The directive defines three size categories:

- a. Profit and loss (2 x 2 matrix) – Whether expenses are shown by nature or by function;
- b. Whether presentation is in the form of a single vertical column, or in a two-column ('horizontal') format.

APPENDIX 1: The vertical format below highlights the expenses by function (the combination favoured in the UK) is as follows:

Profit and loss account for the year ended 20xx

Turnover

Cost of sales

Gross profit

Distribution costs

Administration expenses

Other operation income

Income from participating interest

Interest receivable and similar income

Value adjument in respect of financial asset

Interest payable

Tax on profit on ordinary activities

Profit or loss on ordinary activities after taxation

Extraordinary income

Extraordinary charges

Tax on Extraordinary profit and loss

Other taxes

Profit or loss for the financial

Table 1 the horizontal format

The horizontal format with expenses shown by nature (the combination traditionally preferred by many mainland European companies) is:

Charges	Income
Reduction in stocks, work in progress	Net turnover
Raw materials and consumables	Increase in stocks and work in progress
Other external charges	Work capitalized
Staff costs	Other operating income
Value adjustment for non-financial asset	Income from participating interests
Other operating charges	Income from investment and loans
Value adjustment for financial assets	Other interest receivables and similar
Interest payable and similar	Loss on ordinary activities after taxation
Profit and loss on ordinary activities after tax	
Tax on profit or loss on ordinary activities	Extraordinary income
Extraordinary charges	Loss for the financial year
Tax on Extraordinary profit or loss	
Profit for the financial year	
International Accounting (second edition)	

..

(Peter Walton, Axel Haller, Bernard Raffournier, International Accounting 2edition, page 2003:32)

UNION BANK OF NIGERIA PLC

GROUP BALANCE SHEET AS AT 31 MARCH, 2007

	Notes	The Group		The Bank	
		2007 N'm	2006 N'm	2007 N'm	2006 N'm
ASSETS					
Cash and short term funds	1	29,767	57,223	29,419	56,995
Due from other banks	2	283,795	248,629	238,615	130,048
Bills discounted	3	95,331	51,396	91,831	49,399
Long term investments	5	74,939	45,081	50,726	26,950
Investments in subsidiaries and associated companies	6	1,532	304	9,607	6,628
Loans and advances	7	160,331	127,202	149,376	116,060
Advances under finance lease	8	1,131	897	1,131	897
Other assets	9	24,448	112,859	23,953	109,235
Equipment on lease	10	137	740	113	740
Fixed assets	11	27,836	23,435	25,029	20,612
TOTAL ASSETS		699,247	667,766	619,800	517,564
Financed by:					
LIABILITIES					
Deposits, current and other accounts	12	432,084	320,957	417,406	252,418
Due to other banks	13	50,298	90,523	16,735	23,039
Taxation	14	3,524	4,183	2,978	3,822
Deferred tax	15	3,961	3,212	3,626	2,878
Dividend	16	309	6,270	309	6,270
Other liabilities	17	101,751	141,430	82,116	133,452
		591,927	566,575	523,170	421,879
CAPITAL AND RESERVES					
Share capital	18	4,825	4,512	4,825	4,512
Share premium	19	54,382	66,415	54,382	66,415
Bonus issue reserve	20	965	313	965	313
Statutory reserve	21	12,173	10,161	10,675	8,856
Small scale industries reserve	22	5,772	5,166	5,537	4,931
General reserve	23	20,987	10,382	16,808	7,107
Exchange difference reserve	25	1,945	2,058	1,945	2,058
Core capital		101,049	99,007	95,137	94,192
Fixed assets revaluation surplus		1,493	1,493	1,493	1,493
SHAREHOLDERS' FUNDS					
Minority interest	26	102,542	100,500	96,630	95,685
		4,778	691	-	-
		107,320	101,191	96,630	95,685
TOTAL LIABILITIES		699,247	667,766	619,800	517,564
CONTINGENT LIABILITIES	27	33,700	25,843	24,459	16,794

-----) CHAIRMAN
)
 -----) GROUP MANAGING DIRECTOR & CHIEF EXECUTIVE
)
 -----) EXECUTIVE DIRECTOR

The accounting policies on pages 13 to 16 and notes on pages 20 to 47 form part of these financial statements.

UNION BANK OF NIGERIA PLC
GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH, 2007

	Notes	---The Group---		---The Bank---	
		2007 N'm	2006 N'm	2007 N'm	2006 N'm
Gross earnings	28	88,095	66,576	71,090	50,736
Interest paid	29	(22,001)	(16,321)	(12,591)	(7,199)
		66,094	50,255	58,499	43,537
Overheads		(36,580)	(28,518)	(32,283)	(24,602)
Depreciation	10 & 11	(3,611)	(3,447)	(2,958)	(2,907)
		(40,191)	(31,965)	(35,241)	(27,509)
Profit before provision for risk assets		25,903	18,290	23,258	18,028
Provision for risk assets	31	(8,510)	(4,754)	(7,938)	(3,678)
Profit before taxation	32	17,393	13,536	15,320	12,350
Current taxation	14	(2,874)	(2,434)	(2,446)	(2,121)
Deferred taxation	15	(749)	(234)	(748)	(193)
Profit after tax		13,770	10,868	12,126	10,036
Minority interest	26	(547)	(66)	-	-
Profit after tax and minority interest		13,223	10,802	12,126	10,036
APPROPRIATIONS:					
Transfer to statutory reserve	21	2,012	1,528	1,819	1,505
Transfer to small scale industries reserve	22	606	502	606	502
Proposed dividend	16	-	6,270	-	6,270
		2,618	8,300	2,425	8,277
Retained profit for the year transferred to general reserve	23	10,605	2,502	9,701	1,759
		13,223	10,802	12,126	10,036
Earnings per 50k share - basic		₦1.37	₦1.73	₦1.26	₦1.60
Earnings per 50k share - adjusted		₦1.37	₦1.13	₦1.26	₦1.04
Dividend per 50k share - basic		-	₦1.00	-	₦1.00
Dividend per 50k share - adjusted		-	₦0.65	-	₦0.65

The accounting policies on pages 13 to 16 and notes on pages 20 to 47 form part of these financial statements.

UNION BANK OF NIGERIA PLC

**GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH, 2007**

	Notes	---The Group---		---The Bank---	
		2007 N'm	2006 N'm	2007 N'm	2006 N'm
Gross earnings	28	88,095	66,576	71,090	50,736
Interest paid	29	(22,001)	(16,321)	(12,591)	(7,199)
		66,094	50,255	58,499	43,537
Overheads		(36,580)	(28,518)	(32,283)	(24,602)
Depreciation	10 & 11	(3,611)	(3,447)	(2,958)	(2,907)
		(40,191)	(31,965)	(35,241)	(27,509)
Profit before provision for risk assets		25,903	18,290	23,258	18,028
Provision for risk assets	31	(8,510)	(4,754)	(7,938)	(3,678)
Profit before taxation	32	17,393	13,536	15,320	12,350
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Profit after tax		13,770	10,868	12,126	10,036
Minority interest	26	(547)	(66)	-	-
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Transfer to small scale industries reserve	22	606	502	606	502
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		2,618	8,300	2,425	8,277
Retained profit for the year transferred to general reserve	23	10,605	2,502	9,701	1,759
		13,223	10,802	12,126	10,036
Earnings per 50k share - basic		₦1.37	₦1.73	₦1.26	₦1.60
Earnings per 50k share - adjusted		₦1.37	₦1.13	₦1.26	₦1.04
Dividend per 50k share - basic		-	₦1.00	-	₦1.00
Dividend per 50k share - adjusted		-	₦0.65	-	₦0.65

The accounting policies on pages 13 to 16 and notes on pages 20 to 47 form part of these financial statements.



**BALANCE SHEET
AS AT 31 MARCH 2008**

	THE GROUP		THE BANK	
	2008 =N= 'M	2007 =N= 'M	2008 =N= 'M	2007 =N= 'M
ASSETS				
Cash and short-term funds	89,130	61,844	89,075	60,881
Due from banks and other financial institutions	527,900	264,405	247,059	137,864
Bills discounted	147,680	159,832	147,680	159,832
Trading securities	100,665	75,847	93,396	71,477
Managed funds	62,648	22,070	-	-
Investments	53,742	56,993	71,532	64,048
Investment properties	2,151	186	-	-
Loans and advances	459,373	217,995	437,768	219,185
Advances under finance lease	10,297	3,043	10,297	3,043
Other assets	43,923	31,664	39,498	29,701
Fixed assets	30,033	17,548	29,155	16,850
TOTAL ASSETS	1,527,542	911,427	1,165,461	762,881
LIABILITIES				
Deposit and current accounts	700,197	599,689	661,624	581,827
Due to other banks	155,109	85,664	44,281	14,448
Managed funds	62,648	22,070	-	-
Tax payable	8,836	7,470	-	-
Deferred taxation	6,735	2,657	5,091	5,710
Other liabilities	208,969	88,149	78,492	58,773
Long-term borrowing	29,414	22,101	29,414	22,101
	1,171,908	827,800	825,614	685,530
CAPITAL & RESERVES				
Share capital	9,945	5,238	9,945	5,238
Share premium	254,524	15,858	254,524	15,858
Statutory reserve	18,056	13,465	18,023	13,452
Exchange difference reserve	3,459	4,066	2,836	2,836
General reserve	55,168	33,832	40,214	28,799
Bonus issue reserve	2,487	873	2,487	873
Reserve for small/medium scale industries	9,439	7,916	9,439	7,916
CORE CAPITAL	353,078	81,248	337,468	74,972
Fixed assets revaluation reserve	2,379	2,379	2,379	2,379
Investment properties reserve	177	-	-	-
SHAREHOLDERS' FUNDS	355,634	83,627	339,847	77,351
TOTAL LIABILITIES	1,527,542	911,427	1,165,461	762,881
Contingent liabilities and other obligations on behalf of	553,826	344,155	198,239	132,737
TOTAL ASSETS AND CONTINGENCIES	2,081,368	1,255,582	1,363,700	895,618

PROFIT AND LOSS ACCOUNT

	THE GROUP		THE BANK	
	2008 =N= 'M	2007 =N= 'M	2008 =N= 'M	2007 =N= 'M
Gross earnings	155,293	91,163	130,600	79,299
Profit before taxation	47,694	25,854	38,020	22,097
Information technology development levy	(480)	-	(380)	-
Current taxation	(6,632)	(5,308)	(3,126)	(3,822)
Deferred taxation	(4,042)	90	(4,041)	80
Profit after taxation	36,540	20,636	30,473	18,355
Amortisation of goodwill	-	(1,984)	-	(1,984)
Profit attributable to ordinary shareholders	36,540	18,652	30,473	16,371
Deal with as follows:				
Statutory reserve	4,591	2,766	4,571	2,753
Reserve for small/medium scale industries	1,523	918	1,523	918
General reserve	30,426	14,968	24,379	12,700
	36,540	18,652	30,473	16,371

 **Umaru A. Mutallab, CON**
 Chairman

 **Jacobs Moyo Ajeigbo**
 Managing Director/Chief Executive

 **Sanusi Lamido Sanusi**
 Executive Director

**REPORT OF THE INDEPENDENT JOINT AUDITORS
TO THE MEMBERS OF FIRST BANK OF NIGERIA PLC**

Report on the Financial Statements

We have audited the above financial statements.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the Companies and Allied Matters Act, CAP C20 LFN 2004, Statements issued by the Nigerian Accounting Standards Board and the Banks and Other Financial Institutions Act, CAP B3 LFN 2004. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Group and the Bank have kept proper accounting records and the financial statements are in agreement with the records in all material respects and give in the prescribed manner, information required by the Companies and Allied Matters Act CAP C20 LFN 2004 and the Banks and Other Financial Institutions Act CAP B3 LFN 2004. The financial statements give a true and fair view of the financial position of First Bank of Nigeria P.c as at 31 March 2008, and of its financial performance and its cash flows for the year then ended in accordance with the Statement of Accounting Standards issued by the Nigerian Accounting Standards Board and relevant circulars issued by the Central Bank of Nigeria and relevant International Financial Reporting Standards.

Report on Compliance with Banking Regulations

We confirm that our examination of loans and advances was carried out in accordance with the Prudential Guidelines for licensed banks issued by the Central Bank of Nigeria. Related party transactions and balances are disclosed in Note 41 to the financial statements in accordance with the Central Bank of Nigeria Circular BSD/1/2004.

Contraventions

No contravention of the Banks and Other Financial Institutions Act CAP B3 LFN 2004 was brought to our attention during the audit of the financial statements for the year ended 31 March, 2008.


CHARTERED ACCOUNTANTS
 LAGOS, NIGERIA

25th June 2008
LAGOS, NIGERIA

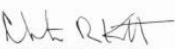

CHARTERED ACCOUNTANTS
 LAGOS, NIGERIA

DIRECTORS: UMARU ABDUL MUTALLAB, CON (CHAIRMAN), JACOBS MOYO AJEIGBO (MANAGING DIRECTOR/CHIEF EXECUTIVE), JOHN OCHÉ ABOH, BOLA ADESOLA, AIIBOLA ALARAPE AFOJUA ALIYU ADAMU ALKALI, MNI, GARBA DUBA, OYE HASSAN-ODUKALE, MFR, KEHINDE LAWANSON, MUHAMMADU IBRAHIM, OPR, ABDULLAHI MAHMOUD, ALEX OTTI, AYOOLA OBA OTUDEKO, OPR, OLADELE OYELOLA, SANUSI LAMIDO SANUSI, UDO UDO- AKA (MGN)

SUMMARISED FINANCIAL STATEMENTS AT AT 31 DECEMBER 2007

	2007 N'000	2006 N'000
BALANCE SHEET		
Assets		
Cash and short-term funds	20,954,414	18,015,375
Short-term investments	43,326,449	15,659,631
Loans and advances	35,740,124	29,407,636
Other assets	14,285,610	4,421,268
Long term investments	11,255,948	20,089,996
Fixed assets	4,887,907	1,546,022
TOTAL ASSETS	130,450,452	89,139,928
LIABILITIES:		
Deposits and other accounts	47,112,977	37,541,980
Other liabilities	47,682,048	17,339,326
Taxation payable	2,190,382	1,874,847
Deferred taxation	225,955	24,394
TOTAL LIABILITIES	97,211,362	56,780,547
NET ASSETS	33,239,090	32,359,381
CAPITAL AND RESERVE		
Share capital	3,010,000	3,010,000
Share Premium	18,708,524	18,708,524
Statutory reserve	4,336,555	3,293,917
Small and Medium Industries reserve	1,177,069	1,177,069
General reserve	6,006,942	6,169,871
SHAREHOLDERS' FUNDS	33,239,090	32,359,381
Acceptances, bonds, guarantees and other obligations for the account of customers	68,864,840	38,988,962
PROFIT AND LOSS ACCOUNT		
	2007 N'000	2006 N'000
Gross Earnings	17,296,257	13,427,581
Profit before taxation	8,671,929	7,099,932
Taxation	(1,721,012)	(1,313,376)
Profit after taxation	6,950,917	5,786,556
Appropriations:		
Transfer to statutory reserve	(1,042,638)	(1,735,967)
Transfer to small scale and medium equity investment scheme	-	(578,656)
	5,908,279	3,471,933
	(71,208)	(80,014)
Preference shares dividend	5,837,071	3,391,919
Transfer to general reserve	5,837,071	3,391,919
General reserve, beginning of year	6,169,871	2,777,952
Ordinary dividend paid	(6,000,000)	-
General reserve, end of year	6,006,942	6,169,871
Earnings per share	275 Kobo	228 Kobo


HRM Oba Oladele Olashore (Chairman)


Mr. Christopher Knight

Approved by the Board of Directors on 26 February 2008.

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of Standard Chartered Bank Nigeria Limited for the year ended 31 December 2007, from which the summarised financial statements were derived, in accordance with International Standards on Auditing. In our report dated 25 April 2008, we expressed an unqualified opinion on the financial statements from which the summarized financial statements were derived.

Banks and Other Financial Institutions Act of Nigeria

Based on our audit and the representations received, to the best of our knowledge and belief, the Bank contravened the provisions of BOFIA and some CBN circulars during the financial year ended 31 December 2007. The penalties related to these contraventions have been paid. Details of these are stated in the financial statements.

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the financial statements from which they were derived. For a better understanding of the Bank's financial position and the results of its operations for the year ended 31 December 2007 and the scope of our audit, the summarised financial statements should be read in conjunction with the financial statements from which the summarised financial statements were derived and our audit report thereon.

U P M G



