Innovations

An analaysis of the Effect of IFRS on Earnings Management Based on the Quality of Published Financial Information in Nigeria

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Abstract

The study examines the effects of IFRS adoption on the earnings management of published financial statements in Nigeria. Using the modified Jones (1995) model to proxy earnings management and examining 87 non-financial firms for 10 years, the results show that the mean of key variables was lower in the post-IFRS than in the pre-IFRS period. On further testing of the significant difference between the mean of the discretional accrual in the pre and post IFRS era, results show a significant difference with the t-statistic being significant at 5%, further emphasizing that earnings management is drastically reduced by the implementation of the International Financial Reporting Standards (IFRS).In conclusion, the various tests conducted show that the introduction of IFRS in Nigeria has had a good and significant influence on the quality of public financial information in Nigeria by reducing earnings mismanagement.

Keywords: *IFRS, accounting information, earnings management, accounting data, N-GAAP.*

1. Introduction

Financial information is supplied mainly through published financial statements of corporate organizations. It is expected that the contents of financial information should as much as possible reveal the true state of affairs of the firm to enable investors and other users to make informed decisions to invest in the shares and debts of such a firm. A financial statement should be of high quality, transparent, comparable, and reliable. These qualities are required to enable users to make informed decisions on the activities of the firm and to enable comparison with other firms in a globalized and competitive market

(Umuren and Enang, 2015). Thus, reliable standards that will enable global comparison of financial information are needed. Published financial statements have to be clearly understood in such a way that the presented information does not have to be misleading or difficult to comprehend. Users of financial information should be able to trust and understand financial information disclosed without undue stress, and the annual report should be highly transparent, comparable, and contain full disclosure (IASB, 2008).

This study examines the ability of IFRS to reduce earning manipulation by measuring the increase/decrease of earnings management post-adoption of IFRS. The research analyses the effect of the change from N-GAAP to IFRS (i.e. Pre and Post IFRS) by using two measures or determinants of quality of accounting information which are: Value Relevance and Earning Management (Blom, 2009). The mandatory adoption of IFRS in Nigeria creates the opportunity to assess if the convergence from domestic N-GAAP to IFRS has increased earning manipulation or prevented earning management (Leuz, et al. 2003). The key question is to determine if IFRS has been able to improve the quality of information published in financial reports and successfully reduce earning manipulation or smoothing among Nigeria firms. Earnings management or smoothing is injurious to the functioning of capital market in any clime and in particular that of an emerging economy, this is why the study is investigating this important question.

This study contributes to the literature because it is the first to consider non-financial firms listed on the NSE. Other studies such as Ayuba (2012), Umuren and Enang (2015), Taiwo and Adejare (2014) used data in the banking industries, creating a gap in knowledge in other sectors.

Secondly, the study also contributes to the Nigerian economy by revealing the earnings management behaviour of firms quoted in the Nigerian stock exchange before and after the IFRS adoption. This behaviour, specifically accruals earnings management, would provide information to the Nigerian regulators about the effectiveness or otherwise of IFRS in increasing earnings quality, i.e. reducing earnings manipulation. These are significant contributions of this research to knowledge i.e. documenting the nexus between annual reports prepared using IFRS in emerging economies and earnings quality.

The rest of the paper is structured as follows: Section two provides a literature review of related studies and the hypotheses of the research. Section three presents the methodology of the study. Section four discusses the empirical findings and policy implications while section five handles the conclusions and recommendations.

2. Literature Review

This section reviews related and relevant theoretical and empirical works of the quality of released financial information and the literature on earnings management. Accounting statements disclosure is a measure through which important economic information is conveyed to financial information users such as lenders, creditors, regulators, investors, and various stakeholders enabling them to make decisions on the corporation (Watts and Zimmerman, 1986 and Spohr, 2005). The Directors of the company are saddled with the preparation and disclosure of the financial statements which is expected to show a true and fair view of the firm's financial position and performance useful for decision making by stakeholders. Corporation managers always try to use earning management concerning financial statement reporting to manipulate losses or overstate financial figures resulting from the firm's financial transactions in view to cover up the firm's shortfall that could damage its reputation which might lead to a negative share price of the firm.

Alani and Efuntade (2020) looked into the influence of IFRS adoption on the monetary reporting quality of multinational firms in Nigeria. The study looked at all relevant journals and concluded that Multinational Corporations (MNCs) in Nigeria followed the International Financial Reporting Standards (IFRS) to achieve the goals of quality and relevant reporting, thereby facilitating Foreign Direct Investment (FDI). Similarly, Herarth and Albarqi (2017) reviewed articles on the quality of financial reporting. The review revealed certain gaps in the literature. The study also revealed the influences on the quality of financial reporting.

The impact of IFRS adoption on the quality of financial information of publicly traded oil and gas companies in Nigeria is investigated by Adamu et al. (2018). The results of descriptive statistics and multiple regressions reveal that under IFRS, the oil and gas industry book value and earnings per share are more value-relevant to share prices than under the old Nigerian SAS.

In a different study, Uwuigbe et al, (2017) published a study on the effect of International Financial Reporting Standards (IFRS) on stock market activity in the financial and consumer goods sectors of Nigeria. The adoption of the International Financial Reporting Standards (IFRS) in Nigeria has increased the trading volume of listed businesses, according to the researchers.

It was also shown that the adoption of the International Financial Reporting Standards (IFRS) had no impact on stock price movement.

The implementation of International Financial Reporting Standards in Nigeria and the earnings of listed banks were researched by Sanyaolu et al, (2017).The impact of IFRS adoption on the earnings yield (EY) and earnings per share (EPS) of Nigerian listed banks was investigated.The data demonstrated a positive relationship between EPS and IFRS adoption, with the conclusion that IFRS adoption has enhanced various stakeholders' decision-making skills, resulting in higher investor confidence and capital inflow into the market.

The impact of the adoption of International Financial Reporting Standards (IFRS) on the quality of financial statements produced by Nigerian banks was investigated by Alawiye-Adams and Ibukun-Falayi (2018), who attempted to justify the comparability, relevance, and clarity of financial reports produced by Nigerian banks.According to their findings, IFRS adoption has a significant impact on the relevance principle utilized by users of Nigerian banks' financial reports to make judgments, and IFRS adoption has a significant impact on the comparability quality of Nigerian banks' financial reports.

In their study, Jinadu et al, (2016) looked at whether the adoption of IFRS has enhanced the quality of accounting information in the area of value relevance for Nigerian quoted companies. The data were analyzed using regression techniques, and the results demonstrated that the adoption of IFRS had a positive and considerable impact on the value relevance of accounting information. According to their findings, the government should empower relevant agencies to include more measures to improve financial reporting quality and hence boost the value relevance of financial statements.

In their paper, Effects of International Financial Reporting Standards on the Financial Statement of Nigerian Banks, Yahaya, Fagbemi, and Oyeniyi (2015) investigated the significant roles played by IFRS in ensuring accurate accounting information. Their findings revealed that the adoption of IFRS in Nigeria brings good news in terms of the international comparability of Nigerian financial statements, and it was suggested that a comparison of financial ratios under both Nigerian Generally Accepted Accounting

Principles (NGAAP) and IFRS for the comparative year before IFRS adoption might be a prudent step to take before conducting trend analysis of a particular company.

The impact of international financial reporting standards on the performance of Nigeria's publicly traded banks was investigated by Muhammad (2012). According to the report, the deployment of IFRS has reduced earnings manipulation. The International Financial Reporting Standards (IFRS) have a positive effect on earnings per share (EPS).

Kenneth (2012), in his paper, discusses the perceived implications of non-foreign direct investment on the Nigerian economy. His research suggested that the adoption of IFRS will boost global investors' and investment analysts' confidence in Nigerian companies' financial statements. In addition, there is a strong link between company adoption of the International Financial Reporting Standards (IFRS) and foreign direct investment in Nigeria.

On the acute assessment of accounting systems in multinational organizations in Nigeria, Owojori and Asaolu (2010) looked into the challenges faced by multinational organizations due to their unique nature and discovered that international accounting standards have an impact on the preparation of multinational organizations' financial statements.

Hodge (2003) posits that earnings that are highly managed do not represent the true and fair economic value of the firm, thus misleading stakeholders and therefore reducing the value relevance of published financial information. Ball, et al. (2000) and Hunton, et al. (2006) expressed through their studies that increased transparency in reporting will help reduce management manipulation and enhance their information quality.

Accounting professionals typically believe that measures of accounting quality should be determined straight from the financial information statements that companies report. A higher-quality accounting standard influences users' and stakeholders' perception of the quality of financial information disclosed (Wulandari and Rahman, 2004). Earnings management which measures the level of earning manipulation that is present in disclosed financial statements information may not allow good quality of information to be presented (Jeanings and Stolowy, 2008). When financial statements information is manipulated, the real financial position or operating outcome cannot be correctly reflected; this may cause investors to lose confidence in the entire system. The practice of earning management is a negative form of accounting practice that involves management using judgemental financial reporting with the intent to either mislead investors or market participants, to influence results at their advantage (Healy and Wahlen, 1999). Nevertheless, when the manipulation is called into question, generally a lot of people quickly jump to the conclusion that companies reduce their income and raise their overheads so that they can pay less tax (Yurt and Ergun, 2015). The exact opposite of this is what companies performed to accomplish high firm value or share prices (Yurt and Ergun, 2015). Various studies have revealed that firms raise their income for certain reasons and incentives which usually leads them to earn manipulation. The recent inconsistency in financial accounting numbers has shown the necessity for this study; more importantly, after the corporate scandal of WorldCom, Enron, Parmalat, and Toshiba (Penman, 2003). However, since managers do not reveal or report their intent of the accounting options in the financial accounts statements, earnings management cannot be directly observed from the financial statement information hence, proxies for earnings management have to be formulated or developed. (Verleun, et al. 2011). Similarly, Rahman and Abdullah, (2005) expressed that corporation managers most

times provide inflated earning reports to mislead investors, concerning firms' true financial performance with the prior motive of increasing the company market price.

On how to improve financial statement reporting quality, studies have argued that preparing financial statements under IFRS, a principle-based standard could improve the information content of financial statements thereby enhancing the quality of financial information disclosure (Barth, et al. 2005; Tendeloo&Vanstraelen, 2005; Lang, et al. 2005; Tarca, 2004; Hung &Subramanyam, 2007). Such statements, they argued would reinforce investors' information needs and enable them to make an investment decision.

According to Arum (2013), the adoption and implementation of IFRS has the impact of reducing the scope of earning management while improving the value relevance of accounting information.

To investigate the impact of IFRS adoption on the quality of financial information statements in Indonesia, they employed earnings management, timely loss recognition, and value-relevance financial information as proxies.The result also confirms that the global convergence from a country's local GAAP, commonly referred to as US-GAAP, to IFRS, which is more principle-based, is seen by the IASB as a measure to tighten global accounting practices and to reduce accounting figures smoothing or manipulation by entities around the world.

According to Owolabi and Iyoha (2012), IFRS adoption may result in timely financial statement disclosures while also making financial information more accessible, hence improving reporting quality.

However, Okunbor and Arowoshegbe, (2014) have disagreed by stating that the quality of the financial publication is not dependent on IFRS adoption rather is on internal and external environments which oversee the activities of the reporting companies. This conforms to a study undertaken by Paulo, Girao, Carter, and Sousa, (2013) who highlighted that firm characteristics, practice and procedures, corporate governance as well as regulations are mostly the factors that sharpen financial reporting quality. Nonetheless, an increase in the quality of financial information will help to increase investors' confidence and improve economic growth.

In light of the above, the study will consider the following hypothesis (in its null form):

HO: The adoption of IFRS has not reduced the level of earnings management as measured by discretionary accruals

2.1 Theoretical Literature

The major theory on which the study depends is the theory of capital need.

Theory of Capital Need

Attracting external finance to increase capital is one major ambition of companies either through equity or debt. The capital need theory asserts that the factor behind a firm's motivation to increase the level of its disclosure is to attract and raise capital (Choi, 1973; Abd-Elsalam, 1999). Thus, an increased level of

financial information disclosure by companies may be seen by managers as key to the low cost of new capital, this is because they increase information asymmetry (Firth, 1980; Cooke, 1993). According to FASB, (2001) posited that competition among firms for capital leads to increased voluntary financial disclosures. The rationale for this is that a firm's cost of capital is presumed to include "a premium for investors uncertainty concerning adequacy and accuracy of the level of information made available about the firm". Hence, a decrease in a firm cost of capital can be accomplished when investors and users of financial information can understand as well as interpret a firm economic prospect through voluntary information disclosure (Francis, et al. 2005; Gietzmann and Ireland, 2005). Capital need theory is relevant to this study as the main aim of the study is to investigate if the adoption of IFRS in non-financial firms in Nigeria has improved significantly the quality of published financial statements.

3. Research Methodology

This section presents methods of data collection and analysis to investigate the effect of earnings management on the quality of published financial statements. This study adopts the longitudinal research design. The population of the study consists of 172 companies listed on the Nigeria stock exchange as of 30th April 2017. The sample, therefore, consisted of 87 companies. The study used archival data from the secondary source. Accounting variables were hand-sourced from the annual reports of the sampled firms for the period 2007 to 2016. The share prices were sourced from the NSE factbook, Data Stream, other databases, and publications of the Nigerian Securities and Exchange Commission.

We use the Modified Jones Model (MJM) (1991) also used by Kothari, et al. (2005) to determine the level of earnings management. Among many discretionary accrual models that have been used, the MJM has been found to exhibit higher supremacy in detecting earnings management (Dechow, et al. 1995; Kothari, et al. 2005). Korthari, et al. (2005) developed a further MJM version by providing additional control for heteroscedasticity that is not alleviated by deflating the variable with total assets. They also developed a constant term to help mitigate against problems that arise from omitted size variables. This produces discretionary accrual methods that are more symmetric by overcoming the model's misspecification, thus, making the power of the comparison test much clearer. Kothari stated further that the inclusion of profitability measure (ROA) is intended to improve the efficiency of the performance matching method.

The residuals for the MJM were compared for the pre-and post-IFRS periods using a two-sample t-test, which enabled us to ascertain whether there was a significant difference in the level of accruals as determined by the MJM (Sun, Salama, Hussainey, and Habbash 2010).

Where the absolute value of the t-statistic is greater than 0.05, we conclude that there is a significant difference between the means in the pre-and post-adoption period. In particular, where the mean of the residuals (or discretionary accruals) is lower post-IFRS.In this study, we select or settle for the discretionary accrual model since metrics based on earning distributions are clustered with a lot of ambiguity (McNihols, 2000). Nevertheless, the discretionary accrual model is not completely free from errors either but to a lesser degree. Given the supremacy of this measure of earnings management, this study adopts MJM as our discretionary accrual model to measure earnings manipulations consistent with the works of Korthari, et al. (2005) and Verleun, et al. (2011).

The Modified Jones model (1991) by Kothari, et al. (2005) for calculated discretionary accruals model was defined as the residuals from estimating equation:

(Pre-IFRS) $TACC_{it}/A_{it-1} = \alpha_0 + [\alpha_{1t}(1/A_{it-1})] + \alpha_{2i}[(\Delta REV_{it} - \Delta REC_{it})/A_{it-1}] + \alpha 3i\ (PPE_{it}/A_{it-1}) + \alpha_{4i}\ (Perf._{it}) + \mu_{it}$ ……(1)

(Post-IFRS) $TACC_{it}/A_{it-1} = \alpha_0 + [\alpha_{1t}\ (1/A_{it-1})] + \alpha_{2i}[(\Delta REV_{it} - \Delta REC_{it})/A_{it-1}] + \alpha_{3i}\ (PPE_{it}/Ait\text{-}1) + \alpha_{4i}\ (Perf._{it}) + \mu_{it}$ ……(2)

Where,

- TACCit = total accrual of the company I in year t
- Ait-1 = total assets of the company I in time t-1
- ΔREV it= change in revenue of company I in time t
- ΔREC it = change in account receivable of the company I in time t
- PPE it = property, plant, and equipment of company I in time t
- μit, εit = residuals
- Perf. = Performance = Return on Assets (ROAit)

To generate the discretional accruals, the model above will be estimated to generate the residuals which are the discretionary accruals. This was done in both the pre-and post-IFRS periods. Further, the generated residuals will be compared to see if there is a reduction in discretionary accruals in the post-IFRS adoption period. This will also form a basis for testing the third hypothesis.

4. Presentation and Discussion of Findings

The estimated findings based on the model from the previous part are presented and analyzed in this section.The descriptive statistics of the data utilized in the study are first presented and discussed.Following that, the model will be estimated to generate the discretionary accruals that will be compared. The final sub-section contains a robustness check using the difference-in-differences approach.

Descriptive Statistics

According to other empirical studies such as Tanko (2012), Cohen and Zarowin, (2010) and Hunton, et al. (2006), if discretionary accruals are lower in the post-IFRS period we can conclude that earnings manipulation is reduced in the post-adoption period and vice-versa.

Table 4.1 Descriptive Statistics of the Earnings Management Model

Statistic	Dis.Accrual	TACC	REVit-RECit/TA	PPE/TA	ROA
		Panel A: Pre-IFRS			
Mean	3.04×10^{-12}	2.558591	0.094872	2.917407	0.018659
Std. Dev.	0.0018014	54.17664	28.52821	25.79294	19.77755
Minimum	-0.024650	-124.9314	-447.2582	0	-189.5783
Maximum	0.017254	1118.456	389.3848	405.3773	277.2632
Obs	**435**	**435**	**435**	**435**	**435**
		Panel B: Post-IFRS			
Mean	-6.08×10^{-17}	0.123154	0.001656	2.697810	-1.448647
Std. Dev.	1.25×10^{-7}	2.692054	0.434086	46.185	36.90022
Minimum	-1.10×10^{-6}	-1.185396	-6.916987	0	-325.8085
Maximum	1.34×10^{-6}	56.04091	1.154618	963.6954	261.418
Obs	**435**	**435**	**435**	**435**	**435**

Source: ***Author's Computation***

In above table 4.1, the trend behaviour of the variables in the earnings management model defined in this study was investigated using descriptive statistics. Panel (A) shows descriptive statistics of variables in the pre-IFRS era while Panel (B) shows descriptive statistics in the post-IFRS era. The descriptive statistics above show that earnings management is lower in the post-adoption time than in the pre-adoption period; for example, the mean value of discretionary accrual is lower in the post-adoption period than in the pre-adoption period. (DAit) has a much lower value in the post-IFRS period (-6.08 x 10-17) than in the pre-IFRS period (3.04 x 10-12) (See table 4.1). Even from a plain observation, it can be seen that the values are much lower in the post-adoption period. Other variables in the post-adoption period also have lower values than their pre-adoption counterparts as can be seen in the above table. This serves as an early indication that the null hypothesis is not acceptable thus should be rejected. Although an effective decision will be taken when more inferential/empirical analysis is carried out.

Test of Hypothesis using the two-sample t-test

A regression estimation of the required model was performed (see results in appendix) and residuals were generated to obtain the discretionary accrual values used in this test. Table 4.2 shows the results of a two-sample t-test to examine if there is a significant difference between discretionary accruals in the pre-IFRS and post-IFRS periods.

Table 4.2Two Sample t-test for the Means of Discretionary Accruals (Pre & Post-IFRS)

Variable	Obs.	Mean	Std. Dev.	[95% Conf.	Interval]
DAit PRE	435	9.20×10^{-11}	0.0018014	-0.0001698	0.0001698
DAit POST	435	-3.93×10^{-12}	1.24×10^{-7}	-1.17×10^{-8}	1.17×10^{-8}
Combined	870	4.40×10^{-11}		-0.0000847	0.0000847
Difference		9.59×10^{-11}		-0.0001698	0.0001698

Difference = mean (DAit PRE) - mean (DAit POST) t = 0.0000
Ho: diff = 0 Satterthwaite's degrees of freedom = 434
Ha: diff < 0 Ha: diff != 0 Ha: diff > 0

The two samples used in the above t-test are the discretionary accruals in the pre-IFRS (DAit PRE) and post-IFRS (DAit POST) periods. From table 4.2 it can be seen that the post-IFRS residuals have a lower mean value (-3.93 x 10-11) than the pre-IFRS residuals (9.20 x 10-12). The difference between both means is 9.59 x 10-11 and the absolute values of the t-statistic (95% confidence interval) are greater than 0.05 so the null hypothesis (H0) which says there is no difference between the means is rejected so this implies there is a significant difference between the means. One of the aims of the IFRS is to reduce discretionary accruals and from the above result, discretionary accruals are much lower in the post-IFRS period than they were in the pre-IFRS period. Therefore there is strong enough evidence for us to reject the null hypothesis which states that the adoption of IFRS has not reduced the level of earnings management as measured by discretionary accruals. Our results, therefore, show that the adoption of IFRS has indeed reduced discretionary accrual and therefore incidence of earnings manipulation among Nigerian listed companies.

Robustness Check (Using the Difference-in-Differences Approach – Earnings Management)

Our earlier findings have shown that the mandatory adoption of IFRS in Nigeria has led to a reduction in earnings manipulation. This section performs a robustness check on the documented results using the difference-in-differences approach. The reason for this additional analysis is to extend and assess the robustness of our primary result which used the two-sample t-test. The motivation for conducting this robustness check is to confirm whether our earlier findings are consistent with the primary results for the period after 2012 in particular. This follows Doukakis, (2011) methodology which conducted robustness tests after earlier findings revealed that the decrease in earnings management was not solely a result of IFRS adoption.

So in addition to proving or disproving our earlier findings, the difference-in-differences estimation will also indicate if there are significant differences amongst the firms used in this study. The results of the estimation are shown below;

Number of observations in the DIFF-IN-DIFF: 870

	Before	**After**	**Total**
Control:	275	275	550
Treated:	160	160	320
	435	435	

Table 4.3 Difference-in Differences Estimation (Earnings Management)

	Pre-IFRS			Post-IFRS			
Outcome Variable	**Control**	**Treated**	**Difference (T-C)**	**Control**	**Treated**	**Difference (T-C)**	**Diff-in-Diff**
Discretionary Accruals	-0.731	8.219	8.950 (0.019)**	-0.075	0.776	0.851 (0.823)	**-8.098 (0.133)**
Observations	275	160		275	160		

** - Significance level ( ) – p-value*R-square: 0.01 * Means and Standard Errors are estimated by linear regression.**Inference: *** p<0.01; ** p<0.05; * p<0.1

Table 4.3 shows the results for the estimation of the difference-in-difference to check for an increase or decrease in earnings management using discretionary accruals as the outcome variable. Here, before coming up with both groups, the average of the discretionary accruals was first calculated, and based on this, the two groups of the 870 observations will consist of firms whose discretionary accruals data are above the average mark, this will be seen as the treated group and firms with discretionary accruals below the average mark which will be seen as the control group. From the regression result (in the appendix section), it can be seen that the difference-in-differences variable is negative but not significant.

From the above result, the difference between the groups is only significant in the pre-adoption period but not in the post-adoption period which suggests that there is a minimal difference in the discretionary accrual data of both groups. This difference-in-differences estimation confirms all our findings on earnings management thus far because when we move from the pre-IFRS to the post-IFRS era, the statistic for both the control and treated groups decrease in the post-adoption period. For the control group, the statistic fell from -0.731 in the pre-adoption period to -0.075 in the post-adoption period while for the treatment group the statistic fell from 8.950 in the pre-adoption period to 0.851 in the post-adoption period. This is consistent with studies that documented improvement in earnings management in the post-adoption period. For example, the studies by Tendeloo and Vanstraelen, (2005) and Hung and Subramanyam, (2007) on German firms gave empirical evidence that IFRS adoption led to a decrease in earnings management. Finally, the difference-in-differences statistic of -8.098 is negative but not statistically significant which gives further credence to all our findings on earnings management that the introduction of IFRS in Nigeria has helped to reduce earnings manipulation. Additionally, since there is no difference between both groups and with the support of our earlier findings we can conclude that the common denominator behind the reduction in earnings management is the mandatory adoption of IFRS in 2012.

5. Conclusion and Recommendations

Earnings management is rife where managers have discretion as to what accounting method to adopt in the preparation of financial reports. IFRS attempts to narrow down this discretion. Hence, financial reports will be said to have high quality where discretionary accruals are low. This study finds that the adoption of IFRS reduced discretionary accruals, implying that the adoption of IFRS improves the quality of financial reporting.

This study concludes that the implementation of IFRS enhances financial reporting quality in Nigeria after conducting a rigorous examination of earnings management and the value relevance approach to financial reporting quality. However, there is still plenty that can be done to improve the quality of financial reporting. Firstly, there is a need to monitor compliance, as adoption may not necessarily imply compliance. Secondly, accounting practitioners need to ensure continuous training and updates in the developments in IFRS. Thirdly, the corporate governance mechanism needs to be strengthened. Finally, accounting institutions and infrastructure need upgrade to enhance financial reporting quality.

Based on the above, this study, therefore, recommends that the Nigerian government should empower the relevant bodies/ authorities to seek out and incorporate more measures to further improve the quality of financial reporting to increase the quality of published accounting information. Since the adoption of IFRS also reduces earnings management, the entire process will produce more credible qualitative financial information that will not only be uniform but also provide a basis for consistency, reliability, comparability, and relevance. This ultimately will strengthen the confidence of investors and provide assurances on the value of companies following the adoption of IFRS. It will also help to boost the country's image in international investment circles

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Appendix

Panel Regression – Pre IFRS

```
. xtset Company Year, yearly
       panel variable:  Company (strongly balanced)
        time variable:  Year, 2007 to 2011
                delta:  1 year

. regress TACC_TAit I_TAit REVit_RECit_TAit PPE_TAit ROAit
```

Source	SS	df	MS	Number of obs	=	435
				F(4, 430)	=	13024.12
Model	.170634023	4	.042658506	Prob > F	=	0.0000
Residual	.001408399	430	3.2753e-06	R-squared	=	0.9918
				Adj R-squared	=	0.9917
Total	.172042421	434	.000396411	Root MSE	=	.00181

TACC_TAit	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
I_TAit	745.1115	10.11393	73.67	0.000	725.2326	764.9904
REVit_RECit_TAit	.0004539	3.24e-06	140.14	0.000	.0004476	.0004603
PPE_TAit	-.0001391	.0000102	-13.60	0.000	-.0001592	-.000119
ROAit	-2.09e-06	4.48e-06	-0.47	0.641	-.0000109	6.71e-06
_cons	-.0003166	.0000875	-3.62	0.000	-.0004886	-.0001446

Panel Regression – Post IFRS

```
. xtset Company Year, yearly
       panel variable:  Company (strongly balanced)
        time variable:  Year, 2012 to 2016
                delta:  1 year

. regress TACC_TAit I_TAit REVit_RECit_TAit PPE_TAit ROAit
```

Source	SS	df	MS	Number of obs	=	435
				F(4, 430)	=	35944.84
Model	2.2522e-09	4	5.6304e-10	Prob > F	=	0.0000
Residual	6.7355e-12	430	1.5664e-14	R-squared	=	0.9970
				Adj R-squared	=	0.9970
Total	2.2589e-09	434	5.2048e-12	Root MSE	=	1.3e-07

TACC_TAit	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
I_TAit	.0599169	.0065407	9.16	0.000	.0470613	.0727726
REVit_RECit_TAit	-6.57e-10	1.39e-08	-0.05	0.962	-2.80e-08	2.66e-08
PPE_TAit	4.93e-08	1.30e-10	378.61	0.000	4.90e-08	4.95e-08
ROAit	3.38e-10	1.63e-10	2.07	0.039	1.71e-11	6.59e-10
_cons	-4.06e-08	6.32e-09	-6.43	0.000	-5.30e-08	-2.82e-08