USMANU DANFODIYO UNIVERSITY, SOKOTO
(POSTGRADUATE SCHOOL)

AN ASSESSMENT OF THE LEVEL OF COMPLIANCE WITH DISCLOSURE REQUIREMENTS OF IFRS 7 BY THE OIL AND GAS MARKETING COMPANIES IN NIGERIA

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BY

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DEDIC ATION

This dissertation is dedicated to the researcher's late parents Malama Habibatu Shu'aibu and Malam Gambo Namiji who departed this world on the 8th March 2005 and 12th March 2008 (28/01/1426) respectively**.** May their souls rest in perfect peace, Amin!

CERTFICATION

This Dissertation by MUDI, Muhammad Gambo (Adm. No. 15210902023) has met the requirements for the award of the degree of Master of Science (Accounting and Finance) of the Usmanu Danfodiyo University, Sokoto, and is approved for its contribution to knowledge.

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ABSTRACT

This study examines the extent of Compliance with Accounting Information disclosure in the Nigerian Oil and Gas Marketing Companies with respect to International Financial Reporting Standards 7. The study utilised secondary data obtained from the financial statements of the eight listed oil and gas marketing companies in Nigeria for the periods 2012 - 2016. Unweighted disclosure index was used to test hypothesis 1 while multiple regression with the aid of stata software version 14 output 2018 was used to test hypothesis 2, 3, 4 and 5. The findings of the study reveal that the oil and gas marketing companies in Nigeria have complied with disclosure requirements of IFRS 7; it was also discovered that the Age, Profitability and Liquidity of oil and gas marketing companies have positive significant impact on the level of compliance with IFRS 7. The study therefore recommends that, in order to ensure full compliance with the Accounting Standards by oil and gas marketing companies in Nigeria there should be periodic training and workshops organised for the management staff saddled with the responsibilities of preparing financial reports in order to maintain consistency in the level of compliance to the disclosure requirements of IFRS 7. It is also recommended that IASB, Financial Reporting Council of Nigeria and other relevant regulatory bodies to, as a matter of urgency, commission additional and follow up campaigns and programmes aimed at enlightening not only corporate bodies but also individual stakeholders on the benefits derivable from compliance with requirement of IFRSs since the compliance is not 100%, this will promote and enforce compliance with the international financial reporting standard.

CHAPTER ONE
GENERAL INTRODUCTION

1.1 Background to the Study

Disclosure of accounting information in financial statements is intended to meet the demand of stakeholders. The intent is to use stewardship accounting to furnish shareholders with accounting information about their company, but eventually, other users (e.g Shareholders and employees) with conflicting demands became interested in those statements, with each user trying to satisfy his interest and expectations (Barde 2009). Thus, the emphasis of financial reporting shifted from stewardship to information disclosure. To avoid information asymmetry and possible conflict of interests, accounting standards were developed which aimed to regulate financial reporting practices to enhance transparency, reliability, and comparability of financial statements.

However, According to Kantudu (2006) sometimes firms rather than complying with the requirements of the standards to produce objective and reliable financial statements, companies violate the standards and resort to dubious or distorted accounting practices, such as income smoothening, recognition of unearned incomes, window dressing, which are departures from accounting standards. Therefore an issue of partial or non-compliance with the requirements of the standards. Use of complex methods to violate the requirements of accounting standards, often due to the weak or complete absence of internal control, produces negative consequences such as misdirecting of funds, overstating revenues, understating expenses, overstating the value of corporate assets or underreporting the existence of liabilities. These nefarious acts are committed internally within the company or sometimes with the cooperation of officials in other corporations or affiliates. Past corporate scandals such as those of Nugan Hand Bank in Australia 1974, Bank of Credit and Commerce International 1998, Parmalat 1961 and Enron 2006

are cases that are related to violation of accounting standards, thus triggering studies to test compliance with accounting standards (Barde, 2009).

Prior to the effort of IASB in 2002, uniform accounting and reporting standards on universal basis remain a mirage because each country designs its own financial reporting framework. Moreover, the lack of transparent and comparable information in financial statements creates a wide gap in the search for international trade and investments. Investors were handicap for trading across borders due to unfamiliar accounting and reporting language even if the reports are well packaged (Zango, Kamardin & Ishak, 2015). Insufficient disclosure in financial report may lead to preventing international portfolio widen among investing communities (Amoako & Asante, 2012). This means that jurisdiction specific standards can result in lack of, or inadequate international finance through stock trading (IASC, 1999). The importance of disclosure on the financial instruments risk exposures has gained much attention especially after the 1997 South East Asian currency crisis and the well publicized corporate derivative disasters (McCarthy, 2000). IASB have through the years separated a standard that deals with financial instrument disclosure. In 2005, IFRS 7 was introduced to deal with Financial Instruments disclosure.

IFRS 7 was defined by the IASB as a disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. However, the extent of disclosure required relies on the extent of the entity's use of financial instruments and on its exposure to risk.

Companies are expected to abide by the requirements of accounting standards in the preparation of financial statements, firms partially abide by those requirements or fail to

abide by them completely. This often leads to variation in the level of compliance from one company to another. It is unclear to what extent oil and gas marketing companies in Nigeria abide by the requirements of IFRS 7 and this study will examine the application level of this standards.

Accounting for financial instruments has recently attracted tremendous attention due to the enormous growth of the exchange-traded derivative financial instruments market, which enjoyed a turnover for financial futures and options contracts in the third quarter of 2002 of over 190 trillion US dollars, more than thirty times its level ten years ago (Bank for International Settlements, 2002). This rapid growth also brought increased concerns about spectacular losses in organizations around the world (Guerrera, Parker & Pretzlik, 2003; Tan, 2005). In Australia, AWA Ltd suffered losses of $49.8 million in forward foreign exchange contracts. Barings PLC is probably the most publicized case involving huge derivative losses where the company lost in excess of US$1 billion and faced receivership.

These events raise important questions on the role of financial reporting and whether the current accounting for financial instruments and related disclosure allows investors to make a proper assessment of a company's risk exposure from its financial instruments (Matolcsy & Petty, 2001; Tan, 2005).

The International Federation of Accountants (IFAC) has observed auditors asserting that financial statements comply with IASs, when in actual fact the accounting policies and notes to the financial indicate otherwise (Cairns, 2007). Street and Gray (2001) also found evidence of non-compliance with IASs by companies claiming to have adopted them and latter confirmed by Glaum and Street (2003). Given these findings, the activities and effectiveness of enforcement bodies that are responsible for promoting IASs compliance have been questioned (Glaum & Street, 2003).

These indicate that, there is always a gap between claiming to have complied with specific accounting standards and the level of compliance by corporate bodies.

Since 2005, over 90 countries around the world claim to have made IFRS compliance mandatory (IASB, 2005) and Nigeria claimed to have adopted IFRS in financial reporting since 2012. This has become necessary to ensure financial statement comparability among countries as a result of globalization. However, dwelling on past experiences, there is always significant gap between claiming to have complied and complying with accounting standards. The same could be true for companies listed on the Nigerian Stock Exchange claiming to have complied with IFRS.

This paper empirically studied compliance with IFRS by listed oil and gas marketing companies in Nigeria from 2012 to 2016, paying particular attention to IFRS 7 which deals with financial instrument disclosure requirement. The study contributes to the general body of knowledge by filling the void in the academic literature with respect to the compliance of IFRS and particularly IFRS 7.

Since accounting standard setters are outside the firm (mostly government regulatory authorities), and so have no power to determine compliance (Alles & Datar, 2005) there is a continuous growing concern on how compliance with the requirements of the standards can be ensured. The use of standard and status for some purposes (such as enhancing compliance) is a common practice globally as evidenced by the works of Sani and Dauda (2014), Uyar, Kililk and Gokcen (2016), Alfaraih (2009), Adetunji, Mamuda and James (2014) and Amoako and Asante (2012). In Nigeria, Standards have been developed and laws enacted to enhance the application of the requirements of accounting standards. Such Standards and statutes include the Financial Reporting Council of Nigeria (FRCN, 2011) Act, the Code of Corporate Governance, the Pension Reform (2004) Act, the Economic and Financial Crime Commission (2004) Act.

Compliance with disclosure requirements of IFRS 7 by the oil and gas marketing companies in Nigeria within the content of this study involves determining the extent to which Nigerian oil and gas marketing companies comply with the disclosure requirements of IFRS 7 and assessing the relationship between compliance with disclosure requirements of IFRS 7 and age, profitability, liquidity and auditor type of oil and gas marketing companies in Nigeria.

Based on the issues raised above, this study test the level of compliance with disclosure requirements of IFRS 7 by the eight (8) oil and gas marketing companies in Nigeria due to the fact that the companies contribute immensely to the economic development of the country and to determine the relationship between compliance with disclosure requirements of IFRS 7 and age, profitability, liquidity and auditor type of oil and gas marketing companies in Nigeria.

1.2 Statement of the Research Problem

Corporate financial statements are only as useful as the underlying accounting data and degree of the disclosure provided by the organisation. Unfortunately, uniform standards of accounting and disclosure do not exist worldwide; each country has its own unique financial reporting system. The lack of uniform standards creates information barriers for the international investment community. Unfamiliar foreign accounting principles and lack of disclosure can prevent investors from diversifying their portfolio internationally in an optimal manner (Eitemann, Stonehill & Moffett 2011). The preparation of such financial statements is guided by accounting standards whose requirements are expected to be strictly complied to by way of recognition (measurement) and disclosure.

Based on review of related literatures, it clearly reveales that; there are limited studies on compliance with IFRSs, though most of researchers such as Bala, 2013; Ben, 2013;

Madawaki, 2011; Ali khan et-al 2011 and Ejededawe 2014 were more concerned on adoption of IFRS Framework, a very few of such studies could be found on compliance with IFRS in general and it is difficult to obtain the study specifically on compliance with IFRS 7 in the Nigerian Oil and Gas Marketing companies despite the fact that the companies contribute a lot to the economic development of the country.

Similarly, Izedonmi (2001), Al-shammari, Brown and Tarca (2003), Kantudu (2008), Chua, Cheong and Guild (2012), Abdullahi (2012), Ahmad (2012), Sani and Umar (2014), among others have worked empirically on compliance with statement of accounting standards by companies. Izedonmi (2002) suggested that quoted banks do comply with the requirements of the standards. Kantudu (2008) showed that a gap existed between what insurance companies did and what is required of them by SAS 16, that is, compliance with the requirements of SAS 16 by listed insurance companies is good (i.e. 76.9%). Abdullahi (2012) reveals that banks in Nigeria do not strictly comply with the requirements of SAS 10. These studies were conducted when the statement of accounting standard was used as framework for the preparation of financial statement in Nigeria; these have contributed immensely to the previous researchers and as well this study.

Amoako (2010) discovered that the average compliance level was found to be high for the year 2008 recorded 94.7% while 2009 recorded 98.2%. Muhammad (2017) assessed the level of compliance with IFRS 4 by listed Insurance companies in Nigeria, which identified the extent to which listed Insurance companies in Nigeria comply with the IFRS. Consequently, this shows the existence of a vacuum for the study on other IFRS specifically IFRS 7 (Financial Instrument: Disclosure) in the Nigerian oil and gas marketing companies.

Onafalujo, Eke & Akinlabi (2011), Kenneth (2012), Ikpefan and Akande (2012) and Isenmila and Adeyemo (2013) highlighted the initial inconsistencies of IFRS with local laws in different countries. Augustine and Eguasa (2014) studied the adoption and Implication of International Financial Reporting Standards, the study used major publications and documentary materials emanating from the governments, professional and academic accountants, regulatory accounting bodies and conference proceedings. Okpala (2012) investigated the effect of IFRS adoption on Foreign Direct Investment in Nigeria Economy. Jeanjean and Stolowy (2008) examined whether the adopting firms in Australia have managed their earnings between 2002 and 2006. All were concerned with the adoption of IFRS not compliance with IFRS and IFRS 7 for financial instrument disclosure, this stresses the need for the study to be conducted on the assessment of the level of compliance with IFRS 7 in the Nigerian oil and gas marketing companies.

Determining the extent of compliance with requirements of accounting standards in the preparation of financial statements has been a subject of research both at local and international levels. Studies of Amoako & Asante (2012) in Ghana, Atsunyo (2012) in Ghana, Street and Gray (2001) in the United Kingdom, Glaum and Street (2003) in Germany, Owusu-Ansah and Yeoh (2005) in New Zealand, and Al-Shammari (2005) in Saudi Arabia, UAE, Kuwait, Bahrain, Oman and Qatar tested the level of compliance with requirements of Accounting Standards at the international level.

Earlier studies on compliance (such as Amiraslani, Latridis and Pope 2012; Samaha and Khlif 2016; and Adetunji, Mamuda and James 2014) have revealed that the level of compliance with the requirements of accounting standards differs between companies, and consequently, subsequent studies attempted to provide explanation of this variability within the context of company attributes such as size, age, internationality,

profitability, leverage, ownership diffusion, liquidity, industry type and audit type. The results of these studies failed to establish a clear position of the literature on the impact of company attributes on firms' compliance with the requirements of accounting standards. For instance, it was documented by Street and Bryant(2000), Street and Gray, (2001), Glaum and Street (2003), Kantudu (2006) and Barde (2009) that company attributes do not affect the level of compliance, but other studies by Bala (2013), Abdullahi (2012), Patton and Zelenka (1997), Owusu-Ansah (1998) and Atsunyo (2012) established a positive relationship between compliance with the requirements of accounting standards and company attributes or characteristics.

Considering the issues discussed above, it is evident that studies that tests compliance with requirements of accounting standards in Nigerian Oil and Gas Marketing Companies are highly needed now because of liquidation and bankruptcies which are financial instruments aided, that pervaded the 1990s and 2000s (Dunne & Helliar, 2002). To the best of the researcher's knowledge, no study was conducted which tested compliance with requirements of IFRS 7 in the Nigerian oil and gas marketing companies. However, despite the importance and endless benefits that accrue from Nigerian oil and gas marketing sector, it appears that studies have not been conducted in the area of compliance with the International Financial Reporting Standard 7. In view of this, the study assesses the level of compliance with accounting information disclosure in the Nigerian oil and gas marketing companies.

However, this study attempts to provide answers to the following questions:

i. What is the extent of compliance with the disclosure requirements of IFRS 7 by oil and gas marketing companies in Nigeria?
ii. What is the relationship between compliance with disclosure requirements of IFRS 7 and age of oil and gas marketing companies in Nigeria?

iii. Does any relationship exist between compliance with disclosure requirements of IFRS 7 and profitability of oil and gas marketing companies in Nigeria?

iv. What is the relationship between compliance with disclosure requirements of IFRS 7 and liquidity of oil and gas marketing companies in Nigeria?

v. What is the significant relationship between compliance with disclosure requirements of IFRS 7 and Audit type on oil and gas marketing companies in Nigeria?

1.3 Objectives of the Study

The main aim of this study is to determine the extent of compliance with disclosure requirements of IFRS 7 by oil and gas marketing companies in Nigeria. Specifically, the study has the following objectives:

i. To determine the extent to which Nigerian Oil and Gas Marketing Companies comply with the disclosure requirements of IFRS 7.

ii. To assess the relationship between the compliance with disclosure requirements of IFRS 7 and age of oil and gas marketing companies in Nigeria.

iii. To ascertain whether there is any relationship between the extent of compliance with disclosure requirements of IFRS 7 and profitability of oil and gas marketing companies in Nigeria.

iv. To examine the relationship between the extent of compliance with disclosure requirements of IFRS 7 and liquidity of oil and gas marketing companies in Nigeria.

v. To find out whether there is relationship between the extent of compliance with disclosure requirements of IFRS 7 and audit type of oil and gas marketing companies in Nigeria.

1.4 Research Hypotheses

Based on the problem statement and the objectives of the study, the following hypotheses were developed as a guide to the study and are stated in null form as follows:

H_{O1} Nigerian oil and gas marketing companies do not comply with the disclosure requirements of IFRS 7 in Nigeria.

H_{O2} Compliance with disclosure requirements of IFRS 7 has no significant relationship with the age of oil and gas marketing companies in Nigeria.

H_{O3} Compliance with disclosure requirements of IFRS 7 has no significant relationship with the profitability of oil and gas marketing companies in Nigeria.

H_{o4} Compliance with disclosure requirements of IFRS 7 has no significant relationship with the liquidity of oil and gas marketing companies in Nigeria.

H_{05} Compliance with disclosure requirements of IFRS 7 has no significant relationship with the audit type of oil and gas marketing companies in Nigeria.

1.5 Significance of the Study

This study is of significance, for the fact that of all the studies conducted on compliance with accounting standards at both local and international levels none assessed the extent of compliance with accounting information disclosure requirements in the Nigerian Oil and Gas Marketing Companies with regard to IFRS 7. Therefore, this research will give an approach to the assessment of compliance with accounting standards in the Nigerian oil and gas marketing companies, by testing compliance with the requirements of IFRS 7.

Moreover, the listed oil and gas marketing companies in Nigeria will be the first to benefit from the findings of this study, because the degree of compliance with IFRS 7

will determine the quality of financial statement and clearly justify the extent of disclosure. The users of accounting information particularly the existing and potential shareholders, employees, global investors, multinational companies, regulatory and professional bodies including government agencies will find the findings of this study useful.

In addition, both prospective and existing shareholders will benefit from the research as it will help them in deciding whether the company is maximising profit or not, similarly to know how liquidity in the oil and gas marketing companies are performing. The Auditors of the companies will benefit from the research findings by obtaining information on the extent of compliance with IFRS 7 by the oil and gas marketing companies from audited financial statements.

Furthermore, the findings of this study provides evidence to confirm and validate theories related to Compliance/Disclosure of the companies or otherwise highlight the weaknesses of these theories. Finally, this study will serve as reference materials for future researchers and academicians, who may wish to contribute in the same or related areas, thereby extending the frontiers of knowledge.

1.6 Scope of the Study

The Nigerian oil and gas marketing companies consist of major marketers (publicly owned and quoted on the Nigerian Stock Exchange), independent oil and gas marketers (privately owned and unquoted companies) and surface tank operators. The independent marketers and surface tank operators are small in size (based on marketing outlets) and most of them do not have established accounting records or financial reports to show their performance over a period of time.

For this reason, the research work did not study the independent marketers and surface tank operators, but rather concentrated on major marketers (listed companies) since they

are more established and have annual reports and accounts (which form the main source of secondary data for this research) for five years, sufficient enough to impact assessment.

In addition, the research covered a period of five years starting from 2012 to 2016. The selection of 2012-2016 as the time frame of the study was because Nigeria was scheduled to adopt the IFRS by January 2012 (Madawaki, 2012). The 5-year duration was adequate enough to study compliance trend in the listed companies.

1.7 Scheme of Chapters

In order to achieve the stated objectives, the study is divided into five chapters. Chapter one, which is the general introduction in relation to the area of the study; presents the background to the study, statement of the research problem, objectives of the study, statement of the research hypotheses, the significance of the study, scope of the study as well as the scheme of the chapters.

Literature review on Assessment of the level of compliance with disclosure requirement of IFRS 7 by the Oil & Gas marketing companies in Nigeria was presented in chapter two. The area that is covered includes: Conceptual frame work, which consist of concept of Accounting Information such as Quality of Accounting Information, Form of Accounting Information, Disclosure of Accounting Information, Nature of Information to be Disclosed, Target Users of Information, Disclosure Time Period, Method of Disclosing Information, Level of Accounting Information Disclosure, Perception of Accounting Information Disclosure and Firms Attributes and Information Disclosure. It further discusses the objectives of the study such as Compliance with IFRS Reporting Requirements, Age of the company and information Disclosure, Audit Firm Size and Information Disclosure, Profitability and Information Disclosure and Liquidity and Information Disclosure. Review of some empirical studies was the second section of the

chapter, in which several studies were reviewed in relation with compliance with disclosure of Accounting Information. The last part of chapter three was theoretical frame work, in which five theories were discussed among which are: Agency theory, Stakeholder theory, Political theory, Signalling theory, capital need theory and finally concluded with summary of gap.

Chapter three covered the methodological frame-work adopted for the study. The chapter consist of research design, the population of the study, sample and sampling techniques, sources and method of data collection, variables of the study as well as the statistical techniques used for the data analysis. Ernst & Young IFRS 7 checklist was used to test the extent of compliance by the oil and gas marketing companies in Nigeria. (Hyp 1), while multiple regression was used with the aid of Stata software version 14 output 2018 to determine whether there is significant relationship between the extent of compliance with disclosure requirements of IFRS 7 and oil and gas marketing companies' Age, Profitability, Liquidity and Audit type.

Data presentation and analysis of result was presented in chapter four. The annual reports and accounts of the eight listed oil and gas marketing companies which serve as the sampled firms for the study were collected, presented, analysed and interpreted using compliance check list, descriptive statistics, correlation matrix (GLS, OLS regression analysis) and finally Robustness Test of Independent and dependent variables was conducted to ensure the validity of all statistical inferences and fitness of model so that the impact of distribution problems is mitigated.

Chapter five comprises of summary, conclusions, recommendation and suggestion for further research. Chapter one to four were summarised and conclusions was made based on the findings of the study while recommendation was made with reference to the conclusion of the study.

CHAPTER TWO

LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

2.1 Introduction

Review concepts, empirical and theoretical literature of compliance with accounting information disclosure in oil and gas marketing companies were carried out in this chapter. This was attained using appropriate heads and subheads such as: The concept of accounting information, Qualities of accounting information, Form of accounting information, Disclosure of accounting information, Nature of Information to be disclosed, Disclosure time period, method of disclosing information, Level of accounting information disclosure, Perception of accounting information disclosure, Attitude on Accounting information Disclosure, Compliance with IFRS Reporting Requirements, Age of the company and information Disclosure, Audit firm size and information Disclosure, Profitability and information Disclosure, Liquidity and information Disclosure, Review of some empirical studies, theoretical frame work, and summary of gap.

2.2 The Concept of Accounting Information

The importance of accounting information cannot be easily quantified. This is because the information assists users in making economic, social and political decisions which involve millions or billions of Naira. Accounting information refers to information on financial or economic activities of an organization which is identified, measured and communicated to the users to enable them to make an informed judgment about the business or organization (American Accounting Association, 1966). The Accounting Information is defined as being “quantitative, formal, structured, audited numerical and past oriented material.” As such it mainly includes the financial statements, the note to the financial statements, and perhaps the auditor’s statement (Belkaoui & Cousineau 1977) Several systems such as bookkeeping, management information system and

computerized accounting systems are used to capture and record economic transactions for communication to various groups interested in such information. The users can be either internal (management, employees etc) or external (shareholders, potential investors, creditors, government agencies, trade unions (Barde, 2009).

2.2.1 Quality of Accounting Information

Accounting information is intended to aid its users in making an effective judgment about an entity, it, therefore, follows that the key issue about accounting information is decision usefulness; but decision usefulness can only be achieved if accounting information possesses key characteristics (Bushman, Chen, & Engel, 2004). Financial Accounting Standards Board issued a Conceptual Framework for Financial Reporting which treats the subject of qualitative characteristics of useful financial information (Achim & chis, 2014). The fundamental qualitative characteristics of accounting information are:

a. **Understandability**: - Accounting information must be expressed with clarity in such a way that its users shall be able to comprehend it effectively. The users have a reasonable knowledge of business and economic activities though may lack accounting background, but nonetheless, the accounting information should be understandable to them. (Bushman, Chen, & Engel, 2004). Conceptual Framework for Financial Reporting Council of Nigeria affirms that classifying, characterizing and presenting information clearly and concisely makes it understandable. Some transactions are very complex and contain many details and, consequently, cannot be understood very quickly. In these cases, any available information may help the user to understand the transaction. The solution is not to exclude the information from the financial statements in order not to confuse the user, but to display all the available details. It is assumed that

the user of the financial statement has at least a basic knowledge of business and economics and a willingness to study the information with reasonable diligence (Achim & chis, 2014).

b. **Relevance**: -Regarding relevance, it is considered that financial information is relevant if it is capable of making a difference in the decision making process. In order to make this difference in decisions, financial information should have predictive value, confirmatory value or both of them. (Achim & chis, 2014). Accounting information should be able to make difference in a decision and this can only be possible if it is relevant. Relevant accounting information has a value which is either predictive or feedback in nature. Predictive value helps users to forecast future events while feedback value confirms or correct prior expectations about an entity. But for an accounting information to be relevant, it has to be timely otherwise it loses its capacity to influence decisions (Bukenya, 2014).

c. **Reliability**: - Reliability is another qualitative characteristic of accounting information, meaning that it is free of error and bias, thus it can be relied upon. For this to be possible, the information must be verifiable (to prove it is free of error), must be a faithful representation of what it is purported to be, must be factual and neutral (i.e. not selected, prepared or presented to favour one set of interested users over the others). The audit of financial statements by chartered accountants is done to ensure the reliability of accounting information (Barde 2009).

d. **Comparability:** - According to Braam and Beest (2013), the quality of comparability is measured by means of items relating to a consistent application of accounting policies and procedures and intercompany comparability.

Consistency, although related to comparability, is not the same. Consistency refers to the use of the same methods for the same items. This can be done in two ways: from period to period within a single reporting entity or in the same period for more than one company. Moreover, comparability is the goal, consistency helps to achieve that goal. Comparability should not be confused with uniformity, because as to be able to compare things, like things must look alike and different things must look different. This means that we do not have to make unlike things look alike or like things look different (Achim & chis, 2014). Comparability is a quality of accounting information which makes the accounting information of one company to be compared over the years or with information from other companies. Comparability can only be possible when different companies use the same accounting principles (such as the use of historical cost to report cost of assets) but uniformity in accounting methods (such as depreciation methods or inventory costing methods) is not necessary to achieve comparability, though the methods used must be disclosed to help users in deciding whether accounting information is comparable or not. (Bushman, Chen, and Engel, 2004).

e. **Timeliness:-** Timeliness means having information available before it loses its capacity to influence decisions. Generally, the older the information is, the less useful it becomes. Anyway, there are cases when information continues to be timely long after the end of a reporting period. This happens when users need to identify and assess trends, to make predictions based on what has happened in the past. There were discussions if timeliness is an aspect of relevance. Many respondents pointed out that timeliness is not part of relevance in the same sense

that predictive and confirmatory values are. It is desirable, but is not as critical as relevant and faithful representation (Braam & Beest, 2013).

f. **Verifiability:-** Statement of Financial Accounting Concepts defines verifiability as the ability through consensus among measurers to ensure that information represents what it purports to represent or that the chosen method of measurement has been used without errors or bias. Verifiability is used for assuring users that information faithfully represents the reality. There are two ways of verifying things, direct or indirect. Direct verification implies verifying an amount or other representation through direct means, like observation, counting or measurement. Indirect verification means checking the inputs by using a model, formula or other techniques and recalculating the outputs using the same methodology that was initially used. There are cases and items that cannot be verified.

   We include here explanations and forward-looking financial information. In these cases, in order to help users decide if they want to use that information, it is normally necessary to disclose the underlying assumptions, the methods of compiling the information and the factors and circumstances that support the information (Achim & chis, 2014).

2.2.2 Forms of Accounting Information

Accounting information assists in taking various decisions to suit numerous users and therefore it can take any of the three major forms.

a) **Financial Accounting Information**: Financial accounting information helps managers present results and financial position of business to the owners (stewardship accounting), to minimize agency problems which arise due to the separation of ownership and control in corporate organizations. Therefore, it is

the product of corporate accounting and external reporting systems that measure and publicly discloses audited, qualitative data concerning the financial position of publicly held companies. Financial accounting information is statutorily regulated and is used in the corporate control. Its users may be either external or internal (Bushman & Smith, 2001).

b) **Management Accounting Information**: Management accounting information aids management of entities to run the entities efficiently. Unlike financial accounting information which deals with the past, management accounting information is concerned with the present and the future. It only uses past data if it can be used to guide what may happen in the future. Management accounting information is not regulated by the government (in terms of scope, time period, level of reliability) and is used mostly internally. Management accountants use cost and financial data to advise management in planning and controlling the enterprise (Dandago, 2001).

c) **Cost Accounting Information**: - Cost accounting information is based on information provided by the financial accounting system and the detail internal activities of the business. Therefore, cost accounting information can be monetary (such as the cost of producing a unit of product) or non-monetary (such as hours worked, the quantity of materials used, products manufactured, machine hours, idle time) in nature and is often compared with an estimated figure or standard. This type of information helps determine costs and profit, establish methods of valuation, setup budgets, create reporting systems and facilitates decision-making (Barde, 2009).

From the preceding discussions, accounting information helps users in taking various decisions that can be economic, social, or political. To achieve this, accounting

information must possess some qualities such as relevance, understandability, reliability, comparability and the likes. In addition, the information is presented either as financial, management or cost accounting information. The next section discusses what accounting information discloses, how much it discloses, for whom it discloses, resistance to the disclosure as well as effects (economic and financial) of disclosure.

2.3 Disclosure of Accounting Information

Transparency and accountability demand that information about an entity be disclosed to everyone. Therefore, disclosure of accounting information entails the act of making public, accounting information which might commonly be kept secret in compliance with legal regulations (Foster, 2003). Disclosure is guided by the qualitative features of accounting information such as comprehensibility, relevance, and comparability. As a matter of fact, there exists a controversy around the nature of disclosure, being in dispute if it is an objective, a principle, a postulate or a convention but Medeiros & Quinteiro (2005) opined that disclosure is a kind of image between postulates, principles, and accounting objective, and concluded that it is a means of achieving the objectives of accounting.

The work of John Maynard Keynes (1936) has shed light on accounting information disclosure in financial statements. In a fictional beauty contest, entrants were asked to choose a set of six faces from photographs of women that are the "most beautiful" and those who picked the most beautiful became eligible for a prize. Thus, players use their information to infer which faces would be selected by other players as the prettiest and other players would believe other players believe the prettiest and so on. In the words of Keynes:

"It is not a case of choosing those [faces] that, to the best of one's judgment, are really the prettiest, nor even those that average opinion genuinely thinks the prettiest. We have

reached the third degree where we devote our intelligence to anticipating what average opinion expects the average opinion to be. And there are some, I believe, who practice the fourth, fifth and higher degrees."

Keynes opined that stock markets shared the essence of this competition because a rational investor's action is guided by expectations about what other investors believed, rather than by his own believe or his genuine expectations about the true value of a firm. Applying the philosophy of Keynesian beauty contest to information disclosure in financial statements, it is evident that the information to be disclosed in financial statements shall not be that which the supplier of the information feels should be disclosed but rather that information which is expected in the perception of the majority. Recently, Allen, Morris, and Shin (2006) attributed the Keynesian-beauty-contest effect to investors' short horizon. They argued that since a short-horizon investor exits from a firm before its fundamental value is known, obtainable payoff depends on how many other investors are willing to pay, rather than the expected fundamental value of the firm. Developing on this position, Gao (2007) used Keynesian beauty contest and demonstrated that provision of public information (accounting information inclusive) drives shares closer to their fundamental values.

Disclosure of accounting information is mostly a financial accounting issue as it relates to the provision of value relevant accounting information to various users of accounting information. In fact, recent researches have shown that there exists a relationship between accounting information disclosure and economic effects. A justification for this assertion includes the works of Hope (2003), on the accuracy of earnings forecasts made by market analyst; Healy and Palepu (2001); and Botosan and Plumlee (2002) on the increase of the stock liquidity, the reduction of capital costs, and the increase of firm monitoring; work of Young and Guenther (2003) on the effect of mobility of

international capital and recently, the work of Medeiros and Quinteiro (2005) on accounting information and stock return volatility. These studies pointed out that regulated accounting information disclosure facilitates minimal-risk investor decisions, sound corporate governance mechanism, aids in stock market development and enhances international capital mobility.

Therefore, disclosure is one of the amplest areas in accounting as it involves the whole accounting information system. It addresses issues on accounting information such as nature, target user groups, time period, method, level, perception and attitudes on accounting information disclosures. The next subsection discusses these issues.

2.3.1 Nature of Information to be Disclosed

Since disclosure is about making available to the public information that otherwise would have been made secret, then there is the need to define or set a limit as to how much accounting information to be disclosed. In an attempt to achieve this, the Accounting Institute of Certified Public Accountants (1961) recommends that accounting reports must disclose what is necessary not to be deceitful. This means accounting information must reflect the organization's financial and economic reality so that users of the information are not induced to take decisions on misleading accounting information. In line with the above, Hendriksen and Van Breda (1992) have listed some situations that if not disclosed, might produce misleading financial statements which include:

Use of procedures that affect materially the presentation of earnings and balance sheet; Important changes in procedures from one period to another; Significant events or relationships not derived from normal activities; Special contracts or arrangement that affect the relationship between involved contractors; Material changes or events that would normally affect expectations; and Material changes of activities or operations that

would affect the firms' decisions. If the above situations are critically studied, the question of what to disclose depends on its materiality i.e. whether or not it can materially affects the user's decision.

2.3.2 Target Users of Information

Disclosure of accounting information is made for various users of accounting information who may be either internal or external, and are interested in monitoring the performance of the organization. In the views of Medeiros and Quinteiro (2005), a standard user of accounting information is a well-informed reader, capable of selecting information, making choices, taking decisions, and having a rational behaviour and knowledge on the principles and procedures adapted by accounting.

In line with the profile of a standard uses of accounting information, several categories of users of accounting information can be identified, such as stockholders, investors, employees, creditors, government, clients, managers and the general public. This has recorded the opinion of writers such as Dandago (2003) and Medeiros and Quinteiro (2005). These different groups of users with different needs make information disclosure a complex task. Hence, neutrality is maintained in the disclosures of financial accounting information, free of any bias. But Medeiros and Quinteiro (2005) argue that due to the distinct needs of the various accounting information users, different approach as may have to be adopted, thus making the emphasis to be placed on a certain category of users. For instance, in US, the most important users of accounting information are the stockholders and investors; while in Europe emphasis is paid to the social character of firms (Hendriksen & Van Breda, 1992) giving consideration to a more representative group of users such as employees and executives, rather than focusing on stockholders and investors.

2.3.3 Disclosure Time Period

Disclosure of accounting information (whether costing, management or financial accounting information) is directly related to the concept of opportunity this means accounting information should be disclosed when it is relevant and capable of influencing decisions. Medeiros and Quinteiro (2005) maintained that even though opportunity does not guarantee the relevance, but there is no relevance without opportunity. Cost and management accounting information may be disclosed on a more regular basis, but financial accounting information contained in financial statements may not always be disclosed to utilize a given opportunity because the timing of the disclosure is legally regulated (Adamu, Muhammad & Dandago, 2010).

2.3.4 Method of Disclosing Information

The form or method of disclosure of accounting information used depends on the type of information to be disclosed. For cost and management accounting information which is largely internally used, no standard method or form is used but discretional method suitable to a particular organization is used. However for financial accounting information that is largely used by outsiders, some commonly used forms or methods of disclosures, have been identified by Noori, Jalili and Nia (2014), which includes formal financial statements, explanatory notes, supplementary statements and exhibits, audit reports, annual administration reports, and management discussion and analysis reports.

2.3.5 Level of Accounting Information Disclosure

How much accounting information is to be disclosed in financial statements depends on the user's level of sophistication, as well as the disclosure standards set by the regulatory body which is considered desirable. Medeiros and Quinteiro (2003) identified three standards or levels of disclosure, which includes: adequate disclosure, fair disclosure and full disclosure.

Adequate disclosure refers to supplying minimum information adequate enough to avoid misleading financial statements. The information must be sufficient to the users' understanding, and also to the actual situation of the firm at the time they refer to. Fair disclosure gives disclosure an ethical perspective of disclosure by ensuring that financial statements report the firms' situation in a fair manner. Full disclosure is about presenting all relevant information. This means the financial statements must contain all the information which if omitted or ill-disclosed might lead to serious errors concerning the firm's assessment and its trends.

However, if critically observed, there isn't much difference between the three standards or levels of disclosure discussed above. This is because all disclosed information must be adequate, fair and full if the accounting statements are to be significant and liable to full understanding.

2.3.6 Perception of Accounting Information Disclosure

Accounting information disclosed in the financial statements can be perceived as either compulsory or voluntary, depending on situation or circumstances of the disclosure. Compulsory disclosure refers to information disclosed in financial statement based on specific requirements of disclosure pronouncement documents such as the statements of accounting standards. Noori et al (2014) observed that due to the tendency of firms towards protection of information, government regulatory agencies and professional organizations play an active role in defining the extent of information disclosure by corporate bodies through establishing minimal standards that guarantee the adequate level of information to users.

Bushman, Piotroski and Smith (2004) opined that compulsory disclosure is related to a country's legal system which regulates corporate governance practices among firms. Compulsory disclosure through a higher level of transparency is perceived in countries

where there is an adequate set of laws and legal norms concerning corporate governance, as well as the efficiency of the legal system.

Voluntary disclosure refers to information in excess of requirements, which is a free choice to provide accounting and other information deemed relevant to meet the information needs of annual report users (Foster, 2003). Ahmed and Courtis (2000) and Barde (2009) observe that voluntary disclosure is affected by factors such as company's efforts to gain reputation, long-term value creation, market condition, external pressures (from financial market, competitive environment and stakeholder groups), size of industry, market share etc. However, a more recent study by Eng and Mak (2003) has shown that power structure, characteristic of controllers as well as the composition of the board affect the level of voluntary disclosure. They concluded that lower participation of external (professional) directors and higher government participation in the capital composition are related to higher levels of disclosure; a higher number of professional directors reduce the levels of corporate disclosure, and large firms and those with low debts have higher levels of disclosure.

Voluntary disclosure has been attracting the attention of researchers who seem to focus on just a segment to better investigate its features, which makes Boesso (2005) conclude that researchers on voluntary disclosure usually isolate only a specific segment for the sake of the clearness and deepness of the research. Several mono-dimensional types of researches on voluntary disclosure have been conducted which include research on market information needs (Healy 2001), and measures available in the annual reports (Guthrie & Parker, 1999; and Boesso, 2003;).

The choice by corporate bodies between compulsory disclosure and voluntary disclosure seems to be related to the need of resources. An empirical study by Khanna, Palepu and Srinivasan (2004) involving 794 firms from 24 countries in the Asia-Pacific

area and Europe shows that firms with high level of (voluntary) disclosure are those firms with higher levels of relationship with the American market, with respect to listing on the American Stock Market, flow of exports to the US, flow of investments from the US.

However, in view of diversity of interests, the importance of the set of legal norms And the efficiency of the legal system in establishing and supporting the application of accounting norms, coupled with the differences that might exist on the levels of voluntary disclosure among firms, Medeiros and Quinteiro (2005) suggested that compulsory disclosure is essential for the establishment of minimum disclosure standards, since the limits of voluntary disclosures fundamentally depends on the firm's interest.

2.3.7 Firms Attributes and Accounting Information Disclosure

Firms generally prefer compulsory disclosure to voluntary disclosure as pointed out by Hendriksen and Van Breda (1992). According to them, the general tendency is that firms resist increasing the degree of disclosure of their information if there is no pressure from accounting community or the regulatory authorities, and subsequently, firms disclose only the minimum information necessary. They also attributed the resistance to the following reasons such as: avoiding providing information to competitors and trade unions, avoid providing information that may not be comprehensible to investors and/or firms simply resists disclosure for being ignorant about users' needs.

However, a critical observation of the aforementioned reasons may not fully explain the reasons for resistance by firms to disclose information. For instance, competitors may devise other means to collect desired information, apart from reliance on formal financial statements. Similarly, Noori et al (2014) are of the opinion that negotiations

with trade unions are simplified when information is disclosed rather than reserved. Moreover, professional analysts and portfolio managers can assist investors in analyzing and understanding complex financial statements.

2.4 Age of the Company and Information Disclosure

Company age has often been used in previous studies examining disclosure variability. The rationale for selecting this variable lies in the possibility that old firms might have improved their financial reporting practices over time (Alsaeed, 2006), and old firms try to enhance their reputation and image in the market (Akhtaruddin, 2005). Bukh et al. (2005) used company age as a proxy for risk in the sense that the more established companies are less risky. From this perspective, the extent of a company's disclosure is expected to be related to how many years it has been in business. Owusu-Ansah, (1998) stated that, the competition argument proposes that young firms are not likely to disclose full information about their financial results and position, because this may prove to be harmful if sensitive information is disclosed to the established competitors and the costs of processing information is likely to be more onerous for younger companies than for older companies. Accordingly, there might be a positive relationship between the age of the firm and the extent of a company's compliance with IFRSs.

The empirical evidence on the relationship between information disclosure and age of firms has provided mixed results. For example, Bukh et al. (2005) and Hossain and Reaz's (2007) have reported no association between company age and the level of information disclosure, while, Al-Shammari, (2011) reported a positive association between firm age and level of disclosure compliance with IFRSs. The Bahraini evidence regarding the influence of firm age on the level of disclosure compliance with IFRSs is tested by the following hypothesis

2.4.1 Audit Firm Size and Information Disclosure

Auditors could influence the level of information disclosed by companies (Watts and Zimmererman cited in Andrew 2015). It hypothesized that large audit firms are more likely to associate with clients that disclose a high level of information in their annual reports (Malone et al., cited in Andrew 2015). DeAngelo cited in Andrew (2015) and Beaty cited in Andrew (2015) argued that larger audit firms invest more to maintain their reputation as providers of quality audit than smaller audit firms. Therefore, larger firms have a greater incentive to discover and report a breach in the client's accounting system because client financial statements issued with errors and inadequate disclosures would diminish the reputation of larger audit firms more than the smaller firms. Ahmed and Nicholls cited in Andrew (2015) argued that larger, more well-known audit firms apply more influence over the information disclosure policies of companies than smaller and lesser-known audit firms.

The empirical evidence on relationship between information disclosure and size of audit firms has provided mixed results. For example Mora and Rees (1998) and Raffournier (1995) have reported a significant association. While, other studies such as Malone et al. (1993), Hossain et al. (1994), Depoers (2000), and Juhmani (2006) have reported no significant association between audit size firms and levels of information disclosure. Large audit firms are expected to deal with multinational companies conducting their business activities over the world. Therefore, their work is more likely to be influenced by IASs and it is expected that their clients will provide more level of information in their annual reports.

2.4.2 Profitability and Information Disclosure

There is a general proposition that a company’s willingness to disclose information is positively related to its profitability. This motive can be derived from agency theory

which suggests that managers of profitable companies disclose extensive information in order to show and explain to shareholders that they are acting in their best interest and justify their compensation package. The owners of a profitable company wish to disclose more information to the public to promote positive impression of its performance. It can be argued that non profitable firms may disclose less information in order to cover up losses and declining profit (Akhtaruddin, 2005) where as profitable ones will want to distinguish themselves by disclosing more information so as to enable them obtain capital on the best available terms (Meek, Robert & Gray, 1995). Corporate managers are usually reluctant to give detailed information about a non-profitable outlet or product; hence they might decide to disclose only a lump profit attributable to the whole company (Inchausti, 1997). Employing agency theory, which states that due to better performance of companies, management is more likely to disclose detailed information to the public than management with poor performance in order to avoid undervaluation of company's' shares. It can also be argued that unprofitable companies would be inclined to release more information in defence of poor performance.

The results of previous studies concerning the association between profitability and mandatory disclosures using one or more of these measures are rather mixed. (Owusu-Ansah, 1998), and Owusu-Ansah and Yeoh (2005) indicated a significant positive association, while Wallace, Naser and Mora (1994), Street and Gray (2002), Glaum and Street (2003) and Ali *et al* (2004) provided no evidence of an association between companies profitability and level of disclosures. On the other hand Wallace and Naser (1995) reported a negative association between the two variables.

2.4.3 Liquidity and Information Disclosure

Liquidity has been agued over the years to be the brain box for the survival of a business, because businesses that are facing problem of liquidity may be heading

towards crises and as such a reasonable part of assets is expected to be held in liquid form in order to meet day to day activities of the business. Organization that are liquid may be willing to disclose their financial reports in order to attract their creditors, increase their ability of raising funds externally to finance future projects. The term liquidity is defined as the ability of a firm to meet its obligations and commitment in the short term (Barde, 2009). Due to the concern that regulator, investors and other users have with regard to companies growing concern status, highly liquid companies may desire to make their level of liquidity known through disclosure in their annual reports and those suffering from low liquidity might be induced to amplify their disclosure to mitigate fears and notify shareholders that management know the problem (Wallace *et al.,* 1994). Mixed results has been noted by previous researchers on the relationship between company's liquidity and level of IFRS disclosure, For example Al shammari *et al*., (2007) reported a negative association, Naser *at el.*, (2002) and OwunuAnsah (1998) provided no evidence of such association, whereas Owunu-Ansah and Yeoh, (2005) found a significant relationship between these variables.

According to Ball (2006) IFRS has the potentials to facilitate cross-border comparability, increase reporting transparency, decrease information costs, reduce information asymmetry and thereby increase the liquidity, competitiveness and efficiency of markets. Moreover, the prospect of a comparative advantage from higher liquidity and lower cost of capital may influence national policy setters to adopt internationally recognized accounting standards (e.g., Leuz and Verrecchia, 2000; Daske *et al*., 2008 as cited in Shimaa and Yang, 2012). In a recent study, Daske, Hail, Leuz and Verdi (2013) found that on average, adoption of IFRS leads to an increase in market liquidity or a decline in the cost of capital. Further, Daske *et al.,* (2013), argued that if firms attempt to improve their financial reporting transparency policy; they

should benefit more from the liquidity compared to firms that do not attempt to improve their financial reporting transparency.

2.5 Review of Related Empirical Studies on Compliance and Determinants of Accounting Standards

In Nigeria and other parts of the world, several studies have been carried out on compliance with international financial reporting standards, though most of the researches were geared towards the adoption of IFRS, it is only a few that conducted on the compliance with IFRS, depending on the nomenclature used to describe the title of the studies. This section provides empirical literature relevant to this research and what the previous studies concluded with regard to the compliance with accounting standards.

Tower, Hancock and Taplin (1999) examined the extent of compliance with IASs in six Asia-Pacific countries comprising of a developed country – Australia and developing countries - Hong Kong, Malaysia, Philippines, Singapore and Thailand. They also evaluated the influence of leverage, company size, profitability and industry type. They used a sample of 10 listed companies' 1997 annual reports in each of the six countries, and a self-constructed compliance index which measures the level of compliance with IASs. They found that the overall level of compliance is 91% and found out that all company characteristics are not significant determinants of compliance.

Al-shammari (2005) studied compliance with international accounting standards by listed companies in the Gulf Co-operation Council member States. The study was aimed at assessing the extent of mandatory compliance with international accounting standards (IASs) by companies in the Gulf Co-Operation Council (GCC) member states - namely, Bahrain, Oman, Kuwait, Qatar, Saudi Arabia and the United Arab Emirates (UAE) - between 1996 and 2002, and to explain why some companies complied more than others. Official personnel in the relevant enforcement bodies were interviewed to obtain information about their monitoring and enforcement activities. An index of compliance

was devised to quantify the level of compliance. This was applied to the financial statements of 137 listed companies. Multivariate regressional analysis was employed to explore the relationships between the level of compliance and particular attributes of the companies and year-by-year dummy variables. This was done to discover if the level of compliance with IASs was influenced only by company attributes or whether there were time trends as well. The attributes were country of origin, size, leverage, liquidity, profitability, auditor, industry and ownership diffusion. The average level of compliance for all companies and over the years was 75% of the items in the index. No company within the examined time period fully complied with all requirements. The average level of compliance increased over time, though, from 68% in 1996 to 82% in 2002. There was significant variation in the level of compliance across the six GCC member states as well, but the level of compliance increased in all states over the sample period. The highest average level of compliance was in Saudi Arabia, where it reached 88% in the last year of the study. The degree of non-compliance with IASs across the GCC member states was partially attributable to limited monitoring and enforcement by the bodies responsible for overseeing.

Karim and Ahmad (2005) investigated the determinants of IAS disclosure compliance in emerging Economies: Evidenced from exchange-listed companies in Bangladash. An unweighted disclosure index comprising 411 items was prepared and applied to 188 corporate annual reports for years ending between January and December 2003. The association between disclosure and various corporate characteristics was examined using multiple linear regressional models. It was found that corporate size, profitability, stock exchange security category (Z category or not), size and international link of company's auditor, and multinational subsidiaries are all significantly associated with

the extent of disclosure. The results were consistent with some previous studies while they contradicted the findings of some other studies.

Umoren (2009) empirically investigated the extent of compliance of the listed financial and non-financial Nigerian companies with the disclosure requirements of SASs, IAS/IFRS, determine the factors influencing the extent of information disclosure in the annual reports of listed companies in Nigeria. The study obtained primary data mainly from questionnaires administered on 1000 concerned respondents across the 6 geopolitical zones in Nigeria and secondary data was extracted from annual reports of 90 companies which represents 48% of quoted companies which year-end between January 2006 and December 2006 were listed on the Nigerian Stock Exchange (NSE). The study built a disclosure index using a researcher-developed checklist containing 165 information disclosure items (SAS 82 items; IFRS 73 items, voluntary 10 items). Company attributes examined are size, profitability, company listing age, leverage, auditing type, industry and multi-nationality. The study observes that 54 out of the 90 sampled companies complied with the disclosure requirements of IAS 16. A very strong weakness in the study is that rather than using all disclosure items in IAS 16, it concentrated on requirements relating to paragraph 74 and excluded other paragraphs specifically 73 and 77.

Al Mutawaa and Hewaidy (2010) investigated the extent of disclosure of Kuwaiti listed companies with 12 IAS/IFRSs namely IAS 1: Presentation of financial statements; IAS 10: Events after balance sheet date; IAS 14: Segment reporting; IAS 16: Property, Plant and Equipment; IAS 18: Revenues; IAS 21: Foreign operations; IAS 23: Borrowing costs; IAS 24: Related party disclosure; IAS 27: Consolidated financial statements and accounting for subsidiaries; IAS 28: Accounting for investments in associates; IAS 32 : Financial instruments; and IAS 34: Earnings per share disclosure requirements using

mandatory item. The study used a sample of 48 companies listed on the Kuwaiti Stock Exchange at the end of 2006 representing the investment, real estate service and manufacturing sectors of Kuwaiti economy. Using unweighted disclosure index the result of the analysis reveals that Kuwaiti listed companies do not fully comply with the disclosure requirements of IAS/IFRSs, all sampled companies in all industrial sectors were found to have at least 50% compliance levels while the highest level of compliance is 95% for standards related to revenues (IAS 18). It is noteworthy that compliance with IAS 10, 18, 27, 28, 34 was more than 80%, this is an indication of the fact that compliance level varies across standards. While compliance with standards such as IAS 1, 16, 24, 32 ranges between 60% and 70%, disclosure for (IAS 14) was reported to be low at 54%.

Amoako (2010) studied banks and found that the average compliance level of banks found to be high for both years, 2008 recorded 94.7% whiles 2009 recorded 98.2%, based on the use of disclosure index. This study is similar to Yakasai (2014), despite the fact that Nigeria and Ghana share the same characteristics, the results also shows a high degree of compliance with IFRS 7, though not absolute. The study revealed that there were deviations in compliance with the requirements.

Al-Shammari (2011) evaluated the extent of compliance with disclosure requirements of international financial reporting standards (IFRSs) by 168 companies listed on the Kuwaiti Stock Exchange in 2008 using a self-disclosure compliance index and multivariate regressional analysis to test the relationship between the levels of disclosure compliance with IFRSs and nine company characteristics. The results showed that the level of compliance by sampled firms is 82%. The findings suffer limitations because the model was able to explain only 40% of the compliance variation coupled with the fact that it is based on assumption that compliance items have the same

weight and that companies that are disclosing the most information would have selected the most important information.

Abdullahi (2012) assessed the extent to which banks in Nigeria complied with the disclosure requirements of Statement of Accounting Standards number 10 (SAS 10). The researcher also investigated whether the NASB Act 2003 has enhanced compliance with SAS 10. He used the 24 registered banks in Nigeria as at December 2010 as the population of the study. Out of which the financial statements of 11 sampled banks was purposively selected. The study covered a period of 11 years; unweighted disclosure index was used to test the hypotheses. It revealed that banks in Nigeria do not strictly comply with requirements of SAS 10.

Raithatha and Bapat (2012) studied compliance of Corporate Governance requirements by Indian Companies. A model is developed to calculate the Corporate Governance Score of companies and then it is related to company attributes of size, profitability, leverage, foreign ownership etc. No significant correlation exists between Corporate Governance and company Characteristics however average compliance by Indian Companies has been satisfactory. Factor analysis of major sub-parameters of Corporate Governance Scores, namely Composition of Board, Audit Committee, Number of Board Meetings and Remuneration Committees is done. Two factors namely Strength of Committees and Competency level of Boards are identified as important factors.

Akhtaruddin and Haron (2012) investigated the mandatory compliance by publicly listed companies in Malaysia in which they examined the accounting standards compliance level among the public listed companies in the country. It also investigated the corporate attributes (profitability, leverage ratio, type of industry, size of company and nature of external auditors) and corporate governance characteristics (number of audit committee meetings, percentage of independent directors in audit committee and

size of audit committee) that has a significant influence on the level of mandatory compliance to Malaysian Accounting Standards Board (MASB). One hundred and one annual reports of public companies listed on the main board of Bursa Malaysia were examined. A checklist of 252 items covering MASB1 to MASB 30 was prepared as an instrument to measure the level of MASB compliance using the unweighted approach. The study found that corporate annual reports were prepared in compliance with MASB requirements. However, standards-wise analysis indicated that some standards have a compliance level of less than 50% while others had a zero compliance level.

Ali, Ahmad and Henry (2012) empirically examined the level of compliance with disclosure requirements mandated by 14 National Accounting Standards for a large sample of companies within the three major countries in South Asia, namely India, Pakistan and Bangladesh, and evaluated the corporate attributes which influenced the degree of compliance with these standards. A scoring system was developed with compliance index (TCI) for each sample company; the results indicated significant variation in total disclosure compliance levels across countries and different national accounting standards. Compliance levels are found to be positively related to company size, profitability and multinational-company status, are unrelated to leverage levels and the quality of external auditors.

Juhmani (2012) empirically assessed the level of compliance with mandatory IFRSs disclosure requirements for companies listed on Bahraini Stock Exchange, and the association between the level of disclosure and five corporate characteristics, namely; corporate size, leverage, profitability, company age, and size of audit firm. A disclosure checklist developed to assess the level of disclosure in the 2010 annual reports of 41 Bahraini companies. The results show that the compliance levels range from 61% to 94%, with an average of 80.7%. Multiple regression analysis demonstrated that

company size and audit firm size had a significant positive relationship with the level of compliance with mandatory IFRSs disclosure requirements. The remaining variables (i. e. leverage, profitability, and company age) were found to be insignificant in explaining the level of compliance with IFRSs disclosure.

Sani and Dauda (2014) assessed the extent to which the Nigerian Banking Industry complied with these requirements as captured in IFRS 1: First Time Adoption of IFRS. Using ex-post facto and survey research designs, the study sourced data from structured questionnaires and recent audited financial reports of the sampled banks. Qualitative Grading System (QGS) was employed in determining the degree of compliance of the banks while Multivariate regression and Chi-squire test was used in measuring the effect of the factors responsible for such compliance and identified probable difficulties in the process respectively. The study concluded that, Nigerian banking industry complied (semi-strongly) with the requirements of IFRS-framework but, the exercise is still faced with some challenges which include: lack of indepth IFRS knowledge from the preparers of the financial reports. The study also found amenability, globalization and response to users' needs as factors significantly influencing the compliance level of Nigerian banks with IFRS-framework.

Siyanbola, Musa and Wula (2014) examined the extent of disclosure compliance with IAS 16 by companies listed on the Nigerian Stock Exchange (NSE) for the years (2002-2011). The data for the study was obtained from the published financial statements of the sampled listed agricultural firms on the Nigerian Stock Exchange for the periods under review from which compliance index was developed. The tools of analysis used was the compliance index and the 2 way ANOVA purposely to test the hypotheses proposed. The study observed that at present Nigerian companies are far from achieving the disclosure requirements of IFRS going by poor levels of compliance with the

International Accounting Standard (IAS) 16. This was not unconnected with the fact that the statements of accounting standard operational in Nigeria in the period under review have little disclosure requirements relative to the International Accounting Standards which conforms to global best practices. Based on the findings the study recommended among others that the newly established Financial Reporting Council of Nigeria should learn from the mistakes of its predecessors and ensure effective monitoring of firms in order to enforce strict compliance with the disclosure requirements of IFRS.

Yiadom and Atsunyo (2014) studied the Compliance with International Financial Reporting Standards by listed companies in Ghana in which they examined the extent to which companies listed on the Ghanian Stock Exchange (GSE) complied with International Financial Reporting Standards' (IFRSs) presentation and disclosure requirement. With the aid of a checklist, an index of compliance was devised to quantify the level of compliance. This was applied to the 2010 financial statement of 31 companies listed on the GSE. Descriptive statistics was used to analyse the extent of compliance by companies categorised in line with industry classification of the GSE. The study further examined relationships between company attributes and the extent of compliance. In addition, factors influencing the extent of IFRSs compliance are revealed using correlation and multiple regression analysis. ANOVA was employed to explore statistically significant differences between industry types with regards to their extent of compliance. The findings revealed an overall mean compliance of 85.8% in Ghana. Company attributes of size, profitability, auditor type, internationality and industry type associated positively with IFRSs compliance. ANOVA results revealed differences between industry types with regards to their compliance rate. The study recommends that the Institute of Chartered Accountants of Ghana liaise with regulators

to organise regular training programmes for companies to provide a practical guide for full compliance since the IFRSs receives continuous amendment.

Hassan and Farouk (2014) conducted empirical investigation of firms attributes and earning quality of listed oil and gas companies in Nigeria for the period of 2007-2011. The listed Oil and Gas firms are Nine (9) in number out of which a sample of Seven (7) was used for the study. Firm attributes as the independent variable was proxies with firm size, leverage, Institutional ownership, profitability, liquidity and firm growth), while the residuals from the modified Jones model by Dechow et 'al (1995) was used to proxy earnings quality. The study adopts multiple panel regression techniques and data was collected from secondary source through the annual reports and accounts of the firms. The findings revealed that leverage, liquidity and firm growth has a significant positive impact on earnings quality while firm size, institutional ownership and profitability have a significant but negative influence on earnings quality of listed oil and gas companies in Nigeria. It is recommended among others that the oil and gas companies may choose to go for more debt especially where the interest rate is considerably low and also increase their liquidity asset and turnover as it has been found empirically to enhance the quality of the firms reported earnings.

Ibrahim (2014) examined the firm characteristics and voluntary Segments disclosure among the largest firms in Nigeria. The aim of the study is to gain more insights in the disclosure practices among the largest public listed companies in Nigeria, by examining the associations between firm characteristics and the extent of voluntary segments disclosure on IFRS 8 Operating Segments by using a sample of 76 companies. The results document that firm size and industry type have positive association with voluntary segments disclosure. In addition, negative association is observed between

firm listing age, growth, and return on investment, ownership diffusion and voluntary segments disclosure.

Adetunji, Peter and Aderibigbe (2014) studied Compliance of Nigerian oil and gas Industry with disclosure requirements of statements of accounting standards (SAS) 14 and SAS 17. the study was carried out with a view to reviewing the financial statements of companies/operators in the Nigerian petroleum industry with emphasis on determining their level of transparency which is a function of their level of compliance with the provisions of Statements of Accounting Standards (SAS) 14 for the upstream operators and Statements of Accounting Standards (SAS) 17 for the operators in the downstream sector of the industry. It focuses primarily on the financial statements of OANDO PLC for the upstream and downstream analysis being an integrated oil company. The study adopted purely secondary data from the financial statements of OANDO PLC for the periods 2006-2010. The finding was presented via tables of compliance index which revealed a substantial compliance with the disclosure requirements of the two standards. The study concluded by making some recommendations to the regulators especially the newly established Financial Reporting Council of Nigeria (FRCN) formerly the Nigerian Accounting Standard Board (NASB) with respect to the enforcement of all issued standards and application of stipulated sanctions to all forms of breach to the provisions of the standards.

Andrew (2015) examined the effects of corporate attributes on International Financial Reporting Standards disclosure level by Kenyan firms listed on Nairobi Securities Exchange (NSE). The study specifically analyzed the effect of profitability, leverage, liquidity and company size on corporate International Financial Reporting Standards (IFRS) disclosure levels. The study also examined whether profitability, leverage, liquidity and company size moderated by industry competitiveness has effects on the

level of International Financial Reporting Standards disclosure requirements. The study adopted explanatory research design in order to asses cause –effect relationship. A sample of 30 companies listed on the NSE was examined for a period of 5 years from 2007 to 2011. Secondary data was used in obtaining information from companies' annual financial reports in the process of data collection. Descriptive statistics used in the study were mean, standard deviations, skewness and kurtosis. Inferential statistics used was Pearson correlation, multiple regression and moderating multiple regression models. It showed that profitability, liquidity and company size had positive and significant effects on International Financial Reporting Standards disclosure levels. However, leverage has no effect on IFRS disclosure level. Thus, the study concluded that profitability, liquidity and firm size affected IFRS disclosure level.

Al-Tahat (2015) studied the timeliness of annual financial reports published by companies listed on the Ammani Stock Exchange (ASE). This study determines whether a company's complies with the JSC requirement by announcing its annual report within the three-month allowable period. In addition, these studies determining the association between timeliness and attributes of companies (namely size, profitability, growth, age, leverage, and audit firm size). An analysis of 235 annual financial reports ended on 31 Dec. 2013. Ninety nine companies reported within an allowable reporting lag of three month. The study also provided evidence that there is significant association between profitability, growth, and audit firm size and timeliness, and the association is in the hypothesized direction. No significant association was evidenced between the timeliness and size, age and leverage of companies.

Muhammad (2017) assessed compliance with IFRS 4 by listed insurance companies in Nigeria. The data was collected from annual reports and accounts of the sampled companies for the period of four years from 2012 to 2015. Data was analysed by means

of descriptive statistics, compliance index and correlation analysis. Ordinary Least Square (OLS) and Generalized Least Square (GLS) regression and T-test and ANOVA was used in testing the study hypotheses using STATA software version 12 and SPSS version 16. The study found size, age and auditing types have significant positive effects, while profitability and leverage have significant negative effect on the level of compliance with IFRS 4 by listed insurance companies in Nigeria.

Tsegba, Semberfan and Tyokoso (2017) examined the firm characteristics and compliance with International Financial Reporting Standards (IFRS) by listed Financial Services Companies in Nigeria. The study investigated the level of compliance with International Financial Reporting Standards (IFRS) by listed financial services companies in Nigeria, and the effected firm characteristics have on the level of compliance. The study also examined whether compliance with IFRS significantly differs between listed Deposit Money Banks (DMB) and Insurance Companies (INC) in Nigeria. Secondary data used for the study was extracted from the annual report and accounts of the sampled firms and analyzed using the multiple regression technique and Wilcoxon Rank Sum Test for two independent samples. The study found that (i) the level of compliance with IFRS by the sampled firms is high (about 85.9%); (ii) profitability is positive and significantly associated with IFRS at 10% level; (iii) firm size and auditor type are positive but insignificantly associated with IFRS compliance; and (iv) leverage and internationality are negative and insignificantly associated with IFRS compliance. Furthermore, the study found that compliance with IFRS by DMB is higher than INC but the difference is not statistically significant. The major conclusion reached in this study was that compliance with IFRS by listed financial services companies in Nigeria is not driven by firm attributes. The study recommended that adequate steps be taken by regulatory authorities such as the Financial Reporting

Council (FRC) of Nigeria to ensure full compliance with the mandatory disclosure requirements of IFRS by listed firms in Nigeria.

Abdulkadir (2017) assessed the level of compliance with the provisions of IFRS 7 by Deposit Money Banks (DMBs) in Nigeria from 2012 to 2015. The population of the study is made up of all eighteen (18) DMBs in Nigeria as at 2015. Out of which fifteen (15) are quoted and active in the Nigerian Stock Exchange. Unweighted disclosure index was used to test the two (2) hypotheses. The findings of the study revealed that, DMBs in Nigeria did not comply with the provision of IFRS 7 throughout the study period of 2012-2015. It was also discovered that DMBs in Nigeria were not consistent in the level of compliance with IFRS 7 throughout the study period. The study therefore recommended that in order to ensure strict compliance with IFRS 7 by banks, Financial Reporting Council of Nigeria (FRCN) and other enforcement regulators should intensify thier mandate to ensure banks strictly comply through sanctions and penalties. FRCN should promote and support research in the areas of compliance with Accounting Standards.

Studies that tested the association between compliance and ownership diffusion have been few and with mixed results. Research by Al-Shammari (2005) on compliance among companies in the Gulf Co-operation Council Member States (Saudi Arabia, Oman, Qatar, UAE, Kuwait and Bahrain) did not establish any association between ownership diffusion and compliance. This finding is consistent with Raffornier cited in kantudu (2006) who also documented no association between compliance and ownership diffusion among Swiss firms. It is also consistent with Glaum and Street (2003), who also found no relationship between mandatory compliance with IAS disclosure requirements and ownership diffusion, as measured by companies free float (percentage of equity capital that can be readily traded in the share market). Similarly,

Wallace and Naser (1994), found no association between ownership diffusion and extent of compliance. Owusu-Ansah (1998) also established no relationship between compliance and ownership diffusion among firms in Zimbabwe.

2.6 Theoretical Framework

Financial reporting, which encompasses disclosure of accounting information based on some regulatory framework, has been subjected to various influences from enforcement bodies, auditors, market forces and managers. Numerous theories, such as Agency theory, Stakeholder theory, Signalling theory, Political cost theory and Capital needs theory have been proffered which tried to explain disclosure of accounting information but Barde (2009) opined that such theories are heavily dependent on environmental differences giving rise to different results and therefore different conditions were drawn. This is consistent with the position of the American Accounting Associating Committee on Concepts and Standards for External Financial Reports as reported by (Al-Shammari, 2005) that financial accounting literature houses numerous theories that presume differences in the user environment and there is no single governing theory of financial disclosure rich enough to encompass the full range. Therefore, this section explains some of the most commonly accepted theories used to explain financial reporting disclosure by corporate entities.

2.6.1 Agency Theory

Several researchers have built their work using this theory. For example Ali, Ahmad and Henry (2004) stated that larger organizations have a greater tendency to disclose more financial information in their annual reports than smaller ones. This enhances their agency costs, reputation, public image and government intervention. This is consistent with the findings of (Andrew, 2015). They also argued that organizations with higher debts ratios might disclose less information in order to disguise the level of the

organization's risk. Agency theory has a direct bearing on the research topic. In this research, accounting disclosure presents an excellent opportunity to apply agency theory. This is premised on the fact that managers (agents) have better access to company's' accounting information and can make credible and reliable communication to the market to optimize the value of the firm. Through financial reporting they communicated to the users of financial reports information that is useful in making choices among alternative uses of scarce resources. On the contrary, these managers may because of their selfish interests, fail to make proper disclosure or nondisclosure of important information to the users. Such practices were not in the interests of shareholders (principal). Consequently, this may result in a higher cost of capital and lower value of shareholders' investments (Andrew, 2015).

2.6.2 Stakeholder Theory

This theory was developed to address the shortcomings of the agency theory. The agency theory was criticised for prioritising the interest of shareholders above the general interest of other stakeholders, such as employees, the government and the society in general (Arthur and Busenitz, 2004). This theory argued that the firm is a social person and therefore is responsible and accountable not only to the shareholders but to numerous other stakeholders. In line with this, firms disclose more information in financial statements to satisfy the interest of various stakeholder groups (not only to satisfy shareholders' interest), but Hassan (2007) opined that this form of disclosure (Corporate Social Responsibility) is mostly voluntary.

2.6.3 Political Cost Theory

This theory attempts to explain information disclosed by companies in their financial statements. According to this theory, companies face political costs in the form of government intervention which comes either as enactment of laws, nationalization,

expropriation and break-up or imposing restrictions. To minimize these costs, companies use tactics such as social responsibility campaigns, government lobbying and disclosing more information in their financial statements (Al-Shammari, 2005). Watts and Zimmerman (1986) had earlier on argued that political cost theory is more relevant to larger and more profitable companies, due to their higher political visibility. Consequently, Watts and Zimmerman argued that larger companies disclose more information than smaller companies that are politically less visible.

2.6.4 Signalling Theory:

Signalling theory tries to explain disclosure of accounting information by reporting entities. The argument of the theory is that companies disclose information in financial statements to signal superior performance to shareholders, potential investors and other market participants (Barde, 2009). Along this line, Barde (2009) argued that compliance to International Accounting Standards by profitable companies is one way of signalling their superior performance to the market. Signalling theory was used in prior empirical research to explain why managers in corporate organisation have the incentive to disclose more information in the annual report, and comply with certain requirements (Suwaidan, 1997; Haniffa and Cooke, 2002; Watson et al., 2002). Finally, managers' decisions to provide voluntary disclosure are based on a cost-benefit analysis, i.e. a comparison between the costs of information that will be provided and the benefits that might arise from disclosing such information (Cooke, 1993).

2.6.5 Capital Need Theory

This theory argued that firms disclose more information in financial reports to win the confidence of investors, which makes them to accept lower rate of return, thereby lowering the firm's cost capital (Francis, Lafond, Olsson & Schipper, 2004).

Moreover, if the afore mentioned theories are examined critically, it can be deduced that the agency theory and the Stakeholder theory evidently explain accounting information disclosure more than the signalling, political or the capital needs theories. The separation of ownership and control brings about stewardship accounting and thus managers (as agents) try to render stewardship to the shareholders (principals) through disclosing accounting information in their financial statements. But since corporate bodies are social members of society, information disclosure extendedes beyond shareholders' needs and incorporates the informational needs of other stakeholders as well. Thus the relevance of Agency theory and the stakeholder theory in accounting information disclosure becomes imperative as it is the only avenue of minimizing conflict between company management (on one side) and the shareholders and the general society (on the other side).

2.7 Summary of Gaps

Despite the varied literature on the compliance with Accounting Information Disclosure such as Yiadom and Atsunyo (2014), Raithatha and Bapat (2012), Adetuji *et al* (2014), Andrew (2015), Al-Tahat (2015), Tsegba et al (2017), Muhammad (2017) and Abdulkadir (2017) there is relatively lesser emphasis or concern on Assessment of the levels of compliance with disclosure requirements of IFRS 7 by oil and gas marketing companies in Nigeria. This has provided a gap for this study to fill.

However, within the context of the studies reviewed, there are numerous researches carried out internationally in relation to compliance with International Financial Reporting Standards. Notable among them are studies conducted by: Amoako & Asante (2012), Alfaraih (2009), Wisdom (2014), Akhtaruddin and Haron (2012), Andrew (2015), Ames (2013), Atsunyo (2012), Ali *et al* (2012), Juhmani (2012), Al-Tahat (2015) and Al-shammari (2005). While those conducted locally were very few and are

not in compliance with disclosure requirement IFRS 7. Notable among them are: Sani and Dauda (2014), Hassan and Farouk (2014), Ibrahim (2014), Umobong and Akani (2015), Tsegba et al (2017) and Muhammad (2017) with different methodological tools to achieve their objectives and analysing their data more appropriately. The commonly used method of analysis as reviewed includes among others: Multiple Regression, Chi-square (X^2) Techniques, student T-test Correlation, ANOVA test e.t.c.

Consequently, for the purpose of this research, Ernst and Young, IFRS 7 check list (2016) was used to check the levels of compliance by Oil and Gas marketing companies in Nigeria (Hypothesis I) which was not done by the previous researchers both locally and internationally and multiple regression was used with the aid of stata software version 14 output 2018 was used to test hypotheses 2, 3, 4 and 5 of the study.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter is centred on the methodology used in carrying out this study. The main issues discussed include; research design, the population of the study, sample size and sampling technique, sources and methods of data collection, variables of the study, as well as the statistical techniques used for data analysis.

3.2 The Research Design

Given the nature of the objectives and hypothesis (as explained in chapter one) Cohort longitudinal design and correlation design was used for the study. A cohort longitudinal design was applied because the study involved observing the same sample of oil and gas marketing companies' compliance at different times without any manipulation by the study. The study collected and analyzed only secondary data in form of financial statements from the listed oil and gas marketing companies for a period of 5 years (from 2012-2016) to test hypotheses. Compliance check list on IFRS 7 developed by Ernst and Young (2016) was used to test the level of compliance by oil and gas marketing companies in Nigeria (Hypothesis I) While multiple regression with the aid of stata 14 output 2018 was used to determine whether there is significant relationship between the extent of compliance with disclosure requirements of IFRS 7 and oil and gas marketing companies Age, Profitability, Liquidity and Audit type (Hypothesis 2, 3, 4 and 5).

3.3 Population of the Study

The population of this study consists of all the quoted oil and gas marketing companies in the Nigerian Stock Exchange as at 31st December 2016. The study covers a period of five years (2012 - 2016).

The Table 3.1 contains the list of oil and gas marketing companies that are within the scope of this study.

Table 3.1 Firms in the oil and gas marketing companies.

S/No.	Name of the Firm	Date of Listing
1.	Amino International PLC	-
2.	Capital Oil PLC	-
3.	Conoil PLC	1989
4.	Eterna PLC	1998
5.	Forte Oil PLC	1978
6.	Japaul Oil & Maritime Services	1997
7.	Mobil Oil PLC	1979
8.	MRS Oil Nigeria PLC	1979
9.	Oando PLC	1978
10.	Rak Unity Pet Comp. PLC	-
11.	Seplat Petroleum Dev. Ltd	-
12.	Total Nigeria PLC	1979

Source: Generated by Researcher from Nigerian Stock Exchange Fact Sheet, 2016

Table 3.1 presents the study population which shows the names and the year of listing of oil and gas marketing companies in Nigeria. Analysis of Table 3.1 shows a total of twelve (12) companies listed on the floor of the Nigerian Stock Exchange as at 31st December, 2016.

3.4 Sample Size and Sampling Technique

This study employs purposive or judgmental sampling technique, which is applied especially when the researcher uses his judgment to select from the population a member that will give accurate information (Adamu, Muhammad & Dandago, 2010). The selection of the sample reflects the purpose or objectives of the study. The eight listed oil and gas marketing companies for the period 2012-2016 form the sample size. The selection was done on the premise that the companies have been complying with the requirements of IFRS 7 for over five years. In this direction, a sample time frame of five years is used for the study.

The Table 3.2 contains the sample of oil and gas marketing companies that are within the scope of this study.

Table 3.2 Samples of oil and gas marketing companies

S/No	Name of the Firm	Year of listing
1.	Conoil Oil PLC	1989
2.	Eternal Oil Nigeria PLC	1998
3.	Forte Oil PLC	1978
4.	Japaul Oil & Maritime Services PLC	1997
5.	Mobil Oil Nigeria PLC	1979
6.	MRS Oil Nigeria PLC	1979
7.	Oando Oil Nigeria PLC	1978
8.	Total Nigeria PLC	1979

Source: Generated by Researcher from Nigerian Stock Exchange Fact Sheet, 2016

Table 3.2 shows the eight listed oil and gas marketing companies which serve as the samples of the study. Oil and gas marketing companies are selected for the study because the sector is one of the most important sectors in the Nigerian economy. The well-being of the sector, particularly their liquidity and solvency position is of interest to Nigerian economy (Tackie, 2007).

Financial instrument was selected for the study because there is wide evidence of problems in the accounting for financial instruments around the world (Chalmers, 2001). Additionally, standards on financial instruments are seen as complex, requiring difficult implementation by companies (Larson & Street, 2004). Hence, the desire to research into this to find out how Nigerian oil and gas marketing companies listed on Nigerian Stock Exchange are performing with respect to financial instrument disclosure requirement IFRS 7.

3.5 Sources and Methods of Data Collection

The study used secondary data which was obtained from the annual reports and accounts of the sampled firms from 2012-2016. The annual reports and accounts was

compared with the compliance checklist to establish compliance with disclosure provisions of IFRS 7, as well as obtain information on company attributes.

The nature of the research design (being cohort longitudinal and correlation in nature) justified the above methods of data collection. This made the annual reports and accounts most suitable for collecting this information. This method is consistent with earlier studies on compliance, such as Al-Shammari (2005), Kantudu (2006), Ekoja (2006), Mamman (2006), Tanko (2006), Barde (2009), Abdullahi (2012) , Bala (2013) and Muhammad (2017).

3.6 The Variables of the Study

There are two sets of variables covered by this study. These are the dependent and the independent variables.

3.6.1The Dependent Variable

The dependent variable is the level of compliance with the disclosure requirements of IFRS 7 among oil and gas marketing companies in Nigeria. To determine the level of compliance, the requirements of IFRS 7 was used to construct an Application or Compliance checklist, the total of which will give the Dependent Variable of the study.

Compliance checklist according to Al-Shammari (2005), a very reliable measurement device for corporate compliance. Consequently, studies on compliance such as Al-Shammari (2005), Kantudu (2006), Mamman (2006), Abdullahi (2012) , Bala (2013) and Muhammad (2017) have adopted compliance checklist to determine the extent of compliance with accounting standards. The frequent use of this technique justifies its effectiveness and hence it was considered appropriate for this research. This is because an important measure of the usefulness of a research tool is the frequency with which it is being used (Kantudu, 2006). The compliance checklist was developed by Audit firm

Ernst & Young from the disclosure requirements of IFRS 7. The information for the checklist was obtained from the relevant sections of the standards. (see Appendix I).

3.6.2 Dependent Variable Measurement

IFRS 7 compliance checklist for year 2012 was 154 mandatory disclosures and in 2013 the checklist was reviewed and more requirements were added. This sum up the checklist in 2013 to be 173 requirements, hence both checklists will be used to assess the level of compliance as at particular year periods (See Appendix I). The research used the Ernst and Young 2012, 2013, 2014, 2015 and 2016 IFRS 7 Compliance checklist for the financial years. For clarification of presentation and analysis IFRS 7 was grouped into Four (4) components each carrying items that relate to its group. Each group here is referred to as its components (See appendix I). Therefore, IFRS 7 has four (4) components that defined the standard, these are Statement of financial position (Components of financial assets and financial liabilities), Statement of comprehensive income and equity, Other Disclosures Nature and extent of risk arising from financial instruments.

For clarity of presentation and analysis, each of the requirement components was assigned a number; R1 for example, refers to Requirement One and so on. Similar to prior studies, such as Barde (2009), Abdullahi (2012), Bashir (2012), Siyanbola et al. (2014) and Abdulkadir (2017) on compliance. Therefore, R1, R2, R3 and R4 will be used for ease of reference for the four components of IFRS 7. Hence, Statement of Financial position will be represented as R1, R2 for Statements of comprehensive income, R3 and R4 for Other Disclosures Nature and extent of Risk for financial instruments respectively.

3.6.3 Grading and Scoring of Compliance with IFRS 7

Since the result was expressed as a percentage, the following criterion (consistent with Kantudu (2006), Barde (2009) and Abdullahi (2012) will be used to interpret the results.

Table 3.3 shows the criteria used in grading compliance with the provision of IFRS 7.

Table 3.3: Criteria for Grading Compliance with IFRS 7 by Oil and Gas Marketing Companies in Nigeria.

S/No	Percentage Score	Points	General Remarks
1.	70-100%	7-10	Strongly Applied
2.	50 -69%	5-6.9	Semi Strongly Applied
3.	40- 49%	4-4.9	Weakly Applied
4.	20-39%	2-3.9	Very Weakly Applied
5.	0-19%	0-1.9	Non Application

Source: Grading application of standards modified from Barde (2009)

The Table 3.3 shows the criteria for grading compliance with IFRS 7 by firms in the Nigerian Oil and Gas marketing companies. The study compared the dependent variables (the requirements of IFRS 7) with the financial statements of listed oil and gas companies and ranked appropriately using the qualitative grading system on the range of 0% - 100%. That is, any of the requirements disclosed by the oil and gas marketing companies in its annual reports and accounts shall attract 1 point and non-compliance attracts 0 point as adapted from Kantudu (2005) and (2006).

3.6.4 The independent Variable

The independent variable (factors influencing the compliance with IFRS 7) by listed oil and gas marketing companies were proxies by company Age, Profitability, Liquidity and Auditor type.

The Table 3.4 shows the independent variables and their proxies.

Table 3.4 Variables of the Study and their Measurements

Variables	Measurements
Company Age	The age of a company was measured from the year listed on the NSE or incorporation as used in (Owusu-Ansah, 1998), (Al- Shammari 2005), (Kantudu 2006), (Barde 2009), (Yoha & Faboyede 2011), (Ben 2013) and (Sani & Umar 2014)
Profitability (ROA)	Return on assets (ROA), expressed as profit after tax to total assets ratio, as used in (Hossain, 1994), (Ahmed & Naser, 1995), (Fatula, 2007) and (Ben, 2013).
Liquidity	Is measured by the current assets ratio which is current assets as a proportion of current liabilities. This measure of liquidity was used by Al-shammari (2005) and Barde (2009)
Auditor type	The auditor type could be big 4 or none big 4, that is big 4(Deloitte, KPMG, Price Water house cooper and Ernst and Young) represented by 1 and 0 for otherwise

Source: Generated by the Researcher, from the content of this study.

3.7 Techniques of Data Analysis

The data generated in the course of this study was analyzed using the differential statistical techniques which include; Compliance checklist, Descriptive Statistics, Multivariate Regression Analysis, The next sub sections presents brief explanations of the techniques.

3.7.1 Compliance Checklist

Coy (1995), Kantudu (2006) and Barde (2009) defined a compliance checklist as a qualitative based instrument designed to measure a series of items which, when the scores for the items are aggregated, gives a surrogate score indicative of the level of disclosure in the specific context for which the index was devised. Al-Shammari (2005)

viewed that Compliance checklist is a very reliable measurement device for corporate compliance. Consequently, studies on compliance such as Al- Shammari (2005), Kantudu (2006), Mamman (2006), Barde (2009), Ben (2013), Sani and Umar (20014), Yakasai (2014) and Abdulkadir (2017) have adopted compliance checklist to determine extent of compliance with accounting standards. The frequent use of this technique justifies its effectiveness and hence was considered appropriate for this research. The researchers cease to use a research tool if it produces poor result (Barde, 2009). Therefore, for the purpose of this study, compliance checklist was developed by Audit firm Ernst & Young from IFRS 7. (Appendix I)

3.7.2 Descriptive Analysis

Descriptive analysis was used to compute mean, standard deviation, minimum and maximum values of both the dependent and explanatory variables of the study for the period of five years. This technique of data analysis was used by previous disclosure studies such as Wallac and Naser (1995), Raffournier (1995), Owusu-Ansah (1998) and Alsaeed (2005) Aljifri and Khasharmeh (2006), kantudu (2006), Barde (2009), Ben, (2013) Sani and Umar (2014) and Yakasai (2014).

3.7.3 Multiple Regressions

Multiple regression was used to determine the variability of dependent variables (total compliance score) as a result of changes in any independent variable (age, profitability, liquidity and auditor type). Panel data methodology was used in analyzing the data for the study. The multiple regression analysis, Ordinary Least Squares (OLS) is the most commonly used technique in disclosure studies (Leventis, 2001) where the dependent variable is the compliance/disclosure score and the independent variables include the factors determining the compliance. However, using a ratio in a regression model may result in the model producing prediction of probabilities greater than one (Al-Shiab, 2008). This problem may arise because the dependent variable is bounded (i.e. lies between 1 and 0)

(Cooke, 1998). The STATA software version 14.00 was used for this purpose. The OLS regression fails to address the problem of endogeneity and, as a result, the GLS regression was employed to robust the result of the study. Thus, in line with the previous disclosure studies, such as Daske, Hail, Leuz, and Verdi (2012), Guild, (2012) Hafiz, Mohammed and Ayesha (2012) Haniffa and Cooke, (2002), Isenmila and Adeyemo (2013) and Oseni (2013) was used to test hypothesis two, three, four & five of this study to compare the result of one company from the other. Dumontier and Raffournier (1998), Long (1997) noted that the adequacy and appropriateness of the multiple regression as a model is assessed by testing for model's fitness, test of homoskedasticity (randomness of data), autocorrelation in residuals, existence of outliers and multicollinearity. This study adopted and modified the multiple function of Long (1997), Dumontier and Raffornier (1998), (Jean-Jeans, 2008) (Pius, Jane & Raymond, 2014) and Long (2014) as follows.

$$CI = a_0 + a_1A_{it} + a_2P_{it} + a_3L_{it} + a_4A_{it} + a_5\mathcal{E}_{it}$$

Where:

CI = Total compliance index

A = Age of the company

P = Profitability

L = liquidity

A = Auditors type

a_0 = Intercept

Ɛ = An error term assumed to satisfy the standard OLS assumption/ Ut = Gaussian White Noise (Stochastic error term)

i = entity

t = time

a_1, a_2, a_3, a_4, and a_5 = Multiple regression coefficients

CHAPTER FOUR
DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter presents analysis of the data generated from the annual reports and accounts of the eight listed oil and gas marketing companies which serve as the sampled firms for the study. The data was presented and analyzed using the compliance checklist provided by the IASB. The first hypothesis is tested using the Un-weighted disclosure index and later graded using a grading system to determine whether the hypothesis is accepted or rejected, while hypothesis 2, 3, 4 and 5 was tested using multiple regression with the aid of stata 14 version, 2018. The chapter concluded with the findings.

4.2 Descriptive Analysis

This sub section provides descriptive statistical analysis of the data generated on the dependent and independent variables of the study. It provides the summary statistics of the collected data which include measures of central tendency, such as mean, measures of dispersion (the spread of the distribution) such as the standard deviation, minimum and maximum of both the dependent variable and independent variables.

Thus, Table 4.1 presents the descriptive statistics for the dependent variable (Total compliance score) and independent variables (age, Profitability, Liquidity and Auditor type) of the study.

Table 4.1: Descriptive Statistics

VARIABLE	OBS	MEAN	STD DEVIATION	MIN	MAX
VDR	40	0.7055	0.0786407	0.51	0.82
AGE	40	31.125	10.78267	18	38
ROA	40	0.0166289	0.1401526	-0.5573431	0.1948077
LIQ	40	1.386077	1.233459	0.6698222	8.142441
AT	40	0.625	0.4902903	0	1
FSIZE	40	10.8099	0.2990402	10.23357	11.46212
LEV	40	0.3723132	0.1784584	0.0149396	0.698751

Source: *STATA 14.0 Output, 2018*

From Table 4.1, the observation (obs) column was the total number of years of the study (Appendix II) multiplied by the population of the study (i.e 5 by 8 = 40) while the mean total compliance score for the listed oil and gas marketing companies in Nigeria shows an average compliance with IFRS 7 of about 70.55%. This means that listed oil and gas companies in Nigeria complied with IFRS 7 of about 71%. This shows an element of high level of compliance in the companies, with a minimum disclosure level of 51 % and maximum compliance level of 82%. The standard deviation of 0.079 indicates that there is no significant variation in compliance with IFRS 7 between the listed oil and gas marketing companies during the period of the study.

The mean proportion of age of the listed oil and gas marketing companies is measured by number of years passed since incorporation and has a mean of about 31.13, with a minimum of about 18 and maximum of about of 38. These means that the average listed oil and gas marketing companies in Nigeria have thirty-one years of listing, minimum of 18 and the maximum numbers 38 years to the period of this study.

The mean return on assets (ROA) is about 0.017 indicating that the average profit earned by the listed companies is 1.7% with a minimum loss of -55% and maximum profit of about 19.5%. This indicates that there is loss of 55% on return on assets of listed oil and gas companies in Nigeria.

Furthermore, the mean liquidity is 1.39 which is 139%, the standard deviation is 123%, minimum of 67% and maximum of 81%. This indicate high significant liquidity among the listed oil and gas marketing companies in Nigeria.

Finally, on the auditor type, Auditors are classified as a Big 4 (Deloitte, KPMG, Price Water house cooper and Ernst and Young) on one hand, and local firms, foreign audit firms and local audit firms with an international affiliation on the other.

Table 4.1 indicates mean score of 63%, standard deviation of 49%, minimum of 0% and the maximum of 1%. This finding is somewhat similar with that of Al-Shammari who established that the market for auditing listed companies in the GCC member states (Kuwait, Oman, Qatar, Bahrain, VAE and Saudi Arabia) was dominated by local audit firms with an international affiliation. This is in line with the findings of Barde (2009) and Nwakaeze (2010).

4.3 Correlation Analysis

The results of the correlation between the dependent variable (compliance score) and independent variables (Age, Profitability, Liquidity, and Auditor type) are presented in Table 4.2. It also shows the relationship between all pairs of variables in the regression model the relationship between all independent variables individually with explained variable and the relationships between all the controled variables themselves. This gives an insight into the magnitude of the pairs of the independent variables.

Table 4.2 shows the correlation coefficients on the relationship between the dependent variable (Voluntary Disclosure Requirements) and independent variables of the studies.

Table 4.2: Correlation Matrix

VARIABLE	VDR	AGE	ROA	LIQ	AT
VDR	1.0000				
AGE	0.0841	1.0000			
ROA	-0.1292	0.1948	1.0000		
LIQ	-0.0044	-0.1832	0.0986	1.0000	
AT	0.1413	-0.1122	0.0645	-0.0222	1.0000

Source: *STATA 14.0 Output, 2018*

Table 4.2 shows the correlation coefficients on the relationship between the dependent variable (compliance score) and independent variables (Age, Profitability, Liquidity, and Auditor type). The values of the correlation coefficient range from -1 to 1. The sign of the correlation coefficient indicates the direction of the relationship (positive or negative); the absolute value of the correlation coefficient indicates the strength, with larger values indicating stronger relationships. The correlation coefficients on the main

diagonal are 1.0, because each variable has a perfect positive linear relationship with itself.

As shown in table 4.2, the relationship between profitability and liquidity with compliance score is weak and negative with correlation coefficient value of -0.1292 and -0.0044, respectively. This is in line with the findings of Yoha and Faboyede (2011), Isenmila and Adeyemo (2013) and Ben (2013). Likewise, weak and positive relationships exists between age and audit type with compliance score with correlation coefficient values of 0.0841 and 0.1413 respectively. This is consistent with the findings of Nwakaeze (2010), Daske, Hail, Leuz, and Verdi (2012), Guild (2012), Hafiz, Mohammed and Ayesha (2012), Sani and Umar (2014) and Yakasai (2014).

4.4 Robustness Test of Independent and Dependent Variables

This test is conducted to ensure the validity of all statistical inferences and fitness of the model so that the impact of distribution problems is mitigated, in addition to the problems of outliers before deciding on the appropriate statistical method to use. The tests include Multicollinearity, heteroskedasticity and hausman specification test. These are discussed below.

4.4.1. Multicollinearity Test

Colinearity exists where there is high, linear or perfect correlation between two or more independent variables in a multiple regression model; Presence of either of the multicollinearity in a model affects the preciseness of estimate regarding the effect of one predictor on the explained variable; Some of the manifestations of multicollinearity in a model include huge change(s) in coefficients as long as a predictor is either introduced or removed; and insignificant coefficients for the highly or perfectly correlated variables. The two common ways to check for the presence of

multicollinearity between independent variables are correlation coefficients and variance inflation factors (VIF) with tolerant values.

This study uses Variance Inflation Factors (VIF) with Tolerant Values to check whether the dependent variables of the model suffer from multicollinearity. The VIF in excess of 10 should be taken as an indication of harmful multicollinearity (Ghasemi & Zahediasl, 2012). Therefore, multicollinearity test is carried out to check whether there is a correlation between independent variables which may mislead the result of the study.

Table 4.3 shows the independent variables and their variance inflation factors with their tolerance values.

Table 4.3: Multicolinearity test results

VARIABLES	**VIF**	**1/VIF (TOLERANCE)**
AGE	1.11	0.903548
ROA	1.07	0.934728
LIQ	1.06	0.944621
AT	1.02	0.976490
Mean VIF	1.06	

Source: *STATA 14.0 Output, 2018*

Table 4.3 shows the VIF of 1.11, 1.07, 1.06 and 1.02 respectively for each of the independent variables, and this is less than 10 which indicates absence of multicollinearity and the result of the test shows that the maximum VIF is 1.11 and the minimum VIF is 1.02 and this is less than 10 which indicate absence of multicollinearity.

4.4.2 Heteroskedasticity Test

Heteroskedasticity is used to check whether the variability of error terms is constant or not. The presence of heteroskedasticity signifies that the variation of the residuals or term errors is not constant which would affect inferences in respect of beta coefficient,

coefficient of determination (R^2), t-statistics and F-statistics of the study. Test of heteroskedasticity ensures that the regression fits all the values of the independent variables and this is possible only if the residuals do not vary with independent variable and therefore are random in nature. White and Breusch-Pagan / Cook-Weisberg tests for heteroskedasticity was used to check the presence or otherwise of heteroscedasticity.

White test result for heteroscedasticity

Ho: homoskedasticity

Ha: unrestricted heteroskedasticity

Chi2 (13) = 9.16

Prob > chi2 = 0.7606

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

chi2 (1) = 0.38

Prob > chi2 = 0.5383

Since the chi2 p-value from both methods is greater than 5% (76.06%) we cannot afford to reject the null hypothesis for saying that our residuals are homoskedastic.

4.5 Hypotheses testing

Hypothesis one: Nigerian Oil & Gas marketing companies do not comply with the disclosure requirements of IFRS 7.

Table 4.4 describes the number of disclosure checklist items contained in IFRS 7 for 2012, 2013, 2014, 2015 and 2016 (See appendix I). Included also are those not applicable to the oil and gas marketing companies in Nigerian.

Table 4.4: Disclosure Requirements of IFRS 7

Year	Disclosure Items	Not applicable	Applicable
2012	167	15	152
2013	186	17	169
2014	186	17	169
2015	186	17	169
2016	186	17	169

Source: Ernst and Young IFRS core tools (2012- 2016)

The table 4.4 shows a total of 167 disclosure checklists (See appendix I) extracted from the standard in 2012. Among this, 15 are not practiced in Oil and Gas Marketing Companies because they fall under the disclosure requirements of hedge accounting which Nigerian oil and gas marketing companies are not participants and therefore not required to disclose (IMF, 2013; Zango et al, 2015). Therefore, a total of 152 disclosure checklists applicable to Oil and Gas Marketing Companies in Nigeria was used for the period of 2012. While for the remaining periods (2013-2016), owing to the review of the disclosure checklist by the IASB, a total of 169 disclosure checklists was used. IFRS 7 disclosures reviewed by the board were: components of financial assets and financial liabilities (IFRS7.10A, IFRS7. 11C, IFRS7. 11d, and IFRS7. 11A). The nature and extent of risk arising from financial instruments, areas newly introduced here are, offset financial assets and financial liabilities (IFRS 7.13C, IFRS7.13E, IFRS7.13F), extinguishing financial liabilities with equity instruments (IFRS 7.44I, IFRS 7.44J, IFRS 7.44T, IFRS 7.44U, IFRS 7.44V and IFRS 7.44W).

As earlier stated in chapter 3, IFRS 7 was divided into four (4) groups as it relates to the standard. Each group comprises of items that relates to its components. Table 4.5 shows how each component is presented in the standard.

Table 4.5 contain the component of International Financial Reporting Standard Seven (IFRS 7) from 2012 to 2016.

Table 4.5: Component of IFRS 7

S/N	IFRS7 Components	No. Of Items Applicable in 2012	No. of Items Applicable in 2013	No. of Items Applicable in 2014	No. Of Items Applicable in 2015	No. of Items Applicable in 2016
1	Statements of Financial Position	69	80	80	80	80
2	Statements of Comprehensive Income	12	15	15	15	15
3	Other Disclosures	43	23	23	23	23
4	Nature and extent of Risk from Financial Instrument	28	51	51	51	51
	TOTAL	152	169	169	169	169

Source: Ernst and Young IFRS core tools (2012- 2016)

Table 4.5 shows the component of IFRS 7. Each component has certain requirements which are vital in the standards, see appendix I. In 2012, Statements of financial position (balance sheet) had 69 items to be disclosed. While in 2013, after the amendments of the standard, the items increased by 11 requirements. It is also applicable to Statements of comprehensive income and nature of risk from financial instruments; all had increases of 3 and 23 respectively. It was observed that only other disclosure items reduced from 43 to 23. This is as a result of reduction on the items of fair value disclosures from 29 checklists recorded in 2012 to 12 disclosure checklists in 2013. Areas affected are IFRS 7.27, IFRS 7.27A and IFRS 7.27B. Majority of items listed under this sub-head are eliminated and some are merged to other sub- heads. This was as a result of review by the IASB in 2013.

This research work adopted the disclosure checklist of Ernst and Young, (2012 - 2016) as amended by the IASB to determine the levels of compliance with IFRS 7 by Oil and

Gas Marketing Companies in Nigeria. Also, an un-weighted disclosure formula was used to compute the result to determine level of compliance. Thus;

$$PC_j = \frac{\Sigma_{i=1} X}{R_j}$$

Where:

PCj= Percentage of total compliance score

IX = Total compliance score by each oil and gas marketing companies.

RJ= Total applicable compliance disclosure

Thus, the table 4.6 presents the compliance level for the year 2012 from the annual financial reports of the oil and gas marketing companies in Nigeria.

Table 4.6 Level of Compliance with IFRS 7 in 2012 Financial Year

	Oil & Gas Marketing Company	**R1** **69**	**R2** **12**	**R3** **43**	**R4** **28**	**Total Compliance Score** **152**	**% of total Compliance Score**
1	Conoil Plc	30	12	37	14	93	61.18
2	Eterna Plc	32	12	39	14	97	63.82
3	Forte Oil plc	29	12	35	10	86	56.58
4	Japaul Oil & Maritime Services.	24	12	37	12	85	55.92
5	Mobil Oil Nig. Plc.	29	11	36	9	85	55.92
6	MRS Oil Nig. Plc	22	10	35	10	77	50.66
7	Oando Plc	35	12	42	15	104	68.42
8	Total Nig. Plc	25	12	38	19	94	61.84
	Average Score	40.94%	96.88%	86.92%	45.98%		59.29

Source: IFRS 7 Compliance Checklist and Oil and Gas Marketing Companies annual reports of 2012

From the Table 4.6, compliance of Oil and Gas Marketing Companies in Nigeria as against the IFRS 7 disclosure requirements revealed that compliance to R1(Statement of

financial position) disclosure, averagely stood at 40.94% for the period; Oando Plc had the highest compliance level with 35 scores, while MRS Oil Nig. Plc had the least score with 22 for the Statement of Financial position (R1). Financial assets and financial liabilities at fair value and collaterals were areas in which MRS Oil Nig. Plc did very low disclosures; coupled with this, Oil and Gas Marketing Companies in Nigeria complied weakly (Table 3.2). R2 (Statement of Comprehensive Income) recorded 96.88 disclosure, hence the statement of comprehensive income statement (R2) of all Oil and Gas Marketing Companies in Nigeria Strongly complied with the requirements. Also, compliance with R3 (other disclosures) such as accounting policies, fair values, recorded an average of 86.92% which implies strongly complied; where, Oando had the highest score of 42, while Forte oil plc and MRS oil Nig. Plc had the least score of 35. The outcome of disclosure of R3 was impressive for the period as items recorded where familiar items. R4 (Nature and extent of Risk from Financial Instruments) with a total of 28 disclosure items had an average compliance of 45.98% meaning weakly-compliance. Total Nig. Plc had the highest of 19, while mobil oil Nig. Plc had the least score of 9.

In average, the overall compliance of Oil and Gas companies in Nigeria at commencement year (2012) stood at 59.29% and this implies that as at the commencement year Oil and Gas Marketing Companies in Nigeria semi strongly complied with the requirements of IFRS 7. The major contributions to semi strongly compliance by Oil and Gas Marketing Companies in Nigeria as at commencement year was statements of financial position (R1) and Nature and extent of risk from financial instruments (R2).

Table 4.7 presents the compliance level for the year 2013 from the annual financial reports of the Oil and Gas Marketing Companies in Nigeria.

Table 4.7 Level of Compliance with IFRS 7 in 2013 Financial Year

	Oil & Gas Marketing Companies	**R1** **80**	**R2** **15**	**R3** **23**	**R4** **51**	**Total Compliance Score** **169**	**Percentage of Total Compliance Score %**
1	Conoil Plc	52	13	14	36	115	68.80
2	Eterna Plc	53	14	16	37	120	71.01
3	Forte oil Plc	50	12	13	32	107	63.33
4	Japaul Oil & Maritime Services	49	13	17	35	114	67.46
5	Mobil Oil Nig. Plc	40	14	20	33	107	63.31
6	MRS Oil Nig Plc.	50	13	11	25	99	58.58
7	Oando Plc	65	14	21	38	138	81.66
8	Total Nig. Plc	50	13	15	34	112	66.27
	AVERAGE	63.91%	88.33%	69.02%	66.18%		67.46%

Source: IFRS 7 Compliance Checklist and Oil and Gas marketing companies' annual reports of 2013

Table 4.7 shows the level of compliance with IFRS 7 by Oil and Gas Marketing Companies in 2013. The overall average compliance level by the Companies stood at 67.46%. Coupled with the additional disclosure checklist in year 2013, a total of 169 disclosure items as against commencement year checklist of 152 items. From the table 4.7, Oando plc had the highest score with 65, while Mobil Oil plc had the least score with 40 on R1 disclosure. This was due to low disclosure on collaterals by Mobil Oil plc. An average of 63.91% was the compliance level of Oil and Gas Marketing companies in Nigeria in 2013 for RI. This result shows that, there have been significant improvements in disclosure as against 2012 which were 40.94%. The compliance to disclosure requirement is semi-strongly complied as against weakly compliance in year 2012. R2 had 15 scores as against commencement year with 12 scores. The three

additional were financial assets measured at amortized cost, financial liabilities that are not at fair value also trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans. Statements of comprehensive income (R2) had an average score of 88.33% as against 96.88% in year 2012. Eterna plc, Mobil Oil plc, Oando plc had 14 scores while, Conoil plc, Japaul oil and Maritime Services, Mrs oil Nig. Plc and Total plc had 13 scores. While Forte oil plc had the least scores 12. R2 still maintained a strong compliance grading.

Other disclosures (R3), as compared to commencement year's disclosure, the requirement reduced from 43 downward to 23. However, the result revealed that Oando Nig. Plc had the highest score of 21 followed by Mobil Nig. Plc with 20 scores, Japaul oil & Maritime services 17 scores, Eterna plc with 16 scores, Total Nig. Plc with 15 scores, Conoil plc with 14 scores, Forte oil plc with 13 scores while Mrs oil Nig. plc had the least with 11. The low disclosure by MRS oil plc here was as a result of non disclosure of the criteria for determining when the carrying amount of impaired financial assets is reduced and written off amounts charged to the allowance account against the carrying amount of impaired financial assets (refer IFRS 7.16). Hence, R3 average stood at 69.02% meaning semi strongly complied. R4 had an average of 66.18%. The total disclosure items stood at 51 as against commencement year with 28; hence, Oando plc had the highest score of 38 while MRS Oil Nig. plc recorded the least scores with 25. It was also observed that the low scores by MRS plc was as a result of non compliance with the disclosure items of extinguishing financial liabilities with equity instruments (IFRS 7.44I).

In average, the overall compliance of Oil and Gas Marketing Companies in Nigeria as at 2013 stood at 67.46%; semi strongly complied with significant improvements as against

commencement year. Also contrary to commencement year, in 2013, the major contributors to semi strong compliance with IFRS 7 was R1.

Table 4.8 presents the compliance level for the year 2014 from the annual financial reports of the Oil and Gas Marketing Companies in Nigeria.

Table 4.8 Level of Compliance with IFRS 7 in 2014 Financial Year

	Oil & Gas Marketing Companies.	**R1** **80**	**R2** **15**	**R3** **23**	**R4** **51**	**Total Compliance Score** **169**	**Percentage of Total Compliance Score %**
1	Conoil Plc	63	14	20	40	137	81.07
2	Eterna Plc	59	14	19	39	131	77.51
3	Forte Oil Plc	59	14	20	44	137	81.07
4	Japaul Oil & Maritime Services.	57	13	19	40	129	76.33
5	Mobil Oil Nig. Plc	59	13	18	38	128	75.74
6	MRS Oil Nig. Plc	57	13	18	38	126	74.56
7	Oando Plc	61	14	18	38	131	77.51
8	Total Nig. Plc	57	14	18	40	129	76.33
	AVERAGE	73.75%	90.83%	81.52%	77.70%		77.51%

Source: IFRS 7 Compliance Checklist and Oil and Gas Marketing Companies annual reports of 2014

From table 4.8, the overall average level of compliance to IFRS 7 by Oil and Gas Marketing Companies in Nigeria stood at 77.51%. R1 had an average of 73.75%, where Conoil plc had the highest scores with 63 while Japaul Oil & Maritime Services, MRS Oil Nig. Plc and Total Nig. had the least scores with 57 respectively. R1 disclosure significantly improve from 63.91% recorded in 2013 to an impressive 73.75% which led to a strong compliance. R2 had an average of 90.83% with a disclosure check list of 15. The major issue Oil and Gas marketing companies had in 2014 with regards to R2 was the disclosure of showing separate gains and losses arising from derecognition and

reasons for derecognising those financial assets. This disclosure was also not disclosed in year 2013. But as compared to 2013 average of 88.33%, compliance to R2 had increase by 2.5% leading to 90.83%. Although, both were strongly complied with, still we recorded a significant improvement in 2014. Other disclosure (R3) recorded an average of 81.52% in 2014 as against 2013 result of 69.02%. In 2014, disclosures on how the entity satisfied the conditions in IFRS 9.4.2.2 for such designation as at fair value through profit or loss, how the entity has satisfied the criteria in paragraph 4.5 of IFRS 9 (issued in 2010) for such designation also whether regular way purchases and sales of financial assets are encountered or at trade date or at settlement date (IFRS 9.3.1.2). These items were fully disclosed in 2014 as against 2013 where none was disclosed. Some grey areas since 2013 are yet to be disclosed are the criteria for writing off amounts charged to all allowance account against the carrying amount of impaired financial assets (refer IFRS 7.16). In essence, R3 did semi strongly comply with requirements in 2014. R4 in 2014 had an impressive result as against 2013 with 77.70% as against 66.18% respectively. Forte Oil plc had the highest score with 44 while Mobil oil Nig. Plc, MRS oil Nig. Plc and Oando plc had the least scores with 38. Therefore R4 in 2014 recorded a strong compliance.

In average, the overall compliance of Oil and Gas Marketing Companies in Nigeria as at 2014 stood at 77.51%; which signifies improvement as against 2013. Oil and Gas Marketing Companies in the year 2014 did strongly comply with the IFRS 7.

Table 4.9 presents the compliance levels for the year 2015 from the annual financial reports of the Oil and Gas Marketing Companies in Nigeria.

Table 4.9 Level of Compliance with IFRS 7 in 2015 Financial Year

	Oil & Gas Marketing Companies	**R1** **80**	**R2** **15**	**R3** **23**	**R4** **51**	**Total Compliance Score** **169**	**Percentage of Total Compliance Score %**
1	Conoil Plc	54	13	20	42	129	76.33
2	Eterna Plc	46	14	21	39	120	71.01
3	Forte Oil Plc	50	13	19	42	124	73.37
4	Japaul Oil & Maritime Services.	48	13	18	41	120	71.01
5	Mobil Oil Nig. Plc	55	13	21	44	133	78.70
6	MRS Oil Nig. Plc	47	13	19	37	116	68.64
7	Oando Plc	52	14	22	42	130	76.92
8	Total Nig. Plc	48	14	20	45	127	75.15
	AVERAGE	62.50%	89.17%	86.96%	81.37%		73.89%

Source: IFRS 7 Compliance Checklist and Oil and Gas Marketing Companies annual reports of 2015

Table 4.9, shows the level of compliance by Oil and Gas Marketing Companies in Nigeria to IFRS 7 for the year ended 2015. An average of 73.89% compliance level was achieved in the year. This result shows that Oil and Gas Marketing Companies in Nigeria strongly complied with the requirements of IFRS 7. R1 (Statement of Financial Position) recorded an average of 62.50% where Mobil Oil Nig. Plc had the highest scores with 55 and Eterna plc had the least scores of 46. R1 therefore, semi strongly complied with the requirements. R2 (Statements of Comprehensive Income) had an average of 89.17% which maintains strongly its compliance since the commencement of implementation of IFRS 7 in 2012 to 2015. R3 (Other Disclosures) slightly increased compared to 2014, with 5.44%. Oando plc had the highest scores with 22 while the least Oil and Gas marketing companies was Japaul Maritime Services with 18 scores. R3

with an average of 86.96% strong compliance with the requirements. R4 (Nature and extent of Risk from Financial Instrument) had an average of 81.37%. The R4 strongly complied with the requirements; this result was the highest from the commencement of the implementation. Total Nig. Plc had the highest score with 45 while MRS Oil Nig. plc had the least score with 37.

Table 4.10 presents the compliance level for the year 2016 from the annual financial reports of the Oil and Gas Marketing Companies in Nigeria.

Table 4.10 Level of Compliance with IFRS 7 in 2016 Financial Year

	Oil & Gas Marketing Companies	**R1** **80**	**R2** **15**	**R3** **23**	**R4** **51**	**Total Compliance Score** **169**	**Percentage of Total Compliance Score %**
1	Conoil Plc	54	14	20	42	130	76.92
2	Eterna Plc	49	14	22	38	123	72.78
3	Forte Oil Plc	50	13	19	42	124	73.37
4	Japaul Oil & Maritime Services.	47	13	20	42	122	72.18
5	Mobil Oil Nig. Plc	55	13	21	45	134	79.29
6	MRS Oil Nig. Plc	48	13	19	39	119	70.41
7	Oando Plc	57	14	21	42	134	79.29
8	Total Nig. Plc	48	14	20	43	125	73.96
	AVERAGE	63.75%	90.0%	88.04	81.61%		74.77%

Source: IFRS 7 Compliance Checklist and Oil and Gas Marketing Companies annual reports of 2016

Table 4.10, shows the level of compliance by Oil and Gas Marketing Companies in Nigeria to IFRS 7 for the year ended 2016. An average of 74.77% compliance level was achieved in the year. This result shows that Oil and Gas Marketing Companies in Nigeria strongly complied with the requirements of IFRS 7. R1 (Statement of Financial Position) recorded an average of 63.75% where Oando Plc had the highest scores with 57 and Mrs Oil Nig. plc had the least scores of 48. R1 therefore, semi strongly

complied with the requirements. R2 (Statements of Comprehensive Income) had an average of 90.0% which maintains strongly its compliance since commencement of implementation of IFRS 7 in 2012 to 2016. R3 (Other Disclosures) slightly increased compared to 2015, with 1.08%. Eterna plc had the highest scores with 22 while the least Oil and Gas companies were Forte Oil plc and MRS Oil Nig. plc with 19 scores each. R3 with an average of 88.04% strongly complied with the requirements. R4 (Nature and extent of Risk from Financial Instrument) had an average of 81.61%. The R4 strongly complied with the requirements. Mobil Nig. Plc had the highest score with 45 while Eterna Oil Nig. plc had the least score with 38.

Table 4.11 shows the summary of International Financial Reporting Standard 7 compliance by Oil and Gas marketing companies for the period of five years (2012-2016)

Table 4.11 Summary of IFRS 7 Compliance by Oil & Gas Marketing Companies in Nigeria

S/n	IFRS 7 Component	Year 2012	Year 2013	Year 2014	Year 2015	Year 2016	Yearly Component Average
1	R1	40.94 %	63.91 %	73.75 %	62.50 %	63.75 %	60.97%
2	R2	96.88 %	88.33 %	90.83 %	89.17 %	90.00 %	91.04%
3	R3	86.92 %	69.02 %	81.52 %	86.96 %	88.04 %	82.49%
4	R4	45.98 %	66.18 %	77.70 %	81.37 %	81.61 %	70.57%
	Compliance Yearly Average	59.29 %	67.46 %	77.51 %	73.89 %	74.77 %	76.27%

Source: Research's design, 2018

From table 4.11, a summary of the five year report shows that Oil and Gas Marketing Companies in Nigeria have improved in the level of compliance with disclosure requirements of IFRS 7. Thus, in 2012 there is yearly average compliance of 59.29%

which is semi strongly complied; in 2013 there is an increase of 8.17% which is still under semi strong compliance. In 2014, 2015 and 2016 the level of compliance reached strongly complied with is 77.51%, 73.89% and 74.77% respectively. These re-affirmed the assertion that Oil and Gas Marketing Companies in Nigeria are likely to improve their levels of compliance.

The average compliance rating for 2012 stood at 59.29% meaning semi strongly compliance. Prior studies by Zango et al (2015), reported a compliance score slightly above average in 2012. Contrary to semi strong compliance; is the study of Amoako and Asante (2012) whose findings recorded an average compliance of 94.7% in 2008 and 98.2% in 2009 for Ghanaian listed banks. As for the year 2013, the compliance level improved significantly; where the oil and gas marketing companies compliance level increased from an average of 59.29% in year 2012 to 67.46% in 2013 meaning an upward rise in compliance of 8.17% . This improvements may be as a result of additional IFRS knowledge through training, conferences, seminars and workshops (nationally & internationally) by the board of directors, management and line staff of the oil and gas marketing companies. This is consistent with findings in previous studies. Bader (2005) reported an improvement in compliance by banks in the Gulf Cooperation Council member states between 1996 and 2002. Also prior compliance studies by Zango etal (2015) revealed an increase in compliance by Nigerian banks from 2012 to 2013.

Thus, from the table it is observed that all of the oil and gas marketing companies recorded higher points in 2014 as against commencement period 2012 and 2013. In year 2014, an average score of 77.51% was the compliance level of oil and gas marketing companies in Nigeria; an impressive performance as compared to 59.29% and 67.46%

in 2012 and 2013 respectively. This is in line with the findings of Amoako (2010), Yakasai (2014), Juhmani (2012) and Tsegba et al (2017) and contradicted the finding of Tower et al (1999) and Abdullahi (2012). conclusively, the research hypothesis I is therefore rejected.

4.6 Regression modelling

This sub section presents and interprets the results obtained from the test of the research hypotheses. To be able to test hypotheses two, three, four and five, regressional analysis is deemed appropriate. Due to the nature of the data collected (panel) Hausman test was ran to choose the most appropriate models between Random and Fixed effect models. Hausman test results revealed that, Random effect is the most appropriate model of analysis; this is evident from its Chi-square p-value of 0.1903 which is greater than 5% (Appendix II). This necessitated the running of Breusch and Pagan Lagrangian multiplier test for random effects to choose between Pooled OLS and Random effect and the result was significant with a p-value of 0.0083. In view of the above, Random effects model was therefore chosen as the most appropriate model of analysis.

Table 4.12 consist of regression analysis of independent variables for pooled OLS, fixed effect and random effect for oil and gas marketing companies in Nigeria.

Table 4.12: Summary of regression analysis for pooled OLS, fixed effect and random effect for Oil and Gas Marketing Companies in Nigeria

Variables	FE	RE	OLS
Constant	-0.5803303 0.008	0.5894065 0.000*	
Age	0.0409096 0.000*	0.0028499 0.191	
ROA	0.1221193 0.230	-0.1080884 0.033**	
Liquidity	-0.0109076 0.223	0.0054342 0.018**	
Audit type	0.040969 0.247	0.0346481 0.345	
R- Square Chi square P-value	0.5956 10.31 0.0000	0.7396 3.16 0.0022	
Hausman Test	36.51 0.1903		
Breusch and Pagan test		0.05 0.0083	

Source: Stata 14.0 output 2018

***, **, ***, significant at 1%, 5% and 10% respectively**

Table 4.12 reveal the Hausman Test and Breusch & Pagan test (Appendix II). The hausman test result revealed that, random effect is the most appropriate model of analysis; this is evident from its chi- square p-value of 0.1903 which is greater than 5%. The Breusch and pagan test was significant with p-value of 0.0083.

Hypothesis two: Compliance with disclosure requirements of IFRS 7 has no significant relationship with the age of oil and gas marketing companies.

Table 4.13 shows the regression result of voluntary disclosure requirements of IFRS 7 and Age of oil and gas marketing companies. While leverage and firm size are controled variables

Table 4.13: Regression result (AGE & VDR)

VARIABLES	COEFFICIENTS P-VALUES
C	-0.431176
AGE	0.0016 0.002*
LEV	-0.097 0.389
FSIZE	0.104 0.118
R-Square	0.4209
Chi-Square P-value	3.48 0.3229

Source: ***stata 14.0 output 2018***

Table 4.13 reveal a p-value of 0.002 against the independent variable (Age), (Appendix II). This implies that Age significantly affects Voluntary disclosure requirement of Oil & Gas marketing companies and the relationship was positive as revealed by its coefficient of 0.0016. None of the control variables introduced affects the dependent variables as their p-values are greater than 1%, 5% and 10% respectively. The R-Square value of 0.4209 implies that, Age jointly with the control variables account for about 43% changes in the dependent variable. Surprisingly, the variables jointly doesn't affect the dependent variable. This is in line with the findings of Muhammad (2017) and contradicted the findings of Juhmani (2012), Ibrahim (2014) and Al-Tahat (2015) conclusively; the research hypothesis two is therefore rejected.

Hypothesis Three: Compliance with disclosure requirements of IFRS 7 has no significant relationship with the profitability of oil and gas marketing companies.

Table 4.14 shows the regression result of voluntary disclosure requirements of IFRS 7 and profitability of oil and gas marketing companies. While leverage and firm size are controled variables.

Table 4.14: Regression result (ROA & VDR)

VARIABLES	COEFFICIENTS P-VALUES
C	-0.3337
ROA	-0.1173 0.033**
LEV	-0.0527 0.529
FSIZE	0.0981 0.057***
R-Square	0.4239
Chi-Square P-value	4.27 0.2340

Source: ***Stata 14.0 output 2018***

Table 4.14 reveal a p-value of 0.033 against the independent variable (ROA), (Appendix II). This implies that ROA significantly affects voluntary disclosure requirement of Oil & Gas marketing companies although the relationship was negative as revealed by its coefficient of -0.1173. The control variable (LEV) introduced affected the dependent variable as its p-values is greater than 1%, 5% and 10% respectively. While the other controlled variable (FSIZE) is at 10% significance. The R-Square value of 0.4239 implies that, ROA jointly with the controlled variables account for about 42% changes in the dependent variable likewise, the variables jointly doesn't affect the dependent variable. This is consistent with the findings of Owusu-Ansah (1998), Ali et al. (2004), Gallery et al. (2008), Hassan and Farouk (2014), Andrew (2015), Al-Tahat (2015) and Tsegba et al (2017) and contradicted the findings of Street and Bryant (2000), Street and Gray (2001), Glaum and Street (2003), Al-shammari et al. (2008), Juhmani (2012) and Muhammad (2017) conclusively, the research hypothesis three is therefore rejected.

Hypothesis Four: Compliance with disclosure requirements of IFRS 7 has no significant relationship with the liquidity of oil and gas marketing companies.

Table 4.15 shows the regression results of voluntary disclosure requirements of IFRS 7 and liquidity of oil and gas marketing companies. While leverage and firm size are controlled variables.

Table 4.15: Regression result (LIQ & VDR)

VARIABLES	COEFFICIENTS P-VALUES
C	-0.1356
LIQ	-0.0048 0.056***
LEV	-0.0767 0.337
FSIZE	0.0811 0.082***
R-Square	0.0550
Chi-Square P-value	3.09 0.3778

Source: ***Stata 14.0 output 2018***

Table 4.15 reveal a p-value of 0.056 against the independent variable (LIQ), (Appendix II). This implies that LIQ insignificantly affected voluntary disclosure requirement of Oil & Gas marketing companies and the relationship was negative as reveal by its coefficient of -0.0048. The control variable (LEV) introduced affected the dependent variable as its p-values is greater than 1%, 5% and 10% respectively. While the other controlled variable (FSIZE) is at 10% significant. The R-Square value of 0.0550 implies that, LIQ jointly with the controlled variables account for about 6% changes in the dependent variable. However, the variables jointly affected the dependent variable. This is in line with the findings of Wallace et al, (1994), Wallace and Naseer (1995), Owusu-Ansah and Yeoh (2005) and Al-shammari et al. (2008) and contradicted the findings of Belkaoui and Kahl (1978), Hassan and Faouk (2014) and Andrew (2015). Conclusively, the research hypothesis four is therefore rejected.

Hypothesis Five: Compliance with disclosure requirements of IFRS 7 has no significant relationship with the Audit type of oil and gas marketing companies.

Table 4.16 shows the regression result of voluntary disclosure requirements of IFRS 7 and Auditor type of oil and gas marketing companies. While leverage and firm size are controlled variables

Table 4.16: Regression result (AT & VDR)

VARIABLES	COEFFICIENTS P-VALUES
C	-0.1594
AT	0.0209 0.465
LEV	-0.0739 0.386
FSIZE	0.0813 0.117
R-Square	0.5248
Chi-Square P-value	3.30 0.3480

Source: ***Stata 14.0 output 2018***

Table 4.16 reveal a p-value of 0.465 against the independent variable (AT), (Appendix II). This implies that AT insignificantly affected Voluntary disclosure requirement of Oil & Gas marketing companies and the relationship was positive as revealed by its coefficient of 0.0209. None of the controlled variables introduced affected the dependent variables as their p-values is greater than 1%, 5% and 10% respectively. The R-Square value of 0.5248 implies that, AT jointly with the controlled variables account for about 52% changes in the dependent variable. Instantly, the variables jointly affected the dependent variable. This is in line with the findings of Tsegba et al (2017) and contradicted the findings of Juhmani (2012), Al-Tahat (2015) and Muhammad (2017). Conclusively, the research hypothesis five is therefore Accepted.

4.7 Findings

Based on the data presented, analysed and interpreted, the following findings were made:

i. Oil and gas marketing companies in Nigeria have strongly complied with disclosure requirement of IFRS 7 with an average compliance levels of 76.27%. this finding is consistent with the findings of Tower et al (1999), Al-shammari (2005), Al-mutawaa (2010), Amoako (2010), Juhmani (2012), Yiandom and Atsunyo (2014), Yakasai (2014), Adentunji et al (2014) and Tsegba et al (2017) and contradicted the findings of Abdullahi (2012), Akhtaruddin and Haron (2012) and Sani and Dauda (2014).

ii. There have been significant improvements in the level of compliance with disclosure requirements of IFRS 7 in the annual reports of oil and gas marketing companies in Nigeria from the commencement years 2012 to 2016. The level of compliance rose from 59.29% in 2012 to 74.77% in 2016. This is in line with the findings of Al-shammari (2005) and Abdulkadir (2017).

iii. Oil and gas companies do not maintain consistency in the level of compliance to the disclosure requirements of IFRS 7 throughout the study period. The level of compliance are 59.29%, 67.46%, 77.51%, 73.89% and 74.77% in 2012, 2013, 2014, 2015 and 2016 respectively. There is a decrease in compliance in 2015 compared to 2014. This is consistent with the findings of Al-shammari (2005), Ali et al (2012) and Abdulkadir (2017).

iv. Thus, age, profitability and liquidity of oil and gas marketing companies have positive significant impacts on the level of compliance with IFRS 7, that is the older the oil and gas marketing companies, the higher the level of compliance. Likewise the higher the profitability and liquidity the higher the level of

compliance. This is in line with the findings of Ali et al (2012), Yiadom and Atsunyo (2014) and Andrew (2015) and contradicted the findings of Tower et al (1999), Raithatha and Bapat (2012) and Juhmani (2012).

v. However, the auditor type of oil and gas marketing companies has negative significant impact on the level of compliance with the requirements of IFRS 7, that is whether the oil and gas marketing companies are audited by the 4 Big companies or not it will not affect the level of compliance with IFRS 7. This contradicted the findings of Juhmani (2012), Yiadom and Atsunyo (2014) and Muhammad (2017).

CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter consist of summary, findings, conclusions and recommendations as well as the frontier for further research.

5.2 Summary

This dissertation comprises of five chapters. The chapter one opens with a background of the study in which a general overview of the area of the study was explained with a view to appreciating the study environment and the implications of compliance with IFRS 7 by listed oil and gas marketing companies in Nigeria. It further discusses issues that concern IFRS globally which reveals that IFRS compliance assist in the preparation of financial statement and present high quality, transparent and comparable financial statements. International Financial Reporting Standard (IFRS) compliance is a global issue. It involves preparation of financial statement by an organization which is believed to be of high quality, transparent and comparable with all financial statement in the world. Compliance with IFRS 7 by the oil and gas marketing companies all over the globe has received considerable attention following the compulsory compliance with IFRS in 2012.

In line with the problem statement and the objectives of the study which aims to assess compliance with the disclosure requirements of IFRS 7 by listed oil and gas marketing companies in Nigeria, five research hypotheses were formulated in null form. Other aspects of the chapter consists of the scope of the study, which covered a period of five years from (2012 - 2016), and finally concluded with scheme of chapters.

Chapter two reviews related literature on issues, concepts, findings and theories related to the subject matter of the study. The review reveals that compliance with IFRS is a state of being in accordance with established guidelines or specifications; it also

encompasses efforts to ensure that organizations are abiding by both companies statutory regulations and governmental legislation. Compliance with international financial reporting Standard (IFRS) is a universal phenomenon on oil and gas firms listed on the Nigeria Stock Exchange (NSE) and finally concluded with a summary of gap.

The third chapter on research methodology explains the relevant research tools that were adopted for the study. A non-survey research design was used and the data for the study was collected from the annual reports and accounts of eight (8) listed sampled oil and gas marketing companies in Nigeria. The population of the study consists of all eight (8) oil and gas marketing companies listed on the floor of the Nigerian Stock Exchange as at 31st December 2016. Panel data methodology was used in analyzing the data for the study, as such, the compliance index was used to test hypothesis one, multiple regressions (OLS and GLS) were used to test hypotheses two, three, four and five using STATA software version 14.0 output 2018.

Chapter four presents, analyzes and interprets the data generated for the study. The result was used to test all the hypotheses of the study. The result of level of compliance and the regression analyses leads to the rejection of hypotheses one, two and three of the study while hypothesis four and five were accepted.

5.3 Conclusion

The aim of every research work is to arrive at credible findings that will provide correct answers to the research hypotheses. The following are the conclusions drawn from the results and discussion in chapter 4.

i. Oil and Gas Marketing companies in Nigeria have strongly complied with disclosure requirements of IFRS 7 at an average level of 76.27% as shown in table 4.11

ii. There has been significant improvements in the level of compliance with disclosure requirements of IFRS 7 in the financial statements of oil and gas marketing companies in Nigeria. This is not adequate, because accounting standards are expected to be complied with in its totality.

iii. It is also found that listed oil and gas marketing companies in Nigeria do vary (inconsistenly) in compliance with IFRS 7, for example in 2014 the level of compliance was 77.51% while in 2015 the level of compliance was 73.89%.

iv. The age, profitability and liquidity of oil and gas marketing companies have significantly affected the level of compliance with IFRS 7.

v. The auditor type of oil and gas marketing companies has not affected the level of compliance with the requirements of IFRS 7.

5.4 Recommendations

In order to achieve full and strict compliance by oil and gas marketing companies in Nigeria with requirements of International Financial Reporting Standard 7, the following recommendations are proffered:

i. The FRCN should publish annually the compliance status of all the listed Oil and Gas marketing companies in Nigeria, so that the compliance status of every oil and gas marketing companies will become known to all interested users of financial statements. This will promote compliance.

ii. In line with second conclusion, The FRCN should promote and support research in the areas of compliance with accounting standards. This will go a long way in

improving the levels of awareness and also enhance significant improvement in disclosure; Oil and Gas marketing companies should ensure that periodic training and workshop are organized for its Management staff saddled with the responsibilities of preparing financial reports in order to maintain consistency in the level of compliance to the disclosure requirements of IFRS 7.

iii. The study recommends that IASB, Financial Reporting Council of Nigeria and other relevant regulatory bodies to, as a matter of urgency, commission additional follow up campaigns and programmes aimed at enlightening not only corporate bodies but also individual stakeholders on the benefits derivable from compliance with requirement of IFRSs since the compliance is not 100%, this will promote and enforce compliance with the international financial reporting standards.

iv. Apart from the legal obligation on auditors of ensuring their clients are complying with accounting standards, as a matter of principles, the FRCN should again urge external and internal auditors of oil and gas marketing companies to ensure that their clients are complying with the requirements of the Standards issued by the board.

5.5 Suggestions for Further Research

The study assesses the levels of compliance with accounting information disclosure in the Nigerian oil and gas marketing companies. The study considers

only International Financial Reporting Standard Seven (IFRS 7), therefore, there is need for assessing the levels of compliance with accounting information disclosure in other standards. Similarly, the study also examined the significant relationship between compliance with disclosure requirements of IFRS 7 and oil and gas marketing companies' attributes of age, profitability, liquidity and auditor type. Moreover, further study may focus on other variables such as size, internationality, leverage, and ownership diffusion. Additionally, the study limited its scope on the level of compliance with accounting information disclosures in the Nigerian listed oil and gas marketing companies only; other sectors of the economy such as financial sector, manufacturing companies, Agricultural companies, insurance companies and conglomerates require research efforts, especially as they are not covered in this work. However, it is of the opinion of the researcher that future researchers should include Auditor type which revealed negative significant result; this may yield otherwise findings.

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APPENDICES

Appendix I

Ernst & Young, IFRS 7 Checklist (2016)

STANDA	DETAILS

RD

IFRS 7.6 If disclosures are required by class of financial instrument, does the entity:

a. Group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments

b. Provide sufficient information to permit reconciliation to the relevant items in the statement of financial position

IFRS 7.7 Does the entity disclose information that enables users of its financial statements to evaluate the significance of financial instruments to its financial position and Performance

IFRS 7.8 Does the entity disclose, either in the statement of financial position or in the notes, the carrying amounts of each of the following:

a. Financial assets measured at fair value through profit or loss, showing separately:

 Those designated as such upon initial recognition

 Those mandatorily measured at fair value

b. Financial liabilities at fair value through profit or loss, showing separately:

 Those designated as such upon initial recognition

 Those that meet the definition of held for trading in IFRS 9 (issued in 2010)

c. Financial assets measured at amortised cost

d. Financial liabilities measured at amortised cost

e. Financial assets measured at fair value through other comprehensive income

Financial assets or financial liabilities at fair value through profit or loss

IFRS 7.9 If the entity designated a financial asset (or group of financial assets) as

measured at fair value that would otherwise be measured at amortised cost, does it disclose:

a. The maximum exposure to credit risk of the financial asset (or group of financial assets) at the end of the reporting period

b. The amount by which any related credit derivatives or similar instruments mitigate that maximum exposure to credit risk

c. The change, during the period and cumulatively, in the fair value of the financial asset (or group of financial assets) that is attributable to changes in the credit risk of the financial asset determined either:

 As the change in its fair value that is not attributable to changes in market conditions that give rise to market risk

Or

 Using an alternative method that the entity believes more faithfully represents the change in its fair value that is attributable to changes in credit risk of the asset

d. The change in the fair value of any related credit derivatives or similar instruments that occurred during the reporting period and cumulatively since the financial asset was designated

IFRS 7.10 If the entity (a) designated a financial liability as at fair value through profit or loss in accordance with IFRS 9.4.2.2 and (b) is required to present the effects of changes in that liability's credit risk in other comprehensive income (see IFRS 9.5.7.7) does it disclose:

a. The change, cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability

b. The difference between the financial liability’s carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation

c. Any transfers of the cumulative gain or loss within equity during the reporting

period including the reason for such transfers

d. If a liability is derecognised during the reporting period, the amount (if any) presented in other comprehensive income that was realised at derecognition

IFRS 7.10A If the entity (a) designated a financial liability as at fair value through profit or loss in accordance with IFRS 9.4.2.2 and (b) is required to present all changes in the fair value of that liability (including the effects of changes in the credit risk of the liability) in profit or loss (see IFRS 9.5.7.7-8) does it disclose:

a. The change, during the reporting period and cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability

IFRS 7.11 Does the entity disclose:

a. A detailed description of the methods used to comply with the requirements in items 7.33(c), 7.34(a) and 7.B8(a).

b. If the entity believes that the disclosure it has given, either in the statement of financial position or in the notes, to comply with the requirements in items 7.33(c), 7.34(a) and 7B8(a) or IFRS 9.5.7.7(a) does not faithfully represent the change in the fair value of the financial asset or financial liability attributable to changes in its credit risk

- The reasons for reaching this conclusion
- The factors the entity believes are relevant

c. A detailed description of the methodology or methodologies used to determine whether presenting the effects of changes in a liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss

d. If the entity is required to present the effects of changes in a liability's credit

risk in profit or loss (to comply with c. above) a detailed description of the economic relationship described in IFRS 9.B5.7.6

Financial assets measured at fair value through other comprehensive income

IFRS 7.11A If an entity designated investments in equity instruments to be measured at fair value through other comprehensive income, does it disclose:

a. Which investments in equity instruments are designated to be measured at fair value through other comprehensive income

b. The reasons for using this presentation alternative

c. The fair value of each such investment at the end of the reporting period

d. Dividends recognised during the period, showing separately:

- Those related to investments derecognised during the reporting period
- Those related to investments held at the end of the reporting period

e. Any transfers of the cumulative gain or loss within equity during the reporting period and the reason for such transfers

IFRS 7.11B If an entity derecognises investments in equity instruments measured at fair value through other comprehensive income during the reporting period, does it disclose:

a. The reasons for disposing of the investments

b. The fair value of the investments at the date of derecognition

c. The cumulative gain or loss on disposal

Reclassification

IFRS 7.12B If the entity, in the current or previous reporting periods, reclassified any financial assets in accordance with paragraph 4.4.1 of IFRS 9 (issued in 2010), does the entity disclose:

a. The date of reclassification

b. A detailed explanation of the change in business model and a qualitative description of its effect on the entity's financial statements

c. The amount reclassified into and out of each category

d. For any financial assets reclassified so they are measured at fair value, any gain or loss arising from a difference between the previous carrying amount and its fair value at the reclassification date

IFRS 7.12C For each reporting period following reclassification until derecognition for assets reclassified to be measured at amortised cost, does the entity disclose:

a. The effective interest rate determined on the date of reclassification

b. The interest income or expense recognised

IFRS 7.12D If the entity reclassified financial assets so that they are measured at amortised cost since its last annual reporting date, does it disclose:

a. The fair value of the financial assets at the end of the reporting period

b. The fair value gain or loss that would have been recognised in profit or loss during the reporting period if the financial assets had not been reclassified

Transfers of financial assets

IFRS 7.42A Does the entity present the disclosures required in items 7.42B-7.42H in a single note

in its financial statements

IFRS 7.42B Does the entity disclose information that enables users of its financial statement:

a. To understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities

b. To evaluate the nature of, and risks associated with, the entity’s continuing involvement in derecognised financial assets

Transferred financial assets that are not derecognised in their Entirety

To meet the objectives in item IFRS 7.42(b) above, does the entity disclose for each class of transferred financial assets that are not derecognised in their entirety:

IFRS 7.42D

a. The nature of the transferred assets

b. The nature of the risks and rewards of ownership to which the entity remains Exposed

c. A description of the nature of the relationship between the transferred assets and the associated liabilities, including any restrictions arising from the transfer on the entity's use of the transferred assets

d. When the counterparty (counterparties) to the associated liabilities has (have) recourse only to the transferred assets, a schedule that sets out

- The fair value of the transferred assets
- The fair value of the associated liabilities
- The net position

e. When the entity continues to recognise all of the transferred assets, the carrying amounts of the transferred assets and the associated liabilities

f. When the entity continues to recognise the assets to the extent of its continuing involvement:

- The total carrying amount of the original assets before the transfer
- The carrying amount of the assets that the entity continues to recognise
- The carrying amount of the associated liabilities

Transferred financial assets that are derecognised in their entirety

IFRS 7.42E To meet the objectives IFRS 7.42(b), when the entity derecognises financial

assets, but has continuing involvement in them, does the entity disclose for each type of continuing involvement at the reporting date:

a. The carrying amount of the assets and liabilities that are recognised in the entity's statement of financial position and represent the entity's continuing involvement in the derecognised financial assets, and the line items in which those assets and liabilities are recognised

b. The fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets

c. The amount that best represents the entity's maximum exposure to loss from its continuing involvement in the derecognised financial assets, and how the maximum exposure to loss is determined

d. The undiscounted cash outflows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee for the transferred assets

IFRS 7.B34 e. A maturity analysis of the undiscounted cash outflows that would or may be

IFRS 7.B35 required to repurchase the derecognised financial assets or other amounts

IFRS 7.B36 payable to the transferee in respect of the transferred assets, showing the remaining contractual maturities of the entity's continuing involvement

IFRS 7.B37 f. Qualitative information that explains and supports the quantitative disclosures in (a)–(e), that includes a description of:

- The derecognised financial assets and the nature and purpose of the continuing involvement retained after transferring those assets
- The risks to which an entity is exposed, including:
- A description of how the entity manages the risk inherent in its continuing

involvement in the derecognised financial assets

 Whether the entity is required to bear losses before other parties, and the ranking and amounts of losses borne by parties whose interests rank lower than the entity's interest in the asset (i.e., its continuing involvement in the asset)

 A description of any triggers associated with obligations to provide financial support or to repurchase a transferred financial asset

IFRS 7.42G Does the entity disclose, for each reporting period for which a statement of comprehensive income is presented, for each type of continuing involvement:

IFRS 7.B38 a. The gain or loss recognised at the date of transfer of the assets, including:

 Whether that gain or loss on derecognition arose because the fair values of the components of the previously recognised asset (i.e., the interest in the asset derecognised and the interest retained by the entity) were different from the fair value of the previously recognised asset as a whole

 If that gain or loss on derecognition arose because the fair values of the components of the previously recognised asset were different from the fair value of the previously recognised asset as a whole, whether the fair value measurements included significant inputs that were not based on observable market data

b. Income and expenses recognised, both in the reporting period and cumulatively, from the entity's continuing involvement (for example, fair value changes in derivative instruments)

c. If the total amount of proceeds from transfer activity (that qualifies for derecognition) in a reporting period is not evenly distributed throughout the reporting period (for example, if a substantial proportion of the total amount of transfer activity takes place in the closing days of a reporting period):

 When the greatest transfer activity took place within that reporting period (for example, the last five days before the end of the reporting period)

 The amount recognised (for example, related gains or losses) from transfer activity in that part of the reporting period

 The total amount of proceeds from transfer activity in that part of the reporting period

Supplementary information

IFRS 7.42H IFRS 7.B39 Does the entity disclose any additional information that it considers necessary to meet the disclosure objectives in IFRS 7.42B above

Collateral

IFRS 7.14 Does the entity disclose:

a. The carrying amount of financial assets pledged as collateral for liabilities or contingent liabilities, including amounts reclassified in accordance with IFRS 9.2.3.23(a)

b. The terms and conditions relating to the pledge

If the entity holds collateral (of financial or non-financial assets) and may sell or repledge the collateral in the absence of default by the owner of the collateral, does the entity disclose:

IFRS 7.15

a. The fair value of the collateral held

b. The fair value of any such collateral sold or repledged, and whether the entity has an obligation to return it

c. The terms and conditions associated with its use of this collateral

Allowance account for credit losses

IFRS 7.16 If financial assets are impaired by credit losses and the entity records the

impairment in a separate account (for example, an allowance account or similar account used to record a collective impairment of assets) rather than directly reducing the carrying amount of the asset, does the entity reconcile changes in that account during the period for each class of financial assets

Compound financial instruments with multiple embedded derivatives

IFRS 7.17 If the entity issued an instrument that contains both a liability and an equity component and the instrument has multiple embedded derivatives whose values are interdependent (such as a callable convertible debt instrument), does the entity disclose the existence of those features

Defaults and breaches

IFRS 7.18 For loans payable recognised at the end of the reporting period, does the entity disclose:

a. Details of any defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable

b. The carrying amount of the loans payable in default at the end of the reporting Period

c. Whether the default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue

IFRS 7.19 If, during the reporting period, there are breaches of loan agreement terms other than those described in IFRS 7.18, does the entity disclose the same information as required by IFRS 7.18 if those breaches permit the lender to demand accelerated repayment (unless the breaches were remedied, or the terms of the loan were renegotiated, on or before the end of the reporting period)

Statement of comprehensive income

Items of income, expense, gains and losses

IFRS 7.20 Does the entity disclose the following items of income, expense, gains or losses, either in the statement of comprehensive income or in the notes:

Net gains or net losses on:

□ Financial assets measured at fair value through profit or loss, showing separately:□

□ Those financial liabilities designated as such upon in initial recognition, showing separately the gain or loss recognised in other comprehensive income and the amount recognised in profit or loss

□ Those that are mandatorily measured at fair value in accordance with IFRS 9 (issued in 2010) (for example, financial liabilities that meet the definition of held for trading in IFRS 9 (issued in 2010))

□ Financial liabilities at fair value through profit or loss, showing separately: □

□ Those financial liabilities designated as such upon initial recognition

□ Those that meet the definition of held for trading in IAS 39

□ Financial assets measured at amortised cost

□ Financial liabilities measured at amortised cost

□ Financial assets measured at fair value through other comprehensive income

IFRS 7.20 Does the entity disclose either in the statement of comprehensive income or in the notes (calculated using the effective interest method) for financial assets that are measured at amortised cost or financial liabilities not at fair value through profit or loss:

a. Total interest income

b. Total interest expense

IFRS Does the entity disclose either in the statement of comprehensive income or in

7.20		the notes, the fee income and expense (other than amounts included in determining the effective interest rate) arising from: a. Financial assets measured at amortised cost or financial liabilities that are not at fair value through profit or loss b. Trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans and other Institutions
IFRS 7.20(d)		Does the entity disclose either in the statement of comprehensive income or in the notes, the interest income on impaired financial assets accrued in accordance with IAS 39.AG93
IFRS 7.20(e)		Does the entity disclose either in the statement of comprehensive income or in the notes, the impairment loss for each class of financial asset
IFRS 7.20A		If the entity derecognised a financial asset measured at amortised cost, does the entity disclose: a. An analysis of the gain or loss recognised in the statement of profit or loss and other comprehensive income arising from the derecognition of those financial assets, showing separately gains and losses arising from derecognition b. The reasons for derecognising those financial assets
		Other disclosures
		Accounting policies
IFRS 7.21		Does the entity disclose, in the summary of significant accounting policies, the

measurement basis (or bases) used in preparing the financial statements and the other accounting policies that are relevant to an understanding of the financial statements in relation to financial instruments

IFRS 7.B5(a) Does the entity disclose, for financial liabilities designated as at fair value through profit or loss:

a. The nature of the financial liabilities the entity has designated as at fair value through profit or loss

b. The criteria for so designating such financial liabilities on initial recognition

c. How the entity satisfied the conditions in IFRS 9.4.2.2 for such designation

IFRS 7.B5(aa) For financial assets designated at fair value through profit or loss, does the entity disclose:

a. The nature of the financial assets the entity has designated as measured at fair value through profit or loss

b. How the entity has satisfied the criteria in paragraph 4.5 of IFRS 9 (issued in 2010) for such designation

c. Whether regular way purchases and sales of financial assets are encountered for at trade date or at settlement date (IFRS 9.3.1.2).

d. Whether an allowance account is used to reduce the carrying amount of financial assets impaired by credit losses:

 The criteria for determining when the carrying amount of impaired financial assets is reduced directly (or, in the case of a reversal of a write-down, increased directly) and when the allowance account is used

 The criteria for writing off amounts charged to the allowance account against the carrying amount of impaired financial assets (refer IFRS 7.16)

IFRS 7.B5(e. How net gains or net losses on each category of financial instrument are

e)

IFRS 7.20(a) determined, for example, whether the net gains or net losses on items at fair value through profit or loss include interest or dividend income

IFRS 7.B5(f) f. The criteria the entity uses to determine that there is objective evidence that

IFRS 7.20(e) an impairment loss has occurred

IFRS 7.B5(g) g. If the terms of financial assets that would otherwise be past due or impaired

IFRS 7.36(d) have been renegotiated, the accounting policy for financial assets that are the subject of renegotiated terms

IFRS 7.B5 Does the entity disclose management's judgements for financial instruments that have the most significantly affected the financial statements

Hedge accounting

IFRS 7.22 Does the entity disclose the following separately for each type of hedge in IAS 39

(that is, fair value hedges, cash flow hedges and hedges of a net investment in a foreign operations):

a. A description of each type of hedge

b. A description of the financial instruments designated as hedging instruments

c. Their fair values at the end of the reporting period

d. The nature of the risks being hedged

IFRS 7.23 For cash flow hedges, does the entity disclose:

a. The reporting periods when the cash flows are expected to occur and when

they are expected to affect profit or loss

b. Any forecast transaction for which hedge accounting was previously used, but which is no longer expected to occur

c. The amount recognised in other comprehensive income during the reporting Period

d. The amount reclassified from equity to profit or loss as a reclassification adjustment for the reporting period, showing the amount included in each line item in the statement of comprehensive income

e. The amount removed from equity during the reporting period and included in the initial cost or other carrying amount of a non-financial asset or nonfinancial liability whose acquisition or incurrence was a hedged highly probable forecast transaction

IFRS 7.24 Does the entity separately disclose:

a. In fair value hedges, gains or losses on the:

- Hedging instrument
- Hedged item attributable to the hedged risk

b. The ineffectiveness recognised in profit or loss that arises from cash flow Hedges

c. The ineffectiveness recognised in profit or loss that arises from hedges of net investment in foreign operations

Fair value

IFRS 7.25 Does the entity disclose for each class of financial assets and financial liabilities,

IFRS 7.29 the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount (except for those noted in IFRS 7.29)

IFRS In disclosing fair values, does the entity group financial assets and financial

7.26

liabilities into classes, but offset them only to the extent that their carrying amounts are offset in the statement of financial position

IFRS 7.28 If an entity does not recognise a gain or loss on initial recognition of a financial asset or financial liability because the fair value is neither evidenced by a quoted price in an active market for an identical asset or liability (i.e., Level 1 input) nor based on a valuation technique that uses only data from observable markets (refer IAS 39.AG76), then the entity shall disclose by class of financial asset or liability:

a. Its accounting policy for recognising that difference in profit or loss to reflect a change in factors (including time) that market participants would take into account when pricing the asset or liability

IFRS 7.28(b) b. The aggregate difference yet to be recognised in profit or loss at the beginning and end of the reporting period and reconciliation of changes in the balance of this difference

c. Why it has concluded that the transaction price was not the best evidence of fair value, including a description of the evidence that supports the fair value

IFRS 7.29 In the cases described in IFRS 7.29 (c), does the entity disclose information to

IFRS 7.30 help users of the financial statements make their own judgements about the extent of possible differences between the carrying amount of those contracts and their fair value, including:

a. The fact that the entity does not disclose fair value information for these instruments because their fair value cannot be measured reliably

b. A description of the financial instruments, their carrying amount and an

explanation of why fair value cannot be measured reliably

c. Information about the market for the instruments

d. Information about whether and how the entity intends to dispose of the financial instruments

e. If financial instruments whose fair value previously could not be reliably measured are derecognised:

- That fact
- Their carrying amount at the time of derecognition
- The gain or loss recognized

Nature and extent of risk arising from financial instruments

IFRS 7.31 Does the entity disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period

Qualitative disclosures

IFRS 7.33 For each type of risk arising from financial instruments, does the entity disclose:

a. The exposures to risk and how they arise

b. Its objectives, policies and processes for managing the risk and the methods used to measure the risk

c. Any changes in (a) or (b) from the previous period

Quantitative disclosures

IFRS 7.34 For each type of risk arising from financial instruments, does the entity disclose:

a. Summary quantitative data about its exposure to that risk at the end of the reporting period based on the information provided internally to key management personnel of the entity (as defined in IAS 24), for example, the entity's board of directors and chief executive officer

b. The disclosures required by IFRS 7.36-42 below to the extent not provided in accordance with (a)

c. Concentrations of risk if not apparent from the disclosures made in accordance with (a) and (b)

IFRS 7.B8 For concentrations of risk, does the entity disclose:

a. How management determines concentrations

b. The shared characteristic that identifies each concentration (for example, counterparty, geographical area, currency and/or market)

c. The amount of the risk exposure associated with all financial instruments sharing that characteristic

IFRS 7.35 If the quantitative data disclosed as at the end of the reporting period are unrepresentative of the entity's exposure to risk during the period, does the entity provide further information that is representative

Credit risk

IFRS 7.36 Does the entity disclose by class of financial instrument:

a. The amount that best represents its maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements (for example, netting agreements that do not qualify for offset in accordance with IAS 32.42), if the carrying amount does not represent the maximum exposure to credit risk

IFRS 7.36 b. A description of collateral held as security and of other credit enhancements, and their financial effect (for example, a quantification of the extent to which collateral and other credit enhancements mitigate credit risk) for the amount that best represents the maximum exposure to credit risk (whether disclosed in

accordance with (a) or represented by the carrying amount of a financial instrument)

IFRS 7.36 c. The credit quality of financial assets that are neither past due nor impaired

Financial assets that are either past due or impaired

IFRS 7.37 Does the entity disclose by class of financial asset:

IFRS 7.IG28 a. An analysis of the age of financial assets that are past due as at the end of the reporting period but not impaired

IFRS 7.IG29 b. An analysis of financial assets that are individually determined to be impaired as at the end of the reporting period, including the factors the entity considered in determining that they are impaired

Collateral and other credit enhancements obtained

IFRS 7.38 If the entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements (for example, guarantees), and such assets meet the recognition criteria in other IFRS, does the entity disclose for such assets held at the reporting date:

a. The nature and carrying amount of the assets obtained

b. If the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations

Liquidity risk

IFRS 7.39 Does the entity disclose:

a. A maturity analysis for non-derivative financial liabilities (including issued

financial guarantee contracts) that shows the remaining contractual maturities

b. A maturity analysis for derivative financial liabilities, which includes the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows

c. How it manages the liquidity risk inherent in (a) and (b)

IFRS 7.B10A d. Unless the information is included in the contractual maturity analysis required by IFRS 7.39(a) or 39 (b) above, does the entity state that fact and provide quantitative information that enables users of its financial statements to evaluate the extent of this risk if the outflow of cash (or another financial asset) could either:

 Occur significantly earlier than indicated in the data

Or

 Be for significantly different amounts from those indicated in the data (for example, for a derivative that is included in the data on a net settlement basis, but for which, the counterparty has the option to require gross settlement)

Market risk

Sensitivity analysis

IFRS 7.40 Unless the entity complies with IFRS 7.41,below does the entity disclose:

IFRS 7.IG33 a. A sensitivity analysis for each type of market risk to which the entity is exposed

IFRS 7.IG34 at the end of the reporting period, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at the end of the reporting period

b. The methods and assumptions used in preparing the sensitivity analysis

c. Changes from the previous period in the methods and assumptions used and reasons for such changes

IFRS 7.41 If the entity prepares a sensitivity analysis, such as a value-at-risk, that reflects interdependencies between risk variables (for example, interest rates and exchange rates) and uses it to manage financial risks, it may use that sensitivity analysis in place of the analysis in IFRS 7.40 above. If the entity uses such a sensitivity analysis does the entity also explain:

a. The method used in preparing such a sensitivity analysis, and the main parameters and assumptions underlying the data

b. The objective of the method used and limitations that may result in the information not fully reflecting the fair value of the assets and liabilities Involved

Other market risk disclosures

IFRS 7.42 If the sensitivity analyses in IFRS 7.40-41 above are unrepresentative of a risk inherent in a financial instrument (for example, because the exposure at the end does the entity disclose that fact and the reason it believes the sensitivity analyses are unrepresentative

Offset financial assets and financial liabilities

IFRS 7.13C
IFRS 7.13D Does the entity disclose, in a tabular format (unless another format is more appropriate), separately for recognised financial assets and recognised financial liabilities that have been set-off in accordance with IAS 32.42 or that are subject to an enforceable master netting arrangement or similar agreement, the following quantitative information:

	a. The gross amounts of those recognised financial assets and recognised financial liabilities b. The amounts that are set off in accordance with the criteria in paragraph 42 of IAS 32 when determining the net amounts presented in the statement of financial position c. The net amounts presented in the statement of financial position d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in b. above (for each instrument limited to the amount included in c. above), including: □ Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in paragraph 42 of IAS 32 □ Amounts related to financial collateral (including cash collateral) e. The net amount after deducting the amounts in (d) from the amounts in (c) Above
IFRS 7.13E	Does the entity disclose a description of the rights of set-off associated with the entity's recognized financial assets and recognized financial liabilities subject to enforceable master netting arrangements and similar agreements that are disclosed in accordance with IFRS 7.13C (d) above, including the nature of those rights
IFRS 7.13F	Does the entity cross-refer the information of IFRS 7.13B-13E above if it is disclosed in more than one note to the financial statements
	Extinguishing financial liabilities with equity instruments
IFRS 7.44I	When an entity first applies IFRS 9 (issued in 2010) for each class of financial assets and financial liabilities at the date of initial application, does the entity disclose in tabular format unless another format is more appropriate:

a. The original measurement category and carrying amount determined in accordance with IAS 39

b. The new measurement category and carrying amount determined in accordance with IFRS 9 (issued in 2010)

c. The amount of any financial assets and financial liabilities in the statement of financial position that were previously designated as measured at fair value through profit or loss, but are no longer so designated, distinguishing between those that IFRS 9 (issued in 2010) requires an entity to reclassify and those that an entity reclassifies

IFRS 7.44J When an entity first applies IFRS 9 (issued in 2010), does the entity disclose qualitative information to enable users to understand:

a. How it applied the classification requirements in IFRS 9 (issued in 2010) to those financial assets whose classification changed as a result of applying IFRS 9 (issued in 2010)

b. The reasons for any designation or de-designation of financial assets or financial liabilities as measured at fair value through profit or loss

IFRS 7.44T does the entity disclose the changes in the classifications of financial assets and financial liabilities, showing separately:

a. The changes in the carrying amounts on the basis of their measurement categories in accordance with IAS 39 (i.e., not resulting from a change in measurement attribute on transition to IFRS 9 (issued in 2010)

b. The changes in the carrying amounts arising from a change in measurement attribute on transition to IFRS 9 (issued in 2010)

IFRS 7.44U Does the entity disclose the following information for financial assets and financial

liabilities that have been reclassified so that they are measured at amortised cost as a result of the transition:

a. The fair value of the financial assets and financial liabilities at the end of the reporting period

b. The fair value gain or loss that would have been recognized in profit or loss or other comprehensive income during the reporting period if the financial assets and financial liabilities had not been reclassified

c. The effective interest rate determined on the date of reclassification

d. The interest income or expense recognized

IFRS 7.44V If an entity presents the disclosures set out in IFRS 7. 44S-44U above at the date of initial application of IFRS 9 (issued in 2010), do those disclosures, and the disclosures in IAS 8.28 during the reporting period containing the date of initial application, permit reconciliation between:

a. The measurement categories in accordance with IAS 39 and IFRS 9 (issued in 2010)

b. The line items presented in the statements of financial position

IFRS 7.44W If an entity presents the disclosures set out in IFRS 7.44S-44U above at the date of initial application of IFRS 9, do those disclosures, and the disclosures in items IFRS 7.25 during the reporting period containing the date of initial application, permit reconciliation of:

a. The measurement categories presented in accordance with IAS 39 and IFRS 9 (issued in 2009)

b. The class of financial instrument at the date of initial application

APPENDIX II

/__ / ____/ / ____/

___/ / /___/ / /___/ 14.0 Copyright 1985-2015 StataCorp LP
Statistics/Data Analysis StataCorp

Special Edition

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979-696-4601 (fax)

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UDUS

Notes:
1. Unicode is supported; see help unicode_advice.
2. Maximum number of variables is set to 5000; see help set_maxvar.

. use "C:\Users\HP\Documents\Data Analysis.dta"

.. edit

. xtset id year
panel variable: id (strongly balanced)
time variable: year, 2012 to 2016
delta: 1 unit

. reg vdr age roa liq at

Source	SS	df	MS	Number of obs	=	40
Model	.014047636	4	.003511909	F(4, 35)	=	0.54
Residual	.22714237	35	.006489782	Prob > F	=	0.7065
				R-squared	=	0.0582
				Adj R-squared	=	-0.0494
Total	.241190006	39	.006184359	Root MSE	=	.08056

vdr	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
age	.0010548	.0012586	0.84	0.408	-.0015003	.0036098
roa	-.096819	.0952004	-1.02	0.316	-.2900861	.0964482
liq	.0027312	.0107604	0.25	0.801	-.0191136	.024576
at	.0272073	.0266254	1.02	0.314	-.026845	.0812597
_cons	.6534895	.0511217	12.78	0.000	.5497069	.757272

. vif

Variable	VIF	1/VIF
age	1.11	0.903548
roa	1.07	0.934728

```
         liq |        1.06      0.944621
          at |        1.02      0.976490
-------------+----------------------------
Mean VIF |      1.06
```

. hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
Ho: Constant variance
Variables: fitted values of vdr

chi2(1) = 0.38
Prob > chi2 = 0.5383

. imtest, white

White's test for Ho: homoskedasticity
against Ha: unrestricted heteroskedasticity

chi2(13) = 9.16
Prob > chi2 = 0.7606

Cameron & Trivedi's decomposition of IM-test

Source	chi2	df	p
Heteroskedasticity	9.16	13	0.7606
Skewness	3.68	4	0.4512
Kurtosis	0.05	1	0.8179
Total	12.89	18	0.7979

. summarize

Variable	Obs	Mean	Std. Dev.	Min	Max
id	40	4.5	2.320477	1	8
year	40	2014	1.43223	2012	2016
vdr	40	.7055	.0786407	.51	.82
age	40	31.125	10.78267	14	52
roa	40	.0166289	.1401526	-.5573431	.1948077
liq	40	1.386077	1.233459	.6698222	8.142441
at	40	.625	.4902903	0	1
fsize	40	10.8099	.2990402	10.23357	11.46212
lev	40	.3723132	.1784584	.0149396	.698751
est_random	40	1	0	1	1

```
 _est_fixed |       40              1              0              1           1
```

. correlate vdr age roa liq at
(obs=40)

	vdr	age	roa	liq	at
vdr	1.0000				
age	0.0841	1.0000			
roa	-0.1292	0.1948	1.0000		
liq	-0.0044	-0.1832	0.0986	1.0000	
at	0.1413	-0.1122	0.0645	-0.0222	1.0000

. xtreg vdr age roa liq at, re

Random-effects GLS regression — Number of obs = 40
Group variable: id — Number of groups = 8

R-sq: — Obs per group:
within = 0.1396 — min = 5
between = 0.0193 — avg = 5.0
overall = 0.0445 — max = 5

Wald chi2(4) = 3.16
corr(u_i, X) = 0 (assumed) — Prob > chi2 = 0.5322

vdr	Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
age	.0028499	.0021783	1.31	0.191	-.0014196	.0071194
roa	-.1080884	.111677	-0.97	0.033	-.3269712	.1107945
liq	.0054342	.0108828	0.50	0.018	-.0158956	.0267641
at	.0346481	.0366627	0.95	0.345	-.0372093	.1065056
_cons	.5894065	.0793675	7.43	0.000	.433849	.744964
sigma_u	.04192154					
sigma_e	.05368403					
rho	.37880309	(fraction of variance due to u_i)				

. estimates store random

. xtreg vdr age roa liq at, fe

Fixed-effects (within) regression — Number of obs = 40
Group variable: id — Number of groups = 8

R-sq: — Obs per group:
within = 0.5956 — min = 5
between = 0.0000 — avg = 5.0
overall = 0.0072 — max = 5

```
                                                F(4,28)       =     10.31
corr(u_i, Xb)  = -0.9896                        Prob > F      =     0.0000

------------------------------------------------------------------------------
         vdr |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
         age |    .0409096   .0066001     6.20   0.000     .0273899    .0544294
         roa |    .1221193   .0995811     1.23   0.230    -.0818634     .326102
         liq |   -.0109076   .0087434    -1.25   0.223    -.0288177    .0070025
          at |    .040969    .0346752     1.18   0.247    -.0300599    .1119979
       _cons |   -.5803303   .2041678    -2.84   0.008     -.998549   -.1621115
-------------+----------------------------------------------------------------
     sigma_u |   .46824869
     sigma_e |   .05368403
         rho |   .98702624   (fraction of variance due to u_i)
------------------------------------------------------------------------------
F test that all u_i=0: F(7, 28) = 7.26                     Prob > F = 0.0001

. estimates store fixed

. hausman fixed random

                 ---------- Coefficients ----------
             |      (b)          (B)            (b-B)     sqrt(diag(V_b-V_B))
             |      fixed        random         Difference          S.E.
-------------+------------------------------------------------------------
         age |    .0409096    .0028499      .0380597        .0062303
         roa |    .1221193   -.1080884      .2302077              .
         liq |   -.0109076    .0054342     -.0163418              .
          at |    .040969     .0346481      .0063208              .
------------------------------------------------------------------------------
                           b = consistent under Ho and Ha; obtained from xtreg
            B = inconsistent under Ha, efficient under Ho; obtained from xtreg

    Test:  Ho:  difference in coefficients not systematic

                  chi2(4)  =  (b-B)'[(V_b-V_B)^(-1)](b-B)

                           =       36.51

                Prob>chi2 =      0.1703

                (V_b-V_B is not positive definite)

. xtreg vdr age roa liq at

Random-effects GLS regression                   Number of obs      =        40
Group variable: id                              Number of groups   =         8
```

```
R-sq:                                                   Obs per group:
     within  =  0.1396                                            min =         5
     between =  0.0193                                            avg =       5.0
     overall =  0.0445                                            max =         5

                                                        Wald chi2(4)      =      3.16
corr(u_i, X)  = 0 (assumed)                             Prob > chi2       =    0.5322

------------------------------------------------------------------------------
         vdr |      Coef.   Std. Err.      z    P>|z|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
         age |    .0028499   .0021783     1.31   0.191    -.0014196    .0071194
         roa |   -.1080884    .111677    -0.97   0.033    -.3269712    .1107945
         liq |    .0054342   .0108828     0.50   0.618    -.0158956    .0267641
          at |    .0346481   .0366627     0.95   0.345    -.0372093    .1065056
       _cons |    .5894065   .0793675     7.43   0.000     .433849     .744964
-------------+----------------------------------------------------------------
     sigma_u |   .04192154
     sigma_e |   .05368403
         rho |   .37880309   (fraction of variance due to u_i)
------------------------------------------------------------------------------

. estimates store pooled
. hettest0
command hettest0 is unrecognized
r(199);
. xttest0

Breusch and Pagan Lagrangian multiplier test for random effects

        vdr[id,t] = Xb + u[id] + e[id,t]

        Estimated results:
                         |       Var       sd = sqrt(Var)
                ---------+-----------------------------------
                     vdr |    .0061844        .0786407
                       e |     .002882         .053684
                       u |    .0017574        .0419215

    Test:   Var(u) = 0
                                  chibar2(01) =     0.05
                              Prob > chibar2 =   0.0083



. xtreg vdr age lev fsize, re

Random-effects GLS regression                   Number of obs      =        40
Group variable: id                              Number of groups   =         8
```

```
R-sq:                                                 Obs per group:
     within  = 0.4209                                                min =         5
     between = 0.1330                                                avg =       5.0
     overall = 0.0750                                                max =         5

                                                      Wald chi2(3)      =      3.48
corr(u_i, X)  = 0 (assumed)                           Prob > chi2       =    0.3229
------------------------------------------------------------------------------------------------------------
vdr |      Coef.   Std. Err.      z    P>|z|     [95% Conf. Interval]
------------+-----------------------------------------------------------------------------------------------
  age |    .0015656   .0018699     0.84   0.002    -.0020993    .0052305
  lev |   -.0907319   .1053373    -0.86   0.389    -.2971892    .1157254
fsize |    .1037685   .0663108     1.56   0.118    -.0261983    .2337354
_cons |    -.431176   .7002599    -0.62   0.538     -1.80366    .9413081
------------+-----------------------------------------------------------------------------------------------
    sigma_u |    .0326301
    sigma_e |    .05510723
        rho |    .25959173   (fraction of variance due to u_i)
------------------------------------------------------------------------------------------------------------
. xtreg vdr roa lev fsize
Random-effects GLS regression                 Number of obs                 =        40
Group variable: id                            Number of groups              =         8

R-sq:                                                 Obs per group:
     within  =  0.4239                                               min =         5
     between =  0.3574                                               avg =       5.0
     overall =  0.3104                                               max =         5

                                                      Wald chi2(3)      =      4.27
corr(u_i, X)  = 0 (assumed)                           Prob > chi2       =    0.2340

------------------------------------------------------------------------------------------------------------
         vdr |      Coef.   Std. Err.      z    P>|z|     [95% Conf. Interval]
---- ------------+-----------------------------------------------------------------------------------------
         roa |   -.1172976   .0982708    -1.19   0.033    -.309905    .0753097
         lev |   -.0527287   .0837282    -0.63   0.529    -.216833    .1113756
       fsize |    .0981283   .0516118     1.90   0.057    -.003029    .1992856
       _cons |   -.3336747   .5481076    -0.61   0.543   -1.407946    .7405963
-----------------+-----------------------------------------------------------------------------------------
      sigma_u |    .02002444
      sigma_e |    .07493948
          rho |    .06664194   (fraction of variance due to u_i)
------------------------------------------------------------------------------------------------------------
. xtreg vdr liq lev fsize
```

```
Random-effects GLS regression                   Number of obs      =        40
Group variable: id                              Number of groups   =         8

R-sq:                                           Obs per group:
     within  =  0.0550                                         min =         5
     between =  0.2557                                         avg =       5.0
     overall =  0.0791                                         max =         5

                                                Wald chi2(3)       =      3.09
corr(u_i, X)  = 0 (assumed)                     Prob > chi2        =    0.3778
------------------------------------------------------------------------------
         vdr |      Coef.   Std. Err.      z    P>|z|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
         liq |  -.0047803    .010725    -0.45   0.056    -.0258009    .0162403
         lev |   -.076681    .079934    -0.96   0.337    -.2333488    .0799868
       fsize |   .0810588   .0465854     1.74   0.082    -.0102468    .1723645
       _cons |  -.1355628   .4892734    -0.28   0.782    -1.094521    .8233954
-------------+----------------------------------------------------------------
     sigma_u |          0
     sigma_e |  .07595199
         rho |          0   (fraction of variance due to u_i)
------------------------------------------------------------------------------
. xtreg vdr at lev fsize
Random-effects GLS regression                   Number of obs      =        40
Group variable: id                              Number of groups   =         8

R-sq:                                           Obs per group:
     within  =  0.5248                                         min =         5
     between =  0.2245                                         avg =       5.0
     overall =  0.3884                                         max =         5

                                                Wald chi2(3)       =      3.30
corr(u_i, X)  = 0 (assumed)                     Prob > chi2        =    0.3480

------------------------------------------------------------------------------
         vdr |      Coef.   Std. Err.      z    P>|z|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
          at |   .0209339   .0286351     0.73   0.465     -.03519    .0770577
         lev |  -.0738655   .0852479    -0.87   0.386    -.2409483    .0932173
       fsize |   .0813446    .051889     1.57   0.117     -.020356    .1830453
       _cons |  -.1594102   .5485991    -0.29   0.771    -1.234645    .9158243
-------------+----------------------------------------------------------------
     sigma_u |   .02144095
     sigma_e |   .07499025
         rho |   .07557048   (fraction of variance due to u_i)
------------------------------------------------------------------------------
```