

**USMANU DANFODIYO UNIVERSITY, SOKOTO  
(POSTGRADUATE SCHOOL)**

**INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTION AND  
PERFORMANCE OF FOOD AND BEVERAGES COMPANIES IN NIGERIA**

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MASTER OF SCIENCE (ACCOUNTING)**

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## **DEDICATION**

This dissertation is dedicated to my late parents, Alh Ahmadu Halliru Danrabi, Rihanatu Lawan and my daughter Rukayya Haruna. May Allah in his infinite mercy grant them Aljannatul Firdausi amin.

## CERTIFICATION

This dissertation by Haruna Ahmadu (Adm. No. 12210902011) 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 impact of IFRS adoption on the performance of the food and beverages companies listed on the Nigerian Stock Exchange (NSE). Secondary data was collected from the annual reports of the sample companies. Multiple ordinary least square (OLS) regression was used to analyse the data collected from the audited financial statements of the sampled companies. I-T test and J-T test were also applied to test for any significant increase in firm performance after the adoption of IFRS. The analysed result showed that there is no significant relationship between IFRS adoption and average liquidity, long-term solvency, profitability and stock market performances of food and beverages companies listed in the NSE. In short, IFRS adoption has no significant impact on firm performance. The study therefore recommended that Government should provide incentives and enabling environment for business organisations in the country to implement and fully adopt IFRS. Companies listed on the NSE should embark on training and re-training of their accountants and other staff involved in the preparations of financial reports in order to facilitate the acquisition of required skills in handling the preparations of IFRS based financial statements. Food and Beverages companies listed on the Nigerian Stock Exchange should also comply fully with the provisions of IFRS as this will improve the quality of their financial reports which will in turn improve their performance through more investment flow due to investors' confidence in their reports. They should also endeavour to use the opportunity presented by IFRS adoption to improve their transactions process and procedures to meet the international standards. Regulatory authorities such as Financial Reporting Council of Nigeria (FRCN) should monitor and ensure strict compliance with IFRS in the country.

## **CHAPTER ONE**

### **1.0 INTRODUCTION**

#### **1.1 Background to the study**

The introduction of international financial reporting standard (IFRS) in over one hundred countries across the world has without doubt marked one of the biggest revolutions in financial reporting (KPMG reports, 2007). Because of IFRS, progress has been made in terms of recorded stability and less volatility in the world's capital market which matched the age of global expectations regarding financial reporting. However, there is still much to be done and much to consider; while IFRS has brought greater comparability and consistency in company accounts across borders; this is only in relative terms. For example, reporting in each country still bears the hallmarks of its previous national standard and Generally Accepted Accounting Principles (GAAP). It has been frequently observed that IFRS has brought a considerable amount of complexity to financial accounts. Some of these complexities are inevitable as the transactions that the business world undertakes have themselves become more complex. Much of the change has been in the far greater degree and complexity of disclosures that companies are required to make. This leads to many annual reports becoming almost unmanageably large and this vast amount of information in many cases needs a highly trained user to understand it.

The financial reporting community globally from standard setters, regulators, and accounting firms among others need to find a way of reducing this complexity and of ensuring that sound accounting principles are allowed to drive reporting without the need to reduce disclosure or narrow rules-driven approach. From another dimension regarding the need for an accounting and reporting model with common language globally has been considered as necessary condition for the continuity of global

economic partnership. Experts in the field of business and accountancy from academicians to researchers converged in their views in support of the perspective that having a uniform model globally for financial reporting will strengthen trust and confidence among investor partners. This is because the true health of any business company cannot be understood merely by its physical structure or sizes, or the amount of stocks and inventories available but from financial report (Tanko, 2012).

The message of financial reporting at all times aimed at revealing the performance of companies in different dimensions from the level of profit or loss as well as growth or decline. Throughout history from the global practices, every country and its domestic firms, developed their own accounting and reporting standard, in some cases, individual companies or firm developed their own accounting and reporting standard that suite their activities (Epstein and Mirza, 2002). The age of business today globally and its continuity cannot be guaranteed if divergent financial reporting models are at play. For the fact that IFRS is recommended to be used by all countries and be made compulsory especially on advance companies in every country must have been anchored for expectations. To promote understandability, acceptability and dependability of financial reporting and above all to enhance the strength of investor confidence (Epstein et al., 2010)

The increasing IFRS acceptability would not have been possible in the absence of economic openness. The departure from previous GAAP to a new standard (IFRS) was driven towards boosting the world's economy to its peak while specific countries aim at moving their economy to a greater height and Nigeria does not exist in isolation. The propagation of economic liberalizations open-up the opportunities for investors to invest in other countries either in the form of foreign direct investment (FDI) and

foreign indirect investment (shareholding). It also intensified the volume of international trade (import and export), thereby accelerating the growth and development of global economy. However, one of the problems that kept international investment partnership below its potentials prior to IFRS establishment was the absence of an accounting and reporting standard that is uniform and rich in terms of excellent evaluation of performances and reporting quality.

Many researchers (Andreas et. al., George Latridis, Adegbite, among others) are of the view that in the GAAP regime, the state of affairs contributes to the difficulty and complexity of understanding financial report that is alien which was against the wish of international investors and shareholders. It is against this background that the board of international accounting standard committee (IASC) that was responsible for setting global accounting and reporting standard declares (IAS) model to be used globally with the right to modifications that suits each country's economic and business environment (Gordon et al., 2008). Prior to the establishment of IFRS, all countries were operating under GAAP. For example, the united states of America were operating under the America's GAAP, United Kingdom, operates under UK's GAAP, and Nigeria was operating under the Nigeria's Standard (SAS). However, in spite of such development, for the fact that each country has the right to modify it to suite their economic and business environment did not produce the anticipated results. This pave the space for the newly international financial reporting standard (IFRS) by the international accounting standard board (IASB) which exonerate the burden of setting accounting and reporting standard from the IASC to itself.

The establishment of international financial reporting standard (IFRS) was a milestone; it is an accounting and reporting standard that was embraced all over the world

(Adejoh& Hasnah, 2014). It is a model that is richer on comparative scale with other accounting and reporting standard that came before it. It is recommended to be use globally with the view to establish and maintain one accounting and reporting standard with common language.

The IFRS model as a new accounting and reporting standard came into existence with new definitions of some accounting elements such as assets and liabilities, ownership and methods of reconciliation and change of ownership among others. Furthermore, it was also proclaimed that apart from its superior attributes over other accounting and reporting standard, the model is user-friendly, full disclosure, clarity of report and devoid of manipulations. For countries that have been operating under IFRS revealed mixed experiences; while some countries found it worthy such as the united states of America, Germany and other developed countries, others especially from Africa and other developing economies are still not very much comfortable with IFRS; in some cases, the model of GAAP is still preferable to IFRS.

Nigeria is one of the few African countries that in recent years adopted IFRS and went further to make it compulsory for advanced business entities to operate from 2012 to date. The concern is on the experience so far. The question is, has the adoption of IFRS in Nigeria produced the anticipated result? Is IFRS superior to SAS and the question of whether the IFRS theoretical proclamations are practical particularly for Nigeria? These among others are still questions begging for answers.

Prior to the adoption of IFRS, Nigeria was operating under SAS. The decision for transition was particularly anchored for expectations (1) to have the adequate qualifications of global business partnerships (2) to promote transparency in both private companies and Parastatals in public sectors; this is under the background that

IFRS model is devoid of manipulations and (3) to promote investor confidence (Josiah, et al 2013).

IFRS represent a set of accounting principles and guidelines used by companies to prepare financial statements that are useful to various stakeholders in understanding a company's financial performance and management's stewardship of the company's resources.

The Nigerian federal executive council (FEC) gave approval for the convergence of Nigeria's Statement of Accounting Standard (SAS) with IFRS from 1<sup>st</sup> January, 2012. According to IFRS road map committee (2010), public listed entities and significant public interest entities are expected to adopt IFRS by January, 2012.

Presently, Nigeria enjoys over five years of IFRS regime against the former Nigeria's standard SAS; at this juncture, the arising questions include what is the Nigeria's experience of IFRS? In memory of the former Nigeria's Standard (SAS) and the current IFRS model, which model is suitable for Nigeria's economic and business environment? It is against this background, this study intends to conduct performance analysis between Pre-IFRS adoption and Post IFRS adoption on some selected Food and Beverages companies that have been listed in the Nigeria's stock exchange from 2008 to 2015.

This study focused on the impact of IFRS adoption on the performance of food and beverages companies listed on the Nigerian Stock Exchange. The food and beverages industry was selected because it is a very important industry that contributes about 5% of the Nigerian Gross Domestic Products (GDP), with a growth rate of about 12% in

2015, Kale, (2015). These companies are also the main source of many products consumed by Nigerians.

This study uses ratios to measure performance of food and beverages companies listed on the NSE. According to Adeniyi, (2004) ratios are classified according to their uses as liquidity ratios, long-term solvency ratios, profitability ratios and investor's stock market ratios. The study adopted this classification and will therefore use five ratios under each category making the number of ratios to be used to twenty ratios. Data will be collected from the financial statements of the food and beverages listed companies to compute the relevant ratios.

## **1.2 Statement of the research problem**

The increasing growth in international trade, cross boarder business transactions and investments which involves the preparation and presentation of accounting reports that is useful across various national borders has brought about the adoption of International Financial Reporting Standards (IFRS) by both developed and developing countries (Armstrong, et al 2008).

Many developing nations have moved to adopt IFRS, recognising their need to share in the benefits promised by such adoption. The prospects of greater mobility of capital at a decreased cost, more efficient allocation of resources, improved quality of financial reporting, a decline in earning management, and avoidance of necessity of having to develop their own accounting standards, against the backdrop of the accountability demands of the World Bank and IMF, are all compelling incentives for the adoption of IFRS by countries wishing to participate in the global capital markets (Irvine & Lucas, 2006).

The change from local accounting standards to IFRS causes changes in the measurement and presentation of events and transactions which in turn affects the financial position and performance of firms. While a lot of evidence exists from empirical studies conducted in other countries especially those from European Union and Asia on the effects of IFRS adoption on the performance of companies listed on the stock exchanges [see; Latridis. (2010), Csefalvi (2012), Terzi et al. (2013), Ray(2012), Pazakis et al. (2011), Das.(2014).] Previous studies conducted in Nigeria concentrated on the impact of IFRS adoption on the performance of banks and oil & gas companies (Adeuja (2015), Akinleye (2016), Sanyaolu et al. (2017), Abata (2015), Abdul-Baki, Uthman and Sanni (2014), Donwa et al (2015), Adelusi and Ibigbami (2017), Abdullahi et al. (2017)) except Umobong and Akani (2015) who examined the impact of IFRS adoption on the performance of food and beverages manufacturing firms in Nigeria. However, their study is limited by the number of performance indicators used, period covered, and the sample size.

This study examined the impact of IFRS adoption on the performance of all food and beverages companies listed in the Nigerian Stock Exchange that have eight years audited financial reports starting from 2008 to 2015, with 4-years (2008-2011) pre IFRS adoption and 4-years (2012-2015) post IFRS adoption, and use 20 financial ratios of liquidity, long-term solvency, profitability and stock market as against the manufacturing food and beverages companies, 3 market performance ratios and 5-years period covered by Umobong and Akani (2015). This study particularly wants to add to the available literature on evidences from Nigeria on the contrasting performance evaluation and reporting between IFRS and SAS.

The study also focused on food and beverages companies that are quoted on the Nigerian Stock Exchange (NSE) between 1<sup>st</sup> January 2008 and are not delisted as at 31<sup>st</sup> December 2015. This is to ensure that records are available for firms that were registered well before the period of adoption of IFRS. The eight-year period is considered adequate and is in line with some related previous studies like the studies conducted by Abdul-Baki, Uthman and Sanni, (2014), Adeuja (2015), Okoye and Ezeijofor, (2014). Abdul-Baki, Uthman and Sanni, (2014), study the effect of IFRS adoption on the performance of banks in Nigeria. Their six years study period was divided in to pre adoption and post adoption. Adeuja (2015) study the impact of IFRS adoption on the performance of banks in Nigeria, with a four years study period divided into two-year pre adoption and two-year post adoption. Okoye and Ezeijofor (2014) study the effect of IFRS on the market performance of banks in Nigeria, with six years period of study divided into pre adoption and post adoption.

At the heart of the research problem is to examine the impact of IFRS adoption on the performance of food and beverage companies listed on the Nigerian Stock Exchange; thus, the study examined performance of food and beverages companies before and after IFRS adoption in Nigeria. It evaluated the performance of 18 selected food and beverages companies listed on the Nigerian Stock Exchange using their financial reports prepared under IFRS and SAS regimes.

### **1.3 Research questions**

Basically, this study seeks to provide answers to the following questions:

- i. Does IFRS adoption has any significant impact on the liquidity performance of food and beverages companies listed on the NSE?

- ii. Does IFRS adoption has any significant impact on the long-term solvency of food and beverages companies listed on the NSE?
- iii. Does IFRS adoption has any significant impact on the profitability of food and beverages companies listed on the NSE?
- iv. Does IFRS adoption has any significant impact on the investor's ratios of food and beverages companies listed on the NSE?

#### **1.4 Research objectives**

The aim of this study is to empirically examine the impact of International Financial Reporting Standards (IFRS) adoption on the performance of food and beverages companies listed on the Nigerian Stock Exchange. While the specific objectives are:

- i. To determine the impact of IFRS adoption on the liquidity of food and beverages companies listed on the NSE.
- ii. To assess the effect of IFRS adoption on the long term solvency of food and beverages companies listed on the NSE.
- iii. To evaluate the impact of IFRS adoption on the profitability of food and beverages companies listed on the NSE.
- iv. To examine the effect of IFRS adoption on the investor's ratios of food and beverages companies listed on the NSE.

#### **1.5 Research hypotheses**

Based on the research questions above the following will be tested in the course of this study for acceptance or rejection:

H<sub>01</sub>: IFRS adoption has no significant impact on the liquidity of food and beverages companies listed on the NSE.

H<sub>02</sub>: IFRS adoption has no significant effect on the long-term solvency of food and beverages companies listed on the NSE.

H<sub>03</sub>: IFRS adoption has no significant impact on the profitability of food and beverages companies listed on the NSE.

H<sub>04</sub>: IFRS adoption has no significant effect on the investor's ratios of food and beverages companies listed on the NSE.

### **1.6 Scope of the study**

The aim of this study is to examine the impact of IFRS adoption on the performance of food and beverages companies listed on the NSE. The study covered only food and beverages industry. The study considered only food and beverages companies that are quoted in the Nigerian Stock Exchange. The study is also limited to food and beverages companies that have four year audited financial statements prepared under SAS regime and four year financial statements prepared under IFRS regime.

The eight-year period is divided into pre-adoption and post-adoption period. 2008-2011 is the pre-adoption period while 2012-2015 is the post-adoption period. Necessary data was sourced from the annual financial reports of these companies to measure their performance under both IFRS and SAS. The financial performance indicators used for this study are; Liquidity ratios, Long-term solvency ratios, profitability ratios and stock market ratios. It is also restricted to food and beverages companies listed on the Nigerian Stock Exchange that have audited financial statements for the period of 2008-2015.

## **1.7 Significance of the study**

It is expected that this study will provide important literature that will be of benefit to management of food and beverages companies listed on the NSE, shareholders, investors, researchers, policy makers and the general public.

Knowing the impact of IFRS adoption on the performance of foods and beverages companies listed on the Nigerian Stock Exchange will help managers in their future planning activities.

To the shareholders the study will help them in knowing how the adoption of IFRS is affecting their shareholdings.

Investors who use financial reports of companies to determine when and where to invest will also benefit from the study by knowing how IFRS adoption affects performance of Food and Beverages companies that are quoted on the Nigerian stock exchange.

Government as a policy maker will also benefit from the study by knowing how its decision to adopt IFRS in the country has affected the performance of food and beverages companies listed on the Nigeria stock exchange and its resultant effects on the economy as a whole. Prospective researchers also stand to benefit from the study, as it will add value to the existing knowledge and literature available for literature review thereby serving as a basis for identifying the missing gap in literature.

Finally, the outcome of this study will assist the general public to know the extent to which IFRS adoption have affected the performance of food and beverages companies operating within the Nigerian economy.

## **1.8 Scheme of chapters**

This research work is arranged into five chapters. Chapter one covers background of the study, statement of the research problem, research questions, objectives of the study, the hypotheses, scope and significance of the study. Chapter two focuses on review of related empirical studies, conceptual and theoretical framework. Chapter three discusses the research methodology, research design, population of the study, sample size and sampling procedure, sources and method of data collection, method of data analysis and model specification. Chapter four contains data presentation and analysis of results, findings and hypotheses testing. Chapter five presents the summary of the entire work, conclusion, recommendations and suggestion for further research.

## **1.9 Key terms**

**Impact:** The Effects of IFRS adoption on liquidity ratio, long-term solvency ratio, profitability ratio and investor's ratio in Nigeria since 2012.

**IFRS:** This is the current international financial reporting standard adopted worldwide. Its' acronym stands for International Financial Reporting Standards.

**Firm performance:** Firm performance in this study implies the behaviours of performance ratios like liquidity ratio, long-term solvency ratio, profitability ratio and investors' ratio.

**Food and beverages companies:** These are companies listed on the NSE that specialized in the production and distribution of food and beverages products.

**NSE:** Nigerian Stock Exchange.

## **CHAPTER TWO**

### **2.0 LITERATURE REVIEW AND THEORETICAL FRAMEWORK**

#### **2.1 Introduction**

This section of the research reviews basic concepts of the subject matter and examines relevant literatures in the areas of study especially as it affects Nigeria. In addition, a look at the theoretical framework and some performance indicators and ratios were also discussed in order to identify a gap for the study and build a comprehensive framework and model.

#### **2.2 The concept of IFRS**

The world today has become a global village not only because of technological advancement, international friendship and diplomacy but also in terms of business globalization (Terzi et al., 2013). Moreover, the globalization of the world's economy and markets led companies and nations to become world global players (Ocansey and Onahoro, 2014). Before the adoption of international financial reporting standard (IFRS), different countries developed their own national accounting standards which in most cases, is having different accounting languages from approach, format and comparability perspectives. As countries of the world increasingly are becoming global investment partners, the need for an accounting standard that is uniform, understandable, acceptable, reliable and comparable has become necessary. The importance of this is not limited to understandability or performance evaluation of companies but also will promote transparency for investors and shareholders among others. In addition to that, the model of IFRS has been widely acclaimed as an accounting and reporting standard that is devoid of manipulations, it will aid the identifications and definitions of right business and investment environment globally (Outa, 2011).

As reported in many research output like (Andreas et al, 2015), (Nobes, 2013) and (Outa, 2011) among others that, theoretically, the model of IFRS was basically designed as a common accounting language globally for business affairs so that company accounts are understandable, acceptable and reliable for comparison across international boundaries. This is because the growth of confidence for realistic sustenance of global partnership in business can only be guaranteed with IFRS. For substantiation, it is for the benefit of the world's economy as a whole which on one hand relies on individual countries. As more companies today are moving to adopt IFRS in different countries, the potentials of having IFRS for all business companies and public parastatals have shown a promising signal (Masud, 2013). Nigeria is one of the few African countries that adopt IFRS in late 2012, almost six years today; the inquisitive to finding out what has happened is practically evidence among academicians, researchers and policy makers. With divergent objectives, mixed results have been reported in terms of the glories of IFRS in Nigeria since inception.

The globalization of market has increased the need for widely understood accounting information. The existence of generally accepted accounting standard has become necessary (Dimitrios et al, 2013). The international financial reporting standard (IFRS) is today widely accepted all over the world. Nevertheless, it is important to recognize, that IFRS as model is a reflection of converged ideologies and initiatives by professional accountants. The international accounting standard committee (IASC) was earlier responsible for setting global accounting standard. The IASC as a body was founded in 1973 with the explicit scope to introduce and develop accounting standard for global use. The objective of IASC was to develop and promote the use and application of international accounting standards, which would lead to transparent, comparable, and high-quality information through accounting-financial statement and

other financial reports. For the period 1973 to 2001, the standard which was issued by the commission, were called international accounting standards (IAS). This commission was later exonerated with that onus and shouldered by the new board with the name 'international accounting standard board' (IASB).

### **2.2.1 History of IFRS**

The birth of international financial reporting standard (IFRS) as a model began as an attempt to harmonized accounting procedures across the European Union (EU) in 1973 (Odia and Ogiedu, 2013). It was thereafter achieving the anticipated results that brought out the system in the light of the world. IFRS as system was an extension of international accounting standard (IAS) initiated by the board of international accounting standard committee (IASC) which lasted from the phase of development, establishment and working it between the years 1973 and 2001 in Europe. In April 2001, the new international accounting standard board (IASB) took over from IASC the responsibility for setting international accounting standard (IAS). It was this period that marks an important eventful milestone on the development, establishment and replacement of IAS with IFRS.

International financial reporting standards (IFRS) represent a set of accounting principles and guidance used by companies to prepare financial statements, a critical source of information published annually, at a minimum, and useful to various stakeholders in understanding a company's financial performance and management's stewardship of the company's resources. Developed by the International Accounting Standards Board (IASB), these are a set of accounting rules followed by, or being adopted by, more than 100 countries. All member states of the EU are required to use IFRS as adopted by the EU for listed companies since 2005. All other major economies

have initiated a process to consider convergence or adoption of IFRS in the near future, even the United States (US GAAP as developed by the Financial Accounting Standards Board (FASB) - being the other most important set of financial reporting standards) where cross-listed firms on the US stock markets have been permitted to file statements prepared under IFRS since 2007. With the increasing globalisation of financial markets and of companies, the use of a single set of financial reporting standards across countries is viewed as having increased the comparability of financial statements across borders. It also reduces the cost of preparing the consolidated financial statements of groups made up of companies conducting business all around the world.

Since their inception, International Accounting Standards have been produced by two bodies. The first, the International Accounting Standards Committee (IASC) came up with 41 accounting standards between 1973 and 2000. The IASC was replaced by the International Accounting Standards Board (IASB) in the year 2000. The new Board embarked on a review processes aimed at refining the standards. The result was a reduction in the number of standards from 41 in the year 2000 to 28 by the year 2008. By 2011, 13 standards had been issued by the board as International Financial Reporting standards (IFRS). According to IAS Plus (2010), IFRS refers to the entire body of IASB pronouncements including standards and interpretations approved by IASB, IASC and their interpretations produced by the Accounting Standards Interpretations Committee (IASIC). IFRS or IAS have also been described as a set of standards stating how particular type of transactions and other events should be reflected in financial statements, issued by IASC and IASB (Outa, 2011). The primary objective of the accounting standards is to enable corporations to provide investors and creditors with relevant, reliable and timely information which is in line with the IASB's accounting framework for the preparation and presentation of Financial Statements.

Such information, it is argued, contributes towards the achievement of orderly capital markets around the world (Imhofe, 2003:117). The concept of accounting quality is based on the IASB framework where relevance, reliability, understandability and comparability (Outa, 2011) are key components and therefore, assumed that financial statement with the four qualitative characteristics have better quality. Chen et al. (2010:222) has simply described accounting quality as the extent to which the financial statement information reflects the underlying economic situation.

Nigeria as a country formally adopts IFRS and put into practice in 2010 (Adejoh and Hasnah, 2014), since then, one of the biggest questions that is still begging for answer is whether or not the anticipated glories achieved in other countries has produce the same results especially in terms of quality of accounting reports, performances and consistency of presentations. As outlined in the work of (Ibiamke et al., 2014).

### **2.2.2 Element of financial statement**

Conceptually, it has been a tradition that the onus of developing, establishing and enforcing global accounting and reporting standard is shouldered on the international accounting standard board (IASB). The organization is fully saturated with renowned professional accountants and auditors from different parts of the world and it is particularly responsible for setting standard on the global scale for accounting and reporting models (Irvine and Lucas, 2006). The organization as a body was also the author of international financial reporting standard (IFRS).

Since establishment of IFRS, the IASB has exploited available windows of opportunities by producing different series of guiding materials, conference discussions and workshops, staff training and other mediums with the view to promote

understanding and operational procedures of IFRS as a new model on board. As reported in the work of Nobes and Stadler, (2014). The IASB in most of its lecture emphasises on explaining three principal sections in the IFRS format and new definition of terms and measurement. Particularly the elements like assets and liabilities, revenue and expenses, profit and loss among others have received new definitions and method of measurements. Structurally in the IFRS format, all such aspects are explained under “Elements of financial statement, methods of measuring elements of financial statements and concept of capital”. In addition to that, those aspects are usually employed in comparative studies with other accounting and reporting standards like the popular GAAP among others (Gordon, et al., 2008). It is against this background, we intend to present in this section a condensed summary of the theoretical format of IFRS and definitions of concepts, elements and measurement approaches based on the IASB publications.

The elements of financial statement comprises the following:

- i Assets and Liabilities
- ii Income and Expenses
- iii Nature of Equity
- iv Method of reconciliation of changes in Equity
- v Statement of Cash flows

## **i Assets and liabilities**

An asset (or a liability) is the underlying resource (or obligation), rather than the ultimate inflow (or outflow) of economic benefits. An asset (or a liability) must be capable of generating inflows (or outflows) of economic benefits. Those inflows (or outflows) need not be certain. An asset is a present economic resource controlled by the entity as a result of past events. A liability is a present obligation on the entity to transfer an economic resource as a result of past events. An economic resource is a right, or other source of value, that is capable of producing economic benefits.

## **ii Income and expenses**

The IASB noted that the approach to defining income and expenses does not predetermine which assets and liabilities should be recognised, how they should be measured and how income and expenses should be aggregated, analysed and presented. For decisions on these matters, the IASB would continue to consider the nature of the

information that would result in the statement of financial position, and also in the statement(s) of profit or loss and other comprehensive income. This new approach is discussed below.

Income is defined as increases in assets or decreases in liabilities that result in increases in equity, other than those relating to contributions from equity participants.

Expenses is defined as decreases in assets or increases in liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

### **iii Nature of equity**

#### Nominal equity

Nominal equity is the nominal residual interest in the nominal assets of the entity after deducting all its liabilities in nominal values. The financial performance of an entity is presented in the statement of comprehensive income, which consists of the income statement and the statement of other comprehensive income (usually presented in two separate statements). Financial performance includes the following elements (which are recognized in the income statement or other comprehensive income as required by the applicable IFRS standard).

### **iv Method of reconciliation of the changes in equity**

Total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests for each component of equity, the effects of retrospective application or retrospective restatement recognized in accordance with international accounting standard (IAS). For each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from profit or loss, other comprehensive income; and transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.

### **v Statement of cash flows (Operating, Investing and Financial Cash Flows)**

#### **Operating cash flow**

The principal revenue-producing activities of the entity are generally calculated by applying the indirect method, whereby profit or loss is adjusted for the effects of

transaction of a non-cash nature, any deferrals or accruals of past or future cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

### **Investing cash flow**

The acquisition and disposal of long-term assets and other investments not included in cash equivalents. These represent the extent to which expenditures have been made for resources intended to generate future income and cash flows. Only expenditures that result in a recognized asset in the statement of financial position are eligible for classification as investing activities.

### **Financing cash flow**

Activities that result in changes in the size and composition of the contributed equity and borrowings of the entity; these are important because they are useful in predicting claims on future cash flows by providers of capital to the entity.

### **2.2.3 Measurement of the elements of financial statements**

Measurement is the process of determining the monetary amounts at which the elements of the financial statements are to be recognized and carried in the balance sheet and income statement. This involves the selection of the particular basis of measurement. A number of different measurement bases are employed to different degrees and in varying combinations in financial statements. They include the following:

### **i. Historical cost**

Assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation, or in some circumstances (for example, income taxes), at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

### **ii Current cost**

Assets are carried at the amount of cash or cash equivalents that would have to be paid if the same or an equivalent asset was acquired currently. Liabilities are carried at the undiscounted amount of cash or cash equivalents that would be required to settle the obligation currently.

### **iii Realizable (settlement) value**

Assets are carried at the amount of cash or cash equivalents that could currently be obtained by selling the asset in an orderly disposal. Assets are carried at the present discounted value of the future net cash inflows that the item is expected to generate in the normal course of business. Liabilities are carried at the present discounted value of the future net cash outflows that are expected to be required to settle the liabilities in the normal course of business.

As additional information, the measurement basis most commonly adopted by entities in preparing their financial statements is historical cost. This is usually combined with other measurement bases. For example, inventories are usually carried at the lower of cost and net realizable value, marketable securities may be carried at market value and pension liabilities are carried at their present value. Furthermore, some entities use the

current cost basis as a response to the inability of the historical cost accounting model to deal with the effects of changing prices of non-monetary assets.

#### **2.2.4 Concepts of capital and capital maintenance**

A financial concept of capital is adopted by most entities in preparing their financial statements. Under a financial concept of capital, such as invested money or invested purchasing power, capital is synonymous with the net assets or equity of the entity. Under a physical concept of capital, such as operating capability, capital is regarded as the productive capacity of the entity based on, for example, units of output per day. The selection of the appropriate concept of capital by an entity should be based on the needs of the users of its financial statements. Thus, a financial concept of capital should be adopted if the users of financial statements are primarily concerned with the maintenance of nominal invested capital or the purchasing power of invested capital. If, however, the main concern of users is with the operating capability of the entity, a physical concept of capital should be used. The concept chosen indicates the goal to be attained in determining profit, even though there may be some measurement difficulties in making the concept operational.

##### **i Financial capital maintenance**

Under this concept a profit is earned only if the financial (or money) amount of the net assets at the end of the period exceeds the financial (or money) amount of net assets at the beginning of the period, after excluding any distributions to, and contributions from, owners during the period. Financial capital maintenance can be measured in either nominal monetary units or units of constant purchasing power.

## **ii Physical capital maintenance**

Under this concept a profit is earned only if the physical productive capacity (or operating capability) of the entity (or the resources or funds needed to achieve that capacity) at the end of the period exceeds the physical productive capacity at the beginning of the period, after excluding any distributions to, and contributions from, owners during the period.

The concept of capital maintenance is concerned with how an entity defines the capital that it seeks to maintain. It provides the linkage between the concepts of capital and the concepts of profit because it provides the point of reference by which profit is measured; it is a prerequisite for distinguishing between an entity's return on capital and its return of capital; only inflows of assets in excess of amounts needed to maintain capital may be regarded as profit and therefore as a return on capital. Hence, profit is the residual amount that remains after expenses (including capital maintenance adjustments, where appropriate) have been deducted from income. If expenses exceed income, the residual amount is a loss.

The physical capital maintenance concept requires the adoption of the current cost basis of measurement. The financial capital maintenance concept, however, does not require the use of a particular basis of measurement. Selection of the basis under this concept is dependent on the type of financial capital that the entity is seeking to maintain.

The principal difference between the two concepts of capital maintenance is the treatment of the effects of changes in the prices of assets and liabilities of the entity. In general terms, an entity has maintained its capital if it has as much capital at the end of the period as it had at the beginning of the period. Any amount over and above that

required to maintain the capital at the beginning of the period is profit. Under the concept of financial capital maintenance where capital is defined in terms of nominal monetary units, profit represents the increase in nominal money capital over the period. Thus, increases in the prices of assets held over the period, conventionally referred to as holding gains are, conceptually, profits. They may not be recognized as such, however, until the assets are disposed of in an exchange transaction. When the concept of financial capital maintenance is defined in terms of constant purchasing power units, profit represents the increase in invested purchasing power over the period. Thus, only that part of the increase in the prices of assets that exceeds the increase in the general level of prices is regarded as profit. The rest of the increase is treated as a capital maintenance adjustment and, hence, as part of equity.

Under the concept of physical capital maintenance when capital is defined in terms of the physical productive capacity, profit represents the increase in that capital over the period. All price changes affecting the assets and liabilities of the entity are viewed as changes in the measurement of the physical productive capacity of the entity; hence, they are treated as capital maintenance adjustments that are part of equity and not as profit.

The selection of the measurement bases and concept of capital maintenance will determine the accounting model used in the preparation of the financial statements. Different accounting models exhibit different degrees of relevance and reliability and, as in other areas; management must seek a balance between relevance and reliability. This Framework is applicable to a range of accounting models and provides guidance on preparing and presenting the financial statements constructed under the chosen model. At the present time, it is not the intention of the Board of IASC to prescribe a

particular model other than in exceptional circumstances, such as for those entities reporting in the currency of a hyperinflationary economy. This intention will, however, be reviewed in the light of world developments.

(Source: IASB report on **IFRS** profile, **2012 publications**).

### **2.2.5 Standard IFRS requirements**

IFRS cover a wide range of accounting activities. There are certain aspects of business practice for which IFRS set mandatory rules.

- **Statement of financial position:** This is also known as a balance sheet. IFRS influence the ways in which the components of a balance sheet are reported.
- **Statement of comprehensive income:** This can take the form of one statement, or it can be separated into a profit and loss statement and a statement of other income, including property and equipment.
- **Statement of changes in equity:** Also known as a statement of retained earnings, this documents the company's change in earnings or profit for the given financial period.
- **Statement of cash flow:** This report summarizes the company's financial transactions in the given financial period separating cash flow into Operations, investing and financing (Accounting Software, Online).

### **2.2.6 Generally accepted accounting principles (GAAP) (meaning and history)**

The term GAAP is an acronym for 'generally accepted accounting principles' it was the common set of accounting principles, standards and procedures that companies use to

prepare their financial statements. GAAP are a combination of authoritative standards and the commonly accepted ways of recording and reporting accounting information (Investopedia, Dictionary). Before the emergence of IFRS, the model of GAAP was the global accounting standard imposed on companies so that investors have a minimum level of consistency in the financial statements they use when analysing company's performance for investment purposes. GAAP cover such things as revenue recognition, balance sheet item classification and outstanding share measurements.

### **2.2.7 Development of accounting standards in Nigeria**

The development of accounting standard in Nigeria could be traced to the then Association of Accountants of Nigeria AAN (now ICAN). The AAN was formed on the 17<sup>th</sup> of November, 1960 and granted official recognition on 28<sup>th</sup> September, 1965, under the federal parliament act number 15 of 1965, to regulate accountancy profession in the country. History suggests that ICAN was responsible for the formation of the Nigerian Accounting Standard Board (NASB) before it was taken over by government in 1985, (Josiah, et al, 2013).

Nigerian Accounting Standards Board (NASB) was responsible for developing and issuing standards known as Statements of Accounting Standards (SAS), (Taiwo and Adejare, 2014). As the report on the observance of standard and codes (World Bank, 2014) in Nigeria indicates, Nigerian Accounting Standards (SAS) have been based on International Accounting Standards (IAS). However, SAS have not been reviewed and updated in line with current IAS and in many cases; there are no equivalent SAS to current IAS. To date the NASB has issued 30 SAS compared with 41 IAS and 9 IFRS, (Fodio, 2011).

Izedonmi, (2001) observed that the Nigerian Accounting Standard Board (NASB) has improved on its formation and publication of accounting standards necessary to enhance the safety, soundness and efficiency of bookkeeping in the financial sector. Statement of Accounting Standards (SAS) is developed to ensure high degree of standardization in publishing financial statements. They provide necessary guides on how accounting information should be prepared and presented in order to enhance the value of its contents and facilitate thorough understanding.

### **2.2.8 Differences between IFRS and SAS**

The major difference between IFRS and the local statement of Accounting Standards (SAS) is that the former is a more robust and principle based accounting standards with detailed disclosure requirements. Other areas of differences include extensive use of fair values for financial instruments, more comprehensive guide for revenue recognition, a more rigorous process for determining goodwill in a business combination, change in format, components and nomenclature of certain items of financial statements. Highlights of a few of the major differences are given in Appendix 1

### **2.2.9 Performance indicators**

According to Sichigea et al. (2011), performance indicators are instruments used for transposing the results from the company's key activities and actions in to a numerical form, in order to evaluate the efficiency of the implemented strategies, the achievement of clearly set out objectives and substantiation of future decisions; performance indicators provide an overall view of the progress of a business, being the cornerstone of the decision-making process of any stakeholder in the activity of a company.

In order to serve the decision-making process at all levels, performance indicators must meet the following features:

- i. Coherence- allows a clear interpretation of results.
- ii. Easy- understandable for the person who uses.
- iii. Credibility- provide accurate quantification of results.
- iv. Neutrality- allows independent conclusions.
- v. Utility- relevant and necessary decision-maker.
- vi. Relevant- correlated with the strategic objectives.
- vii. Reliability- correctness and accuracy of data.
- viii. Comparability- allows comparison over time and space.

#### **2.2.10 Financial ratios as performance measure**

According ICAP Group South Africa (2006), financial ratios are useful indicators that measure a company's performance and financial situation. They can also be used to analyse trends and to compare a firm's financial figures to those of competitors or those of the business sector in which it belongs. They can be classified according to information they provide:

##### **1. Profitability Ratios**

Profitability ratios are designed to evaluate the firm's ability to generate earnings. Analysis of profit is a vital concern to stockholders since they drive revenue in the form of dividends. Profit is also important to creditors because profits are one source of

funds for debt coverage. Furthermore, management uses profit as a performance measure.

## 2. Liquidity Ratios

Liquidity ratios measure the ability of firm to meet its short-term obligations. The ability to pay short-term debt is of concern to anyone who interacts with the company. If a company cannot maintain a short-term debt-paying ability, it will not be able to maintain a long-term debt-paying ability, nor will it be able to satisfy its stockholders. Liquidity ratios look at aspect of the company's assets and their relationship to current liabilities.

## 3. Leverage / Long-term Solvency Ratios

Leverage or long-term solvency ratios measure a company's ability to meet its obligations and how much of the company's assets are financed with debt. They reveal the equity cushion that is available to absorb any losses that may occur.

## 4. Investors/ Stock Market Ratios

Investor ratios connect the number of shares of the company and their Stock Exchange price, with the profits, the dividends and other assets. They measure the overall profit generated by each share in existence over a particular period, the proportion of earnings that are being retained by business rather than distributed as dividend and provide a guide as to the ability of business to maintain a dividend payment.

### 2.2.11 Classification of ratios according to uses

Adeniyi, (2004), classified ratios according to uses as; liquidity/short-term solvency ratios, long-term solvency and stability ratios, profitability and efficiency ratios and investors' or stock market ratios.

#### 1. Liquidity/short-term solvency ratios.

These are ratios used in judging the ability of an enterprise to meet its short-term maturing obligations. Ratios under this category include:

i. Current ratio =  $\frac{\text{current asset}}{\text{current liabilities}}$  (x: 1)

This ratio indicates the extent to which assets that will be converted into cash within a year cover claims of short-term creditors. The higher the ratio, the greater the margin of safety for short-term creditors.

ii. Acid test/Quick ratio =  $\frac{\text{Current asset} - \text{stock}}{\text{current liabilities}}$  (x: 1)

This ratio shows the extent to which cash and assets most readily convertible to cash can meet the demand of short-term creditors.

iii. Stock Turnover ratio =  $\frac{\text{Cost of sales}}{\text{Average stock}}$  (x times)

This ratio shows the rapidity with which a business is able to turnover (sell) its stocks. The higher the ratio, the more efficient the inventory management of the company.

iv. Debtors Turnover ratio =  $\frac{\text{Credit sales}}{\text{Average trade debtors}}$  (x times)

This shows the rate at which debtors settle their account. The higher the ratio the better.

v. Creditors Turnover ratio =  $\frac{\text{Credit purchase}}{\text{Average trade Creditors}}$  (*x times*)

It indicates the average number of times in a financial year that creditors balance is rolled over. The lower the ratio the more liquid the enterprise.

## 2. Long-term solvency and stability ratios:

These are ratios concerned with the ability of a company to meet its long-term obligations. They show the degree of safety from failure in the long-term. Under this category, we have:

i. Proprietary ratio =  $\frac{\text{Share holders fund}}{\text{Total tangible asset}}$  (%)

It indicates the percentage of total assets financed by the owners of the company and in effect the degree of protection to unsecured creditors in the event of liquidation.

ii. Gearing/leverage ratio =  $\frac{\text{Fixed interest+preference share capital}}{\text{Ordinary share holder's fund}}$  (%)

This ratio shows the degree of financial risk to which a company is exposed. It is a measure of ownership/control risk. A company is said to be highly geared where the ratio is higher than 50% and low geared if less than 50%. A balance should be maintained between the two.

iii. Interest Gearing =  $\frac{\text{Fixed interest}}{\text{Profit before interest and tax}}$  (%)

It shows the earnings used in servicing debts.

iv. Total Liabilities to Shareholders Fund ratio =

$$\frac{\text{Current liabilities} + \text{longterm liabilities}}{\text{Share holder's fund}} \quad (x: 1) \text{ It indicates overall solvency and extent of}$$

cover for external creditors.

v. Debt ratio =  $\frac{\text{Total debt/liabilities}}{\text{Total assets}}$  (%)

It shows the extent of cover for liabilities by total assets.

### 3. Profitability and efficiency ratios.

These are ratios concerned with efficiency and performance in terms of returns.

Profitability is the ability to sell goods and services above cost and earn reasonable returns on capital.

Ratios under this category include:

i. Return on Capital Employed (ROCE) =  $\frac{\text{Net profit}}{\text{Capital employed}}$  (%)

It indicates overall profitability and efficiency in the utilisation of financial resources.

ii. Gross profit margin =  $\frac{\text{Gross Profit}}{\text{Sales}}$  (%)

It measures gross profit earned on every naira sales.

iii. Gross profit mark-up =  $\frac{\text{Gross profit}}{\text{Cost of sales}}$  (%)

It measures gross profit earned per naira cost of sales.

iv. Net profit margin =  $\frac{\text{Net profit}}{\text{Sales}}$  (%)

It indicates the ability of an enterprise to withstand negative variations arising from rising costs, falling prices and declining sales.

$$\text{v. Expenses to Sales ratio} = \frac{\text{Individual expenses}}{\text{Sales}} (\%)$$

The ratio shows the portion of income generated used in financing certain expenses.

#### **4. Investor ratios.**

These ratios are normally used by investors to enable them compare alternative investments.

They include:

$$\text{i. Dividend per share (DPS)} = \frac{\text{Ordinary dividend}}{\text{Issued no.of ordinary share}} (\text{x kobo})$$

The ratio shows dividend expressed in kobo attributable to each ordinary share.

$$\text{ii. Dividend cover ratio} = \frac{\text{Earning per share}}{\text{Dividened per share}} (\text{x times})$$

It shows the number of times ordinary dividend is covered by available earnings. It is also an indicator of a company's dividend policy.

$$\text{iii. Earning per share (EPS)} = \frac{\text{Profit after tax-preference shares dividend}}{\text{Issued no.of ordinary shares}} (\text{x kobo})$$

IAS 33 defines EPS as the profit attributable to equity shares based on the profit for the period after tax and after deducting minority interest and preference dividends but before taking into account, extra ordinary items, divided by the number of ordinary shares in issue and ranking for dividend.

iv. Price earning (P/E) ratio =  $\frac{\text{Market value per share}}{\text{Earning per share}}$  (*x times*)

This is the number of years' earnings required to cover the current market price per share. It reflects the market's appraisal of the shares' future prospects. The lower the ratio the shorter the expected payback period.

v. Net book value per ordinary share =  $\frac{\text{Net asset}}{\text{Issued no.of ordinary shares}}$  (*x kobo*)

Where net assets = total assets-total liabilities-preference share capital. The ratio indicates the book value attributable to each ordinary share.

### **2.3 Review of empirical studies**

The review of related empirical studies is divided in to two; evidence from other countries of the world and evidence from Nigeria.

#### **2.3.1 Evidence from other countries**

It is indeed a milestone for accounting profession as countries of the world are moving towards a unified accounting and reporting standard which is the international financial reporting standard (IFRS). While countries like Germany, United States of America (USA) have for a long time been operating under IFRS; there are a number of developing countries also that adopted the system in the last few years and Nigeria is one of them. The model of IFRS theoretically lives under the hypothesis of improving performance evaluation, quality of reporting and clarity of concepts and elements in financial statement of companies. It is against this background that attracts researchers globally investigating the validity of such proclamations. Although not necessarily on a particular objective, different aspects of IFRS have been investigated. From adoption procedures and challenges; operating procedures and challenges; performance

evaluation and reports quality among others have attract lots of interest of researchers all over the world and mixed results have been reported.

Latridis (2010) undertook a comparative study between GAAP and IFRS in the United Kingdom in terms of quality reports of financial statement. Based on available data from companies listed on the UK's stock exchange, the author computed financial statement under GAAP and IFRS respectively. In addition, the econometric model of higher discretionary accruals (DAC) was employed for contrast investigations and for degree of results validity obtained under GAAP and IFRS computations. The results revealed that under IFRS, firms displayed higher book value of equity per share, profitability and leverage than under GAAP. Under IFRS, it also indicates lower volatility in liquidity than under GAAP. From all the standards of comparison and weight, the result under IFRS displayed higher quality of information on financial statement than under GAAP. The implication is that the model of IFRS is richer on comparative terms with other accounting and reporting standards that ever existed. The author recommended the need for other companies in UK to move towards IFRS even if it is voluntarily.

Daske and Gebhardt (2006), investigate the impacts of IFRS adoption on accounting quality in three European countries. These countries include Austria, Germany and Switzerland. As for their methods of data analysis, secondary data was employed for the annual reports of some selected companies across the three countries who have adopted IFRS. Their results revealed that quality of information, evaluation of performances, and definition of concepts are absolutely unmatched on comparative scale with other accounting and reporting standards that ever existed. The authors

recommend other companies who are yet to decide or contemplating on going for IFRS should go for it.

Rainsbury et al. (2010), investigates whether or not the adoption of IFRS in New Zealand has produced the anticipated result between the year 2005 and 2007. Some of these anticipations include improvement in terms of quality of evaluation, quality of financial report and the strengthening of investor confidence and market behaviours. Using some selected firms that have been participating in their capital market, the authors employed descriptive statistics for data analysis. Their results showed that all the objectives and goals put into targets to achieved, as a result of adopting IFRS in the country has produced better results ahead of what has been targeted for. The authors recommended full-fledge implementation of IFRS in the country and for the world in general.

Armstrong et al. (2008), examine market behaviour before the adoption of international financial reporting standard (IFRS) and it reactions after its adoption in Europe. Their main objective in particular was unravelling the European stock market in these periods (2002 to 2005). As for their methods of sampling, a total of 3,265 European companies were employed for analysis. Their results revealed a positive significant reaction in terms of investment volume; economic growth and confidence on financial reporting after the adoption of IFRS than it was before adoption. Making IFRS as uniform model of accounting and reporting make it easier for auditors to evaluate the unit performance of companies in different industries and on aggregate scale the relative performance of industries in Europe. The model of IFRS has been considered a blessing not only in Europe but also throughout the world as it is today practice globally and as reported by

many researchers, the IFRS model has improve the quality of global investment partnerships and the economy as a whole.

Outa (2011) study the impacts of international financial reporting standard (IFRS) adoption on the accounting quality of companies listed in Kenya. His objective was to confirm whether the adoption of IFRS has led to improvement in accounting quality in the companies listed in Kenya. He applied accounting quality measure of earning management, timely loss recognition and value relevance. Three out of eight metrics of the quantitative result of the study indicated that quality has marginally improved while the remaining five indicated that quality declined marginally. He concluded that accounting quality has remained almost the same. He recommended that top management, external auditors, and regulators need to work together to improve compliance so that the impact of IFRS adoption should be felt more.

In a study conducted by Jacob and Madu (2009), they identified IFRS as a single set of higher quality and globally accepted accounting standard that improved quality of financial statement and reporting, comparability, acceptability and superiority over other accounting and reporting standards that ever exist. This increased comparability of financial statements that could result in optimal investment decision and ensure better allocation of resources across the global economy. They advocate the adoption of IFRS globally.

Epstein and Mirza (2002), highlighted in their study that the main objectives of international accounting standard board (IASB) was to develop an accounting model in the interest of the public, investors and share-holders with single set of quality, understandable and enforceable globally that requires transparent and comparable information in financial statement in the world's capital market.

Csefalvi (2012) conducted a study on the effects of accounting standardization on business performance with evidence from Hungary. He selected Hungarian firms that adopted IFRS and those that were using local accounting standards and divided the four years period covered by the study into pre-adoption and post-adoption period. He used regression and correlation for data analysis to conclude that the balance sheet indices deteriorated, especially regarding solvency and prosperity after adoption of IFRS. The result also shows that businesses that have adopted international financial reporting standards achieved higher and statistically significant coefficients than those using local rules.

Terzi et al. (2013) study the impact of international financial reporting with empirical evidence from Turkey. They used the financial statements of companies listed on Istanbul Stock Exchange for the period of 2003 and 2005 and made a compares between IFRS based and GAAP based financial ratios of these companies. They used normal distribution and multiple OLS regression analysis to analyse the data. They concluded that there is significant difference between IFRS based and GAAP based financial ratios with the exception of book value to market value ratio in which there is no significant difference, therefore the adoption of IFRS had a statistically significant effect on the equity accounts. Hence, transition to IFRS provided the opportunity for capital maintenance and the protection against risk of failure.

Ray (2012) conducted a comparative study between Indian GAAP and its convergence to IFRS. He used Wipro ltd as his sample for the study he used analytical as well as descriptive research design and annual reports of the company for 2008, 2009 and 2010 as the source of secondary data used for the study. He discovered that there is no much difference between the net income position of IFRS and Indian GAAP financial

statements of the company. Nevertheless, difference was prominent when observing the total liability and equity positions which are mainly due to reclassification between equity and total liability. The return on equity, return on assets, total assets turnover and net profit ratios showed significant change on converging to IFRS.

Pazarskis et al. (2011) conducted a comparative study on the effect of IFRS adoption on Greece IT sector. They examined the data of 20 sampled IT firms over a three-year period before and three-year period after IFRS adoption (2002-2004 and 2005-2007) using 20 accounting ratios. They concluded that none of the ratios had a statistically significant change due to IFRS adoption and there is no evidence of a specific impact of the adoption of FRS on accounting based information and performance of the sampled firms for the period. The result revealed that only two (EBIT margin and Gearing) out 20 ratios had a statistically significant difference due to IFRS adoption; the first increased and the second decreased. Thus, IFRS adoption leads to sampled firms' better performance at EBIT margin as well as gearing ratios.

Dimitrios et al. (2013) conducted a study on the impact of IFRS on ratios of listed and new listed companies of Athens Exchange. They used a sample of 31 companies listed before 2004 and 31 companies listed after 2004. To determine the first sample (companies listed before 2004) an equal number of companies per sector was used, with similar company size per sector and control by similar auditing company type. To determine the second sample (companies listed after 2004) they used data from Association of Listed companies and Athens Exchange. Financial sector companies whose financial statements have particular characteristics and companies with financial statements conducted for more or less than twelve months which are not comparable were excluded from the two samples. The result shows that there is significant

difference between the financial statements and ratios of the two groups after IFRS adoption. Comparable outcomes were reached by the application of multiple regression analysis, which displayed that the temporal point of the introduction of a company in Athens Exchange did not have any significant effect on the diversification of ratios from the transition to IFRS, except for EBIT to invested capital.

Akman (2011) conducted a study on the effect of IFRS adoption on financial disclosure. The study investigates whether the differences in financial disclosure due to culture have diminished after the use of IFRS. Using 498 firm year observations for the period of three years from six countries, the result indicate that the effect of culture still prevails on the amount of disclosure even after the use of IFRS. It is also noted that, the level of financial disclosure increases in all countries examined following the adoption of IFRS. Nevertheless, findings of the study showed that the use of single set of accounting standard does not completely eliminate the impact of culture on financial disclosure.

Antonios et al (2011) conducted a study on the effect of IFRS adoption on the related party Transaction disclosure. The study examined the value relevance of disclosure Related Party Transaction (RPTs) in Greek Corporations from 2002 – 2007. The study focus on two types of RPT; sales of goods and sales of assets, using value relevance approach. The result shows that the reported earnings of firms selling goods or assets to related parties exhibit a lower valuation coefficient than those without such transactions. They concluded that the new RPT regulation in Greece is perceived to be effective at reducing the potential misuse of RPTs for earnings management purposes. Since RPTs have been the subject of numerous scandals in North America, evidence

from the Greek stock markets indicates that new RPT accounting standard could prove to be an efficient solution to this issue.

Das, (2014) conducted a study on the impact of IFRS adoption compared with IGAAP on Activity Based Ratio of Indian Firms. The study employed an innovative design known as “Same Firm Year” research design, to know the impact. Gray index was used to find the impact of IFRS adoption on Activity Based Ratios of six Indian companies for 2011 and 2012, while paired sample t-test were used to test the statistical significance of the differences in mean between ratios under IFRS and Indian GAAP respectively. The main finding of the study is that IFRS adoption has caused a negative impact on most of the activity based on the Indian Firms, but the impact was not statistically significant and through t-test, it was found that there is no difference between Indian GAAP and IFRS.

Akpomi and Nnadi (2017) study the impact of IFRS adoption on Foreign Direct Investment (FDI): evidence from Africa and implications for managers of education. They considered IFRS adoption as a way of attracting FDI, improving comparability in financial reporting, reducing information asymmetries and cost for foreign investors. The effect of regulatory quality is found as an incentive for quality of accounting information and compliance to the IFRS by firms. Using the fixed effect model for the regression and a sample of 48 countries in Africa, they found that IFRS adoption has a positive effect on the flow of FDIs. They also establish that regulatory quality is an incentive for compliance to IFRS standards. The results which are necessary for managers of education showed that IFRS adoption by African countries will boost the flow FDIs by increasing comparability. Improving regulatory quality will further

strengthen the effect of IFRS adoption on the flow of FDI as it also enhances transparency.

Fitriany, et al (2017) examined the economic consequences of IFRS adoption around a round the Asean Countries to determine whether mandatory IFRS adoption in Asean Countries reduces asymmetric information and cost of equity and whether the effect depends on the number of analysts following and public governance. Using data of companies that are listed in Asean stock exchanges before and after IFRS adoption in each country, along with purposive sampling and panel data analysis. The study finds evidence that the mandatory adoption of IFRS reduces both asymmetric information and cost of equity. The reduction of asymmetric information is less pronounced for firms with higher analyst following. In addition, better public governance and higher number of analyst following tend to intensify the reduction of cost equity due to mandatory IFRS adoption. Public governance and analysts play important roles in the benefits of IFRS implementation. They recommended that organisations should increase quality of disclosure on financial statements to improve the ability of the public and analyst in processing information in financial statements.

Joseph (2017) in his study, perceived benefits and challenges of IFRS adoption in Ghana: views of members of institute of chartered accountants, Ghana, (ICAG) draws on rich body of knowledge in IFRS adoption from both developed and developing countries to develop a conceptual framework for the perceived benefits and challenges that come with IFRS adoption. He uses data from a cross- section of 762 members of Institute of Chartered Accountants Ghana. The study found that there is a number of perceived benefits and challenges with the adoption of IFRS in Ghana, notable among the benefits was the ease of comparability of financial data across-boarders, and the top

most challenge was the continuous amendments to IFRS. There were few differences in evaluation between old and young accountants among respondents. The study contributes to the limited empirical research regarding the perceived benefits and challenges of IFRS adoption in sub-Saharan African in general and Ghana in particular.

Karampinis and Hevas (2009) study the effect of the mandatory application of IFRS on the value relevance of accounting data. Using data from the Athens stock exchange that covered a period two years before and two years after the mandatory adoption of IFRS. They reported that the adoption of IFRS positively affected the value relevance of consolidated net income and book value, although it had no effect on their unconsolidated counterparts and that consolidated accounting numbers are by far more value relevant than unconsolidated ones in both periods and unexpectedly, this superiority is more pronounced after IFRS adoption. They also reported that disaggregating net income increases the explanatory power of the earnings-book value capitalisation model. Finally, they reported that although the overall explanatory power of the model increases, the incremental explanatory power of both net income and financial income decreases. These last findings question the expected benefits of specific IFRS rules concerning the measurement of these income components. They concluded that mandating IFRS may prove beneficial even in an unfavourable context.

Sherman and De-klerk (2015) study the international financial reporting standards and foreign ownership in South African companies. Using foreign ownership levels in South African listed companies during the period of 2003 to 2007, they tested whether IFRS adoption can facilitate cross boarder capital flows, as it results in an increase in market liquidity and comparability benefits in South African context when top 40 South African companies mandatorily adopted IFRS. The results indicated that the

adoption of IFRS did not have significant positive association with foreign ownership levels during the sample period. They attributed the result to the harmonisation project undertaken in South Africa to align local accounting standards (SA GAAP) with the IFRS before mandatory adoption.

Olaoye and Agugom (2017) examined the justification for International Financial Reporting Standards (IFRS) adoption in sub – Saharan African countries. They considered multinational corporations in sub – Saharan African countries using Nigeria, Kenya, and Ghana IFRS adoption as their sample size among sub – Saharan African countries. Desk review research approach was adopted in their study, as journals, articles and literature related to this work was reviewed. The study found that the adoption of IFRS by African countries has made the consolidation of financial statements of multinational corporations operating in the region less cumbersome, easy access to capital from the capital market, tax compliance among their business operations from different geographical locations easier to manage. They discover that IFRS adoption generally make it a lot easier for financial reporting harmonisation and uniformity in accounting measurement and treatments. They also discovered that most multinational corporations in an attempt to reduce their tax liabilities indulge in tax manipulations, illegal transfer pricing, export under-invoicing, export smuggling, tax based erosion, and other practices of unrecorded outflows in form of capital flights from the natural rich African countries. The study recommended that for easy and efficient implementation of IFRS African countries should carefully prepare workable regulatory environment, engage in manpower training, provision for adequate resources, provide legal and strong institutional framework and regulatory support system to tackle pre and post IFRS adoption challenges while African governments should in blocking leaking channels and the mechanism that fuels capital flight.

### **2.3.2 Evidence from Nigeria**

Adejoh and Hasnah (2014) examine the quality of financial statement, information, and report on comparative scale between the Nigerian standard (SAS) and IFRS of some selected companies that were listed in the Nigerian stock exchange (NSE). Unlike the discovery in the work of Latridis (2010), their findings revealed mixed results; while few companies demonstrated advance quality of reports under IFRS than under SAS. However, on quantitative aspects, reports under SAS were more favourable. The authors were under the suspicion that for companies whose IFRS reports were less qualitative are either not complying with the rules of IFRS or lacked the skilful personnel who are familiar with the system. Against this background, the authors suggested the introduction of IFRS in the nation is learning institutions, training of personnel and workshops particularly on IFRS. This will enable the country to enjoy fully from the glories of IFRS like other nations.

Abdul-Baki, Uthman and Sanni (2014) conducted a comparative study on performance of Oando Nigeria plc using financial ratios as measure of performance between IFRS and SAS based financial statements. The performance variables used are; profitability ratios, liquidity ratios, gearing ratios, stock market ratios, three ratios from each category. As for their methods of data analysis, the authors employed two different econometric models which include Kolmogorov-Smirnov-test and U-test. After their mathematical analysis, their results revealed that there is no significant difference between IFRS and SAS (GAAP) based ratios.

Ocansey and Enahoro (2014) did a comparative study from reviews of literature in terms of the progress and challenges between Nigeria and Ghana on IFRS from the day of adoption. Ghana in particular adopted the new international financial reporting

standard (IFRS) in the year 2005 while Nigeria went for it in 2010. The authors in their discovery revealed that both countries are on the same level especially on the issue of challenges. In both countries, the glories of IFRS are less as experienced in other parts of the world. As reported in their results, the major stumbling blocks confronting the success of IFRS in both countries includes the lacked of skilful manpower, experts in that area and the problems of compliance refusals. In their recommendations, the authors advocate for staff training, accreditation of IFRS in syllabus of tertiary institutions and the enactment of law that will provide severe punishment for lacked of compliance especially for companies listed on the capital markets of both countries.

Josiah et al. (2013), investigates the progress and challenges of IFRS in Nigeria adopted by the Nigerian financial reporting council (NFRC). As argued in their study, the model of IFRS is capable of increasing the direction of foreign direct investment (FDI) in Nigeria and the strengthening of investor confidence across the board. Aside such proclamations after their analysis, the results correlate with their proclamations theoretically, but in practical terms, it was the opposite. For substantiations, the quality of information displayed from financial statement prepared under IFRS were not clearer as obtained in other countries because of challenges such as compliance refusal and poor knowledge of IFRS. The authors recommended that financial reporting council (FRC) in Nigeria should come up with quick customization format and to be enacted into law along with penalties for compliance refusal, otherwise Nigeria will be left behind from global perspective and assurance of confidence continuity will never be unlikely to disappear on the horizon.

Oseni (2013), examine the application challenges of international financial reporting standard (IFRS) in Nigeria from some selected companies listed on the Nigerian capital

market. His findings showed that compliance refusal, lacked of expertise, non-popularity of the system are the biggest stumbling blocks restricting the benefits of IFRS as enjoy by other countries. His recommendations include the staff training, mandatory compliance which must be supported by the national laws and public enlightens particularly on the benefits of the model. He was of the view that the nation's existing laws does not fully provide the enabling environment for full-fledge implementation, adoption and compliance as it is in other countries.

Adeyemi (2012) investigates the impacts of accounting standard of financial reporting in Nigeria on some selected companies listed on the Nigerian stock exchange (NSE). Having acknowledged the facts from evidences in other countries, on comparative terms Nigeria is still left behind. Nevertheless, within the Nigerian territory, the adoption of international financial reporting standards has produced better results and elevated confidence particularly on accounting, credibility, and acceptability of financial reports. However, the author's dissatisfaction from his discovery is the fact of measuring the success of IFRS on the global scale. For Nigeria to meet up these expectations in practical terms there is the need for more incentives for Nigerian companies to adopt IFRS as the one and only accounting and reporting model as it was done in other countries.

Kanu et al. (2014), investigates the compatibility of international financial reporting standard (IFRS) as for whether or not the ages of small and medium scale enterprises (SMEs) are due for the model. Using primary data obtained from administered questionnaires, which reflect the perceptions of Nigeria's professional accountants and managers of such companies. His results showed that within the body structure of SMEs in the country, they are face with problems that are still active which suggest that

even if they should go for IFRS, the question of timing is of paramount importance. For substantiation, the business environment where SMEs operate in Nigeria will not be conducive for IFRS. The problems of manipulation, poor management and the lack of clarity of ownership are still rich within SMEs. Their recommendations were that SMEs in Nigeria should in the first place address their structural and administrative challenges before going for IFRS, because there will come a time when it will be mandatory for all business companies operating in Nigeria irrespective of its size to use IFRS as recognized accounting and reporting standard.

Pius and Raymond (2014) examine the effects of international financial reporting standard (IFRS) for fourteen commercial banks operating in Nigeria and have been playing on the Nigeria's capital market. The study timeframe is between 2006 and 2012. Prior to the adoption of IFRS in 2010, the Nigerian commercial banks, generally use statement of accounting standard (SAS) in their financial reports. In 2010, it was made mandatory the adoption of IFRS from central bank (CBN) authorization. In comparison between the six years' regime of SAS and two years of IFRS on the scale of quality of information, definitions of terms and performance evaluation; their results show that IFRS regime, has superior characteristics at all levels over SAS.

Umobong and Akani (2015) conducted a comparative study on the impact of IFRS adoption on the market performance of food and beverages manufacturing firms in Nigeria. The study covers a period of 5 years. The objective of the study was to find out whether there is difference between the performance of the companies before and after the adoption of IFRS. The variables used in the study were earning per share, Price earnings ratio and Dividend yield. T-test was used as the technique of data analysis.

The study revealed that there is no significant difference between the market performance of firms before and after the adoption of IFRS.

Adeuja (2015), conducted a comparative study on the performance of banking industry in Nigeria between the IFRS and SAS period from 2010-2013. The variables controlled in the analysis were liquidity ratio, profitability ratio, leverage ratio and asset quality ratio. An independent T-test was used as the statistical technique of data analysis. The findings showed no statistically significant difference between the two accounting standards.

Taiwo and Adejare (2014) study the effect of International Financial Reporting Standards (IFRS) adoption on accounting practices in Nigeria. They adopted personal interview and questionnaire methods to collect primary data. They use Chi-square and ANOVA for analysis of data. They concluded that there is a strong relationship between the adoption of IFRS and financial performance due to cost reduction of an organisation and improved business efficiency and productivity. They recommended that the financial reporting practice in Nigeria should cut across the public and private sector to bring uniformity in accounting practice regarding annual preparation of financial reports to the owner of companies and other interested parties.

Nnekaand Rotimi (2012) conducted a study on the extent to which the adoption of IFRS can enhance financial reporting system in Nigerian Universities. The population of the study comprises of 160 senior accountants and internal auditors. They adopted a survey design for the study and used descriptive statistics and multiple OLS regression. The findings of the study indicated that there are a lot of accounting areas the accountants and auditors should focus in discharging their duties. Mostly accountants, auditors, bursars, financial analyst, etc., are the personnel involve in the IFRS financial

instruments. They recommended that the curricula of our institutions should be reviewed to incorporate IFRS so that students, accountants and auditors will be acquainted with IFRS guidelines and standards.

Abata (2015) conducted a study on the impact of IFRS adoption on financial reporting practice in Nigerian Banking sector. The study evaluates the impact of IFRS on financial reporting practices with focus on the Nigerian-banking sector. The specific objectives of the study are to determine whether the quantitative differences in the financial reports prepared by Nigerian listed banks under NGAAP and IAS/IFRS are statistically significant or not. Secondary data were employed in the study. The data were extracted from the annuals reports of fourteen Nigerian listed banks. One hypothesis was developed and tested at five (5) percent level of significance. Findings of the study revealed that quantitative differences in the financial reports prepared under NGAAP and IAS/IFRS are statistically significant. The study concludes that IFRS have impacted on financial reporting in the Nigerian Banking Sector.

Udofia and Ikpantan (2015) conducted a study on internal financial reporting standards adoption in Nigeria: challenges and prospects. The main objective the study was to survey literature and identify the challenges of IFRS adoption and limitations faced by Nigeria in the process of implementing it. Nigeria has embraced IFRS in order to gain its benefits which includes attracting Foreign Direct Investment, reduction of the cost of doing business and cross boarder listing. In implementing IFRS Nigeria is facing challenges including the development of a regulatory framework, awareness campaign, and training of personnel. Strengthening education and training at all levels, establishment of an independent body to monitor, enforce and advice on accounting and auditing standard, efficient capacity building programme to prepare the various

stakeholders for the immanent transition and challenges are the key recommendations from the study

Donwa et al. (2015) conducted a study on the effect of IFRS on Accounting Ratios in Nigerian Oil and Gas companies. The study was embarked upon to find out if the adoption of IFRS leads to a significantly higher performance assessment of the Oil and Gas companies in Nigeria. The study compare financial ratios computed under NGAAP with those computed under IFRS for two years' period under each regime from 2010 to 2011 under NGAAP regime and 2012 to 2013 under IFRS regime. The mean differences between the two regimes were considered. Empirical analysis was performed to check if there were any significant differences between the ratios prepared under IFRS regime and NGAAP regime, using t-test Statistics. The result shows that the overall ratios of both short and long-term solvencies indicate higher liquidity for NGAAP dominated financial statement than the IFRS, except for debt to worth that showed a higher performance under IFRS while the profitability ratio was higher under IFRS regime, but there was no significant difference between the two regimes.

Akinleye (2016) investigated the effect of IFRS adoption on the performance of money deposit banks (MDB) in Nigeria. Ten banks were randomly selected for analysis over the period covering 2009 to 2014. Secondary data were sourced from financial statements of the selected banks for the period under study. Panel data analysis in the form of pooled OLS analysis, fixed effect and random effect analysis alongside post estimation test such as restricted F-test and Housman test were used. The results revealed that IFRS adoption exert positive impact on performance of money deposit banks measured in terms of ROA and ROE. The result also revealed that financial

ratios such as liquidity ratio, current ratio and investment ratio exert significant influence on bank performance. The study concluded that the adoption of IFRS has significant impact on performance of money deposit banks. The study recommended that MDBs should implement IFRS fully in order to maximise its influence on their performance and take cognisance of financial ratios as their relative impact on performance cannot be undermined.

Adelusi and Ibigbami (2017) examined the effect of IFRS adoption on the profitability of selected quoted oil and gas companies in Nigeria. Their area of focus is liquidity, profitability and leverage of these companies using the Nigerian GAAPs and IFRS. The study employed secondary source of data using the financial reports of the five (5) selected oil and gas companies. The data was analysed using pair sample test statistics to compare pre and post IFRS adoption period. 2009 to 2011 was the pre IFRS adoption period and 2012 to 2014 was the post IFRS adoption period. The findings of the study show that there was no significant statistical difference in respect of the key performance indicators used in assessing the company's performance. They recommended that further study should be done to cover more period after IFRS adoption.

Sanyaolu et al. (2017) examined the effect of IFRS adoption on the earning yield and earning per share of quoted banks in Nigeria. The study made use of cross sectional data obtained for a period of six years from 2009 to 2014, while ordinary least square method of analysis was used to examine the impact of IFRS adoption on the earnings of all the 15 quoted banks in the NSE. The study discovered a significant and positive relationship between IFRS adoption and earning yield and earning per share of quoted banks in Nigeria. The study concluded that IFRS adoption has improved the decision

making capability of various stakeholders and increase investor's confidence and inflow of foreign direct investment in the country. The study recommended that for suitable adoption of IFRS competent accountants and auditors in IFRS are required in large number and ICAN should intensify its efforts in organising IFRS based training for its members and other parties involve in corporate reporting.

Ironkwe and Oglekwu (2016) in their study of international financial reporting standards (IFRS) and corporate performance of listed companies in Nigeria investigated the corporate performance in terms of profitability of listed manufacturing companies in Nigeria in the period of pre IFRS adoption (2009 to 2011) and post IFRS adoption (2012 to 2014). Descriptive statistics and analysis of variance (ANOVA) were used in analysing the performance of the two periods as it relates to EPS and ROE. The results showed that there is an inverse relationship between risk and return. Except for EPS which had marginal appreciation of 2.3%, ROE showed a substantial reduction of 15.7% on performance in the post adoption period. The result also showed that, there is no significant impact of pre/post IFRS adoption on EPS and ROE. They recommended that FRCN, SEC and CAMA 2004 should ensure strict adherence to IFRS principles and provide an enabling environment for companies to thrive.

Aseoluwa and Jelil (2017) study IFRS adoption and performance of quoted consumer goods manufacturing companies in Nigeria. They investigated the adoption of IFRS by Nigerian quoted consumer goods manufacturing companies with the view of establishing empirically, the appropriateness or otherwise of the adoption in relation to performance of the companies. An ex-post factor research design was adopted for the study. Secondary data were obtained from audited annual financial reports of ten (10) of the companies purposively selected from the population for a period of five (5) years

(2010-2014). The data was analysed using pooled OLS estimator through the aid of Stata II software. The findings of the study showed that there is no significant relationship between IFRS adoption and performance of manufacturing firms listed on the Nigerian stock exchange. The study concluded that IFRS adoption is worthwhile in view of the fact that it enhances better accountability, comparability, transparency and improves quality of financial reporting.

Abdullahi et al. (2017) investigated the effects of international financial reporting standards (IFRS) adoption on the performance of oil and gas marketing companies in Nigeria. They purposively selected a sample of eight (8) oil and gas companies operating in the country due to availability of data. Firms' performances was represented by profit margin, return on assets and return on equity ratios and were considered as dependent variables to be determine by reporting regime as independent variable. They use current ratio, quick test, total debt ratio, earning per share and equity debt ratio as control variables. They computed and compare two years before IFRS adoption (2010 to 2011) and two years after IFRS adoption (2012 to 2013) ratios. OLS regression with the help of e-views 9 was used for data analysis. The study reveals that IFRS adoption has not improved the performance of oil and gas companies in Nigeria. The study recommended that oil and gas companies should continue to comply with IFRS provisions as it will improve their reporting quality which will also improve their performances as a result of more investments, easy access to capital and comparability.

### **2.3.3 Summary of gaps**

A critical look at the studies reviewed indicate that most of the studies examined the effects of IFRS adoption on accounting quality, value relevance, challenges and benefits of the adoption and impact of IFRS adoption on performance of companies.

Most of these studies concentrate on the effects of IFRS adoption on the performance of banks and oil & gas companies quoted on the NSE except Umobong and Akani (2015) that study the impact of IFRS adoption on the performance of Food & Beverages companies listed on the NSE. However, this study is limited by the sample size, number of performance indicators used to measure performance and the period covered. In the light of this limitation this study seeks to examine the impact of IFRS adoption on the performance of Food & Beverages companies listed on the NSE using 8 years (2008-2015) financial reports to source data and 20 financial ratios to measure performance of the companies.

#### **2.4 Theoretical framework**

Globalisation of capital markets has increased the need for widely understood accounting information, which can facilitate comparability of accounting figures globally. This has led to the acceptance and adoption of international financial reporting standards (IFRS) by many countries of the world. IFRS adoption by both developed and developing countries has improved growth in international trade, cross boarder financial transactions and investments which involves the preparation and presentation of accounting reports that are useful across national borders (Armstrong et al. 2008). The preparation of these financial reports is guided by financial accounting literature which contained different theories. This section will explain some of the most commonly accepted theories used to explain financial reporting by corporate bodies.

- i. Stakeholder theory: 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), (Barde, 2009). This theory rotates around the notion of whether a business organisation's responsibility is primarily to deliver profit to stockholders or extend to other stakeholders (non-stockholders) as well. A stakeholder is any party who can affect or is affected by a company's operations. Friedman and Miles (2006) state that stakeholders are all those groups without whose support the operation of the organisation will collapse. Managers should therefore, not give priority only to maximizing shareholder's wealth, though a primary objective, businesses which tow this line tend to be imprudent and ethically unjustifiable. Freeman and Reed (1984) distinguish two sense of stakeholders. The "narrow definition" which includes those groups who are vital to the survival and success of the corporation. Then the "wide definition" which includes any group or individual who can affect or is affected by the corporation.

- ii. Agency Theory: The agency theory was developed in order address the problems that resulted from an agency relationship between principals (shareholders) and their agents (managers) due to separation of ownership and control. Conflict of interest between shareholders and manager's manifests either as a risk aversion problem, a dividend retention problem or a horizon problem. Thus, the agency theory argued that managers' behaviour (as agents) must be aligned to shareholder's interest (the principals), which often give rise to agency cost (Rutledge& Karim, 1999). To minimise these costs managers, disclose more information in financial statements which must be audited to enhance their reliability. Jensen and Meckling (1976) argued that agency costs vary with the extent of separation of ownership and control. According to Al-Shammari (2005), agency cost is low if shares are closely held and tends to be high in companies with widely held shares, due to high potentials for conflict. A simple agency theory model suggests that, as a result of information asymmetries and self-interest, principals

lack reasons to trust their agents and will seek to resolve these concerns by putting in place mechanism to align the interest of agents with that of principals and to reduce the scope of information asymmetries and opportunistic behaviour (ICAEW, 2005).

- iii. Signalling Theory: signalling theory tries to explain disclosure of accounting information in financial statements to signal superior performance to shareholders, potential investors and other market participant. Compliance to International Accounting Standards by profitable companies is one way of signalling their superior performance to the market (Barde, 2009). Although signalling theory was originally developed to clarify the information asymmetry in the labour market, it has been used to explain voluntary disclosure in corporate reporting. As a result of the information asymmetry problem, companies signal certain information to investors to show that they are better than other companies in the market for the purpose of attracting investment and enhancing a favourable reputation. Voluntary disclosure is one of the signalling means, where companies would disclose more information than the mandatory ones required by laws and regulations in order to signal that they are better (Shetaha, 2014).
- iv. Capital need Theory; this theory argued that firms disclose more information in financial reports to win investors' confidence, which make them to accept lower rate of return, thereby lowering the firms cost of capital (Barde, 2009). According to Shehata (2014), companies aim to attract external finance to increase their capital, by either debt or equity. The capital need theory suggest that voluntary disclosure helps in achieving a company's need to raise capital at a low cost. The relationship between voluntary disclosure and cost of capital was thought to be a positive relationship; the higher the information disclosures the lower the cost of capital. Capital need theory is a reflection

of company's need to compete with each other to raise capital in the capital market through the issuing of shares. Better disclosure lead to efficient allocation of capital in the capital market assisting in accurate pricing, which help in attracting new investors thus, enabling healthy liquidity. On the whole, increased transparency brought about by disclosure build confidence in shareholders thereby reducing uncertainty (Shehata, 2014).

- v. **Legitimacy Theory:** Legitimacy theory assumes that a company has no right to exist unless its value are being perceived as matching with that of the society at large where it operates. Accordingly, the idea of the legitimacy theory resembles a social contract between the company and the society. Since the objective of accounting is providing users with information that help in decision making, that is to satisfy social interest, the theory has been integrated in accounting studies as a means of explaining what, why, when and how certain items are addressed by corporate management in their communication with outside audience. Since the legitimacy theory is based on society's perception, management is forced to disclose information that would change the external users' opinion about their company. The annual report has been detected as an important source of legitimisation. Legitimisation can occur through both mandatory disclosures provided in financial statements because of regulations, and voluntary disclosures provided in other sections of the annual report (Shehata, 2014).
- vi. **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 as either enactment of laws, nationalisation, expropriation and break-up or imposing restrictions (Barde, 2009). To minimise these costs, companies use tactics such as responsibility

campaigns, government lobbying and disclosing more information in their financial statements (Al-Shammari, 2005). Political cost theory is more relevant to larger and more profitable companies due to their higher political visibility. Consequently, larger companies disclose more information than smaller companies that are politically less visible (Barde, 2009).

If the mentioned theories are critically examined it can be seen that the stakeholder theory and agency theory are the theories that best explain why IFRS was adopted by both developed and developing countries of the world more than the other theories (political cost, signalling, capital need and legitimacy theories). The separation of ownership and control bring about the stewardship accounting and thus managers try to render stewardship to the shareholders through disclosing accounting information in their financial reports. However, since corporate bodies are social member of society information disclosure extend beyond shareholders' need and incorporates information needs of other stakeholders as well. Thus, the importance of stakeholders and agency theories in financial reporting and accounting information disclosure becomes imperative, as it is the only avenue of minimising conflict between the company management on one hand and the shareholders and other stakeholders on the other hand.

Practical reality did not support the argument that management use information disclosure in the company's financial reports for avoiding government interventions, communicating superior performance, needs for more capital, changing the external user's perception, as argued by political cost, signalling, capital need and legitimacy theories. Government intervention is sometimes due to the fact that government wants to save some corporations from collapsing. The United State (U S) government

intervention in financial sector and automotive industries was due to collapse symptoms shown by the companies rather than their failure to disclose accounting information. Similarly, firms are mandated to prepare and publish their financial statements to disclose accounting information based on approved guidelines and standards. Since the minimal accounting information disclosure bear no relation to financial performance, the claim by the signalling theory that companies discloses accounting information to signal superior performance does not hold true. This is because accounting information is still being disclosed even when the firm's performance is poor. In the same vein, accounting information disclosure has not clearly aided corporate bodies to raise additional capital. The recapitalisation of banks and insurance firms in Nigeria was more of CBN and NDIC induced policy than the consequences of accounting information disclosure by banks and insurance firms themselves. Likewise, disclosure of accounting information cannot change the opinion of an external information user as claimed by legitimacy theory. The perception of external user of accounting information can change based on the content of the information depending on whether the information show good or poor social responsibility and corporate performance. Thus, of all the theories that explain accounting information disclosure in financial reports above, the theories that best explain the study are stakeholder theory and agency theory as already explained.

## **CHAPTER THREE**

### **3.0 RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The aim of this study is to compare the international financial reporting model (IFRS) with the former Nigeria's standards (SAS) in terms of performance measurement in Nigeria over the period 2008-2015. This section described in details the research methodology employed. It describes the research design, the population of the study, the sample size and sampling method employed, sources and method of data collection, and the techniques of data analysis to test the research hypotheses among others.

#### **3.2 Research design**

This study adopts the survey design, as the data for the research was obtained from various audited annual financial statements of the food and beverages companies listed on the Nigerian Stock Exchange. A panel of eighteen food and beverages companies, providing data for eight years' period was used (Panel of 144 audited annual reports). To examine the relationship between IFRS adoption and performance of food and beverages companies listed in the NSE, financial statements of the sampled companies were used to compute the various performance indices. The study employed financial ratios that are considered as performance indicators for data analysis. The aim is to capture the degree of confidence in line with the study's hypotheses. This strategy was considered necessary and relevant to our research objectives.

#### **3.3 Population of the study**

Population of the study includes all food and beverages companies that are listed on the Nigerian Stock Exchange over the eight-year study period (2008-2015). There are twenty-five (25) food and beverages companies listed on the Nigerian Stock Exchange between 2008 to 2012 when IFRS was adopted. Eighteen (18) of these companies have

eight years audited financial statements prepared under both IFRS and SAS (i.e 4years under IFRS and 4years under SAS). The remaining Seven are either delisted or suspended from the stock exchange before the end of 2015 therefore do not have complete eight years audited financial statements.

### **3.4 Sample size and sampling procedure of the study**

The target sample of this study was all food and beverages companies listed on the Nigerian Stock Exchange between 1<sup>st</sup> January 2008 and 31<sup>st</sup> December 2015. However, eighteen (18) food and beverages companies were selected using the following criterion:

- i. Companies that are on the list of firms quoted on the Nigerian Stock Exchange for at least eight years starting from 1<sup>st</sup> January 2008.
- ii. Companies that are still quoted on the Nigerian Stock Exchange and have audited annual financial reports for the period of January 1<sup>st</sup>, 2008 to December 31<sup>st</sup>, 2015.
- iii. Companies that have four years' annual reports prepared under IFRS and SAS regimes respectively.
- iv. Companies that are involved in food and beverages production and distribution within the period under study.

### **3.5 Sources and method of data collection**

Secondary data were collected from the audited annual financial statements of the sampled companies. The main source of data for this study was the annual financial reports and accounts of the sampled companies and the Nigerian Stock Exchange annual fact books.

### **3.6 Methods of data analysis**

To analyse the data financial ratios of liquidity, long-term solvency, profitability and stock market were used. Ratios were calculated based on figures obtained from financial statements that are prepared under the two sets of accounting standards (IFRS and SAS) for four separate years (2008-2011 for SAS and 2012-2015 for IFRS) respectively. To describe the data set measure of central tendency and measure of dispersion were used. Measure of central tendency used includes sampling mean and median, while measure of variability includes the minimum variable, maximum variable, and sampling standard deviation.

A paired sample t-test was used to test for the statistical significance of the difference in variance of the ratios under the two accounting standards. The decision rule is to reject the null hypothesis if the calculated (t/f) value falls outside the critical values or if the p value is less than 0.025 (critical value) at two tails.

Finally, the relationship between IFRS and SAS ratios will be analysed using multiple OLS regression analysis. Multiple OLS regression is useful in analysing categorical data, where the independent variable is dichotomous and takes only two values, that is 0 and 1. 1 for IFRS reported financial numbers and 0 for SAS reported financial numbers. The parameters of the multiple OLS regression will be estimated based on the maximum likelihood method, while the hypothesis testing will be based on Wald statistic

### **3.7 Model specification**

The study will test the following models to determine the impact of IFRS adoption on the performance of food and beverages companies listed on the Nigerian stock

exchange. This model was adopted from the studies of Tanko, (2012) and Yahaya et al. (2015) with some modifications on the coefficient and proxy variables:

$$\beta_1 CR_{it} + \beta_2 QR_{it} + \beta_3 STR_{it} + \beta_4 DTR_{it} + \beta_5 CTR_{it} = \beta_0 + \beta_1 RR_{it} + \beta_2 PRD_{it} e_{it}$$

$$LQP_{it} = \beta_0 + \beta_1 RR_{it} + \beta_2 PRD_{it} e_{it} \quad (1)$$

Where:

LQP is liquidity performance ratio

RR<sub>it</sub> is a dummy variable representing accounting standard, 1 for IFRS financial ratios and 0 for SAS financial ratios. β is the coefficient of the variables 1-6, CR, QR, STR, DTR, CTR, PRD, are proxies used to control for firm's current ratio, quick ratio, stock turnover ratio, debtor's turnover ratio, creditors turnover ratio and pre and post adoption period respectively, e<sub>it</sub> is the error term, and i and t are the firm and year subscripts respectively.

$$\beta_1 PR_{it} + \beta_2 GR_{it} + \beta_3 IGR_{it} + \beta_4 TLSFR_{it} + \beta_5 DR_{it} = \beta_0 + \beta_1 RR_{it} + \beta_2 PRD_{it} e_{it}$$

$$LSOP_{it} = \beta_0 + \beta_1 RR_{it} + \beta_2 PRD_{it} e_{it} \quad (2)$$

Where:

LSOP is long-term solvency performance

RR<sub>it</sub> is a dummy variable representing accounting standard, 1 for IFRS financial ratios and 0 for SAS financial ratios. β is the coefficient of the variables 1-6, PR, GR, IGR, TLSFR, DR, PRD, are proxies used to control for firm's proprietor's ratio, gearing ratio, interest gearing ratio, total liabilities to shareholder's fund ratio, debt ratio and

pre and post adoption period respectively,  $e_{it}$  is the error term, and  $i$  and  $t$  are the firm and year subscripts respectively.

$$\beta_1 ROCE_{it} + \beta_2 GPM_{it} + \beta_3 IGPMU_{it} + \beta_4 NPM_{it} + \beta_5 ESR_{it} = \beta_0 + \beta_1 RR_{it} + \beta_2 PRD_{it} + e_{it}$$

$$PFP_{it} = \beta_0 + \beta_1 RR_{it} + \beta_2 PRD_{it} + e_{it} \quad (3)$$

Where:

PFP is profitability performance

$RR_{it}$  is a dummy variable representing accounting standard, 1 for IFRS financial ratios and 0 for SAS financial ratios.  $\beta$  is the coefficient of the variables 1-6, ROCE, GPM, GPMU, NPM, ESR, PRD, are proxies used to control for firm's return on capital employed, gross profit margin ratio, gross profit mark-up ratio, net profit margin ratio, expenses to sales ratio and pre and postadoption period respectively,  $e_{it}$  is the error term, and  $i$  and  $t$  are the firm and year subscripts respectively.

$$\beta_1 DPS_{it} + \beta_2 DCR_{it} + \beta_3 EPS_{it} + \beta_4 PER_{it} + \beta_5 NBVPS_{it} = \beta_0 + \beta_1 RR_{it} + \beta_2 PRD_{it} + e_{it}$$

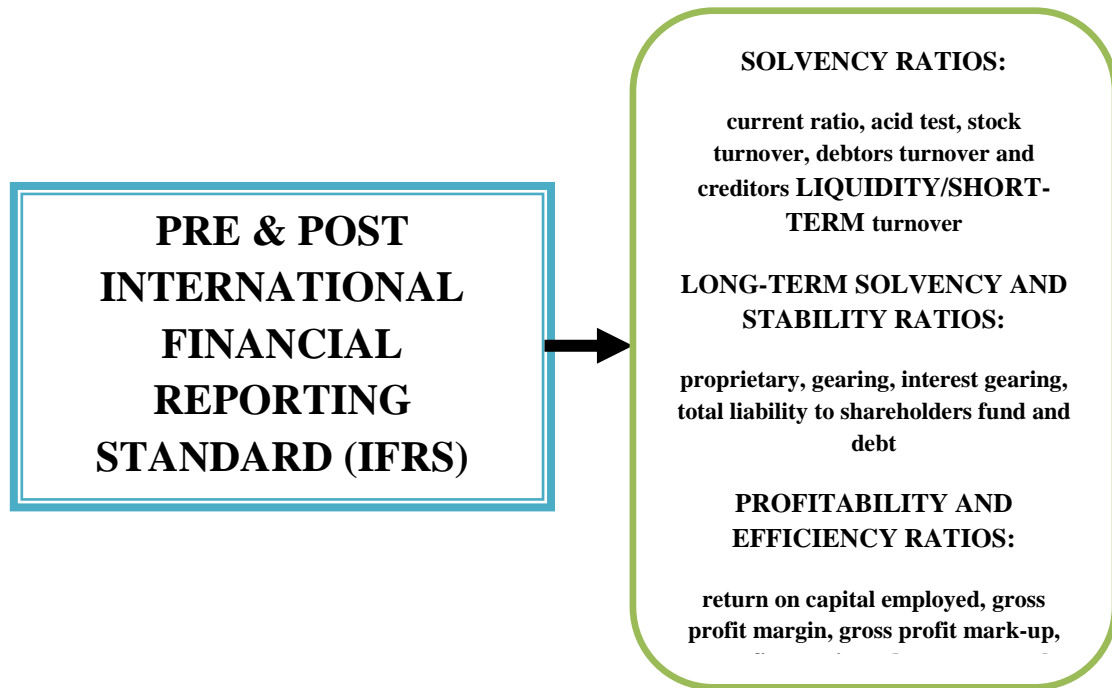
$$IVP_{it} = \beta_0 + \beta_1 RR_{it} + \beta_2 PRD_{it} + e_{it} \quad (4)$$

Where:

IVP is investors performance

$RR_{it}$  is a dummy variable representing accounting standard, 1 for IFRS financial ratios and 0 for SAS financial ratios.  $\beta$  is the coefficient of the variables 1-6, DPS, DCR, EPS, PER, NBVPS, PRD, are proxies used to control for firm's dividend per share, dividend cover ratio, earning per share, price earnings ratio, net book value per share and pre and post adoption period respectively,  $e_{it}$  is the error term, and  $i$  and  $t$  are the firm and year

subscripts respectively. The regression models in equations 1-4 are estimated using panel data (pre-adoption period 2008-2011 and post-adoption period 2012-2015) and fitted with various measures of financial ratios as defined in the equations. The data will be analysed using binary multiple OLS regression.



Diagram; 3.1 variables chart

## **CHAPTER FOUR**

### **4.0 DATA PRESENTATION AND ANALYSIS**

#### **4.1 Introduction**

This section deals with detail analysis of the variables with emphasis on the impact they have on the adoption of IFRS. The first part observes the descriptive statistics with emphasis on the mean distribution and the standard deviation. Next discussion focuses on the correlation matrix to examine whether or not any relationship exists between IFRS adoption and the dependent variables of liquidity performance, solvency performance, profitability performance and investors/stock market performance variables. This was followed by a look at the T-Test (I-T) and the Jonckheree-Terpstra test (J-T). Finally, a look at the impact of the relationship between IFRS and the independent variable of liquidity ratio, solvency ratio, profitability ratio and stock market ratios would be done through multiple OLS regression.

## 4.2 Descriptive statistics

Table 4.1: *Descriptive Statistics*

| <b>Variables</b>                                      | <b>Mean</b> | <b>Standard<br/>Deviation</b> | <b>Minimum</b> | <b>Maximum</b> |
|---|-------------|-------------------------------|----------------|----------------|
| International Financial Reporting<br>Standards (IFRS) | 0.5000      | 0.5017                        | 0.0000         | 1.0000         |
| Current ratio   | 1.0416      | 0.6087                        | 0.0075         | 2.3683         |
| Acid test ratio                                       | 0.6417      | 0.4176                        | 0.0058         | 1.6926         |
| Stock turnover ratio                                  | 5.6559      | 3.9123                        | 0.0000         | 19.9576        |
| Debtors turnover ratio                                | 0.1371      | 0.0740                        | 0.0000         | 0.2876         |
| Creditors turnover ratio                              | 0.3696      | 0.6965                        | 0.0000         | 4.1692         |
| Propriety ratio                                       | 1.0515      | 1.1027                        | -2.654         | 3.3202         |
| Gearing ratio   | 0.2088      | 0.2951                        | 0.0000         | 1.1146         |
| Interest gearing ratio                                | 0.1782      | 0.4789                        | -0.7539        | 1.9569         |
| Total liability to shareholders fund<br>ratio         | 1.2374      | 1.5372                        | -2.9828        | 5.1154         |
| Debt ratio  | 2.2201      | 3.7819                        | 0.3416         | 18.7001        |
| Return on capital employed                            | 0.0548      | 0.2930                        | -1.2688        | 0.3923         |
| Gross profit margin                                   | 0.2767      | 0.1539                        | 0.0000         | 0.4965         |
| Gross profit markup                                   | 0.3998      | 0.3984                        | -1.0000        | 0.9861         |
| Net profit margin                                     | 0.0603      | 0.1991                        | -0.7748        | 0.3045         |
| Expenses to sales ratio                               | 0.1892      | 0.1345                        | 0.0000         | 0.5967         |
| Dividend per share                                    | 0.3990      | 11.1211                       | 0.0000         | 65.2975        |
| Dividend cover  | 2.1975      | 4.4934                        | 0.0000         | 24.8131        |
| Earnings per share ratio                              | 2.8712      | 5.3734                        | -1.4900        | 26.1500        |
| Price earnings ratio                                  | 18.8745     | 25.2377                       | -14.3095       | 135.1563       |
| Net book value per ordinary share                     | 9.7885      | 11.9483                       | -4.6642        | 43.1337        |

Source: Computed by the author using Stata13.

The summary of the descriptive statistics shows the mean, minimum and maximum scores for all the variables. On average, the dependent variable has scores of 0.5000 with minimum and maximum scores of 0 and 1 respectively. The mean scores for 14

of the variables are within acceptable range as the deviation from the standard is less than 200%. However, for the remaining seven variables, the standard deviation exceeds 200% which shows higher deviations from the mean distribution. In particular, variables like dividend per share, price earnings and net book value per ordinary share have extreme deviations from the standard with values of 11.1211, 25.2377 and 11.9483 respectively. This is a clear indication that distribution within this data set is uneven as such, the likelihood of inaccurate prediction. Thus, the problem of heteroscedasticity. Finally, of the total 144 observations within the period of survey, price earnings ratio has the highest range (about 150), while debtor's turnover has the smallest range (0.2827).

### 4.3 Correlation matrix/index

Table 4.2: *Correlation Matrix of individual variables*

| <b>Variables</b>                                   | <b>IFRS Correlation Index</b> |
|--|-------------------------------|
| International Financial Reporting Standards (IFRS) | 1.0000                        |
| Current ratio                                      | -0.1827*                      |
| Acid test ratio                                    | -0.1620                       |
| Stock turnover ratio                               | 0.1025                        |
| Debtors turnover ratio                             | 0.1469                        |
| Creditors turnover ratio                           | 0.0023                        |
| Propriety ratio                                    | 0.1614                        |
| Gearing ratio                                      | 0.0256                        |
| Interest gearing ratio                             | 0.0202                        |
| Total liability to shareholders ratio              | 0.0363                        |
| Debt ratio   | -0.0184                       |
| Return on capital                                  | 0.0378                        |
| Gross profit margin                                | 0.0026                        |
| Gross profit markup                                | 0.0677                        |
| Net profit margin                                  | -0.0494                       |
| Expenses to sales ratio                            | 0.0571                        |
| Dividend per share                                 | -0.1232                       |
| Dividend cover                                     | -0.1180                       |
| Earnings per share ratio                           | 0.0501                        |
| Price earnings ratio                               | 0.0440                        |
| Net book value per share                           | 0.1854*                       |

Source: Computed by the author using Stata13.

The correlation index of the data shows that a relationship exists between the independent variable (IFRS) adoption and all the dependent variables (predictors). This implies that the independent variables can influence the dependent variable. There exist six inverse relationships and 14 positive relationships. Those predictor variables with negative relationship are current ratio, acid test ratio, debt ratio, net profit margin, dividend per share and dividend cover ratio. For these variables, an increase in IFRS adoption leads to a corresponding decrease in their values. This means that IFRS adoption is having a negative impact on their value. The opposite is true for the remaining 14 dependent variables.

The result of the correlation matrix also shows that all the relationships are weak as none of them exceeds 20% in strength. Furthermore, of the entire relationships only two are significant (current ratio and net book value per ordinary share). In addition, a look at the relationship between the variables shows some elements of collinearity on the relationship between current ratio and acid test ratio (86.01%); and that between proprietary ratio and total liability to shareholder's fund (85.76%).

Table 4.3: *Correlation Matrix between IFRS Adoption and Average Variables*

| <b>Variables</b>                                  | <b>IFRS Correlation Index</b> |
|---|-------------------------------|
| International financial reporting standard (IFRS) | 1.0000                        |
| Liquidity performance                             | 0.0392                        |
| Solvency performance                              | -0.0245                       |
| Profitability performance                         | 0.0304                        |
| Investors performance                             | 0.0380                        |
| Average firm performance                          | 0.0591                        |

Source: Computed by the author using Stata13.

Table 4.3 shows the relationship between IFRS and the average liquidity performance, solvency performance, profitability performance and investors/stock market performance, together with average firm performance in the industry. The correlation matrix result posits a positive relationship between IFRS adoption and liquidity, profitability, investor and average firm performances. It is only solvency performance that shows an inverse relationship. Of much recognition is the fact that all the relationships are minor relationships as none of the indices exceeds 10%. However, the fact that a relationship exists between these variables is an indication that the impact of IFRS adoption on firm performance can be computed and determined.

#### **4.4 Trends in increments after IFRS adoption**

The need to know the behaviour of the dependent variables after the adoption of IFRS in 2012 is of vital significance. It is possible that the adoption of IFRS increases the performance of some elements of the predictor variables or decreases the behaviour of others. The use of “independent T-test (I-T) and Jonckheere-Terpstra (J-T) test would go a long way in explaining this phenomenon. The table below shows the behaviour of the I-T test from the group statistics of the I-T test.

Table 4.4: *Independent T-Test and Jonckheere-Terpstra Test Statistics*

| Independent T-Test                         |                 |                 |              |          | Jonckheere-Terpstra Test |
|--|-----------------|-----------------|--------------|----------|--------------------------|
| Independent Variables                      | Pre & Post IFRS | Mean Statistics | F Statistics | Comment  |                          |
| Current ratio                              | 1               | 1.1524          | 0.087        | Decrease | 0.004                    |
|  | 2               | 0.9308          |              |          |                          |
| Acid test ratio                            | 1               | 0.7091          | 0.434        | Decrease | 0.013                    |
|  | 2               | 0.5743          |              |          |                          |
| Stock turnover ratio                       | 1               | 5.2562          | 1.119        | Increase | 0.099                    |
|  | 2               | 6.0556          |              |          |                          |
| Debtors turnover ratio                     | 1               | 0.1262          | 2.124        | Increase | 0.085                    |
|  | 2               | 0.1479          |              |          |                          |
| Creditors turnover ratio                   | 1               | 0.3680          | 0.072        | Increase | 0.298                    |
|  | 2               | 0.3712          |              |          |                          |
| Proprietary ratio                          | 1               | 0.8742          | 0.011        | Increase | 0.023                    |
|  | 2               | 1.2288          |              |          |                          |
| Gearing ratio                              | 1               | 0.2013          | 3.774        | Increase | 0.096                    |
|  | 2               | 0.2163          |              |          |                          |
| Interest gearing ratio                     | 1               | 0.1652          | 0.259        | Increase | 0.666                    |
|  | 2               | 0.1878          |              |          |                          |
| Total liability to shareholders fund ratio | 1               | 1.1818          | 0.825        | Increase | 0.570                    |
|  | 2               | 1.2930          |              |          |                          |
| Debt ratio                                 | 1               | 2.2875          | 0.004        | Decrease | 0.067                    |
|  | 2               | 2.1508          |              |          |                          |
| Return on capital employed                 | 1               | 0.0438          | 6.659        | Increase | 0.133                    |
|  | 2               | 0.0659          |              |          |                          |
| Gross profit margin                        | 1               | 0.2733          | 0.436        | Increase | 0.873                    |
|  | 2               | 0.2741          |              |          |                          |
| Gross profit markup                        | 1               | 0.3729          | 0.300        | Increase | 0.837                    |
|  | 2               | 0.4267          |              |          |                          |
| Net profit margin                          | 1               | 0.0701          | 0.225        | Decrease | 0.532                    |
|  | 2               | 0.0505          |              |          |                          |
| Expenses to sales ratio                    | 1               | 0.1815          | 0.402        | Increase | 0.349                    |
|  | 2               | 0.1968          |              |          |                          |
| Dividend per share                         | 1               | 4.7580          | 7.023        | Decrease | 0.376                    |
|  | 2               | 2.0281          |              |          |                          |
| Dividend cover                             | 1               | 2.7258          | 5.131        | Decrease | 0.652                    |
|  | 2               | 1.6692          |              |          |                          |
| Earnings per share ratio                   | 1               | 2.6029          | 1.234        | Increase | 0.889                    |
|  | 2               | 3.1396          |              |          |                          |
| Price earnings ratio                       | 1               | 17.7679         | 0.294        | Increase | 0.363                    |
|  | 2               | 19.9812         |              |          |                          |
| Net book value per ordinary share          | 1               | 7.5810          | 17.186       | Increase | 0.137                    |
|  | 2               | 11.9960         |              |          |                          |
| Average firm performance ratio             | 1               | 2.4352          | 0.649        | Increase | 0.502                    |
|  | 2               | 2.6492          |              |          |                          |

Source: Computed by the author using Stata13.

From Table 4.4, the I-T test result shows significant increase in mean value for 14 of the predictor variables after the adoption of IFRS. The mean values for these variables gives an increase in value from period “1” (pre-IFRS) to period “2” (post-IFRS).

However, variables like current ratio, acid test ratio, debt ratio, net profit margin, dividend per share and dividend cover gives a downward trend from pre to post IFRS period. This is an indication that the adoption of IFRS leads to a fall in the performance of such variables by firms within the industry. Nonetheless, the overall (average) performance of firms within the industry increases as given by the average firm performance ratio. The performance ratio increases from 2.4352 in pre-IFRS period to 2.6492 in post-IFRS period (Table 4.4), denoting an increase of 0.88% which, for an industry like the foods and beverages could be judged good.

It should however, be noted that from the F-statistics only two of these variables have significant influence. They are proprietary ratio (with a p-value of 0.011) and debt ratio (with a p-value of 0.004) significant at 5% and 1% levels of significance respectively. Their result should therefore, be considered seriously. This notwithstanding, while the proprietary ratio showed an increase in mean value, the debt ratio shows a decrease in mean value (Table 4.4).

The J-T test is another test for significance increase or otherwise in the performance of the dependent variables during the periods under observation as show in Table 4.4. With regard to the J-T test results (Table 4.4), only three of the dependent variables could be judge to have had a significant increase in their performance. The variables which include current ratio (0.004), acid test ratio (0.013) and proprietary ratio (0.023) forms just 15% of the total predictor variables.

In conclusion, it could be rightly infer that while the I-T test results showed significant increase in the performance of 70% (14 out of 20) of the predictor variables, the J-T test results showed that there was a poor performance in terms of significant increase as only 15% (3 out of 20) of these variables gave acceptable results.

#### 4.5 The impact of the performance relationship on IFRS

Table 4.5: *Logistic Categorical Performance*

| <b>Performance Category</b>                   | <b>F<br/>Statistics</b> | <b>R<sup>2</sup><br/>Statistics<br/>(%)</b> | <b>Beta</b>    | <b>P<br/>Statistics</b> |
|---|-------------------------|---|----------------|-------------------------|
| <b>Liquidity Performance</b>                  | <b>0.4676</b>           | <b>0.15</b>                                 | <b>0.0664</b>  | <b>0.468</b>            |
| Current ratio performance                     | 0.0000                  | 3.34  | -0.2216        | 0.000                   |
| Acid test ratio performance                   | 0.0017                  | 2.63  | -0.1349        | 0.002                   |
| Stock turnover performance                    | 0.0078                  | 1.05  | 0.7994         | 0.008                   |
| Debtors turnover performance                  | 0.0277                  | 2.16  | 0.0217         | 0.028                   |
| <b>Solvency Performance</b>                   | <b>0.5749</b>           | <b>0.06</b>                                 | <b>-0.0474</b> | <b>0.575</b>            |
| Proprietary ratio performance                 | 0.0091                  | 2.60  | 0.3547         | 0.009                   |
| <b>Profitability Performance</b>              | <b>0.3701</b>           | <b>0.09</b>                                 | <b>0.0111</b>  | <b>0.370</b>            |
| Gross profit mark-up performance              | 0.0439                  | 0.46  | 0.0538         | 0.044                   |
| <b>Investors Performance</b>                  | <b>0.6276</b>           | <b>0.14</b>                                 | <b>0.8012</b>  | <b>0.628</b>            |
| Net-book-value per ordinary share performance | 0.0000                  | 3.44  | 4.4150         | 0.000                   |
| <b>Average Firm Performance</b>               | <b>0.3759</b>           | <b>0.35</b>                                 | <b>0.2140</b>  | <b>0.376</b>            |

Source: Computed by the author using Stata13.

The impact of IFRS relationship on firm performance would be viewed from two major perspectives from the multiple OLS regression. At first, the analysis will assess the categorical impact of the variables. Next, further analysis would examine the impact of the individual variables on the adoption of IFRS. Table 4.5 shows the four categories of firm attributes which include liquidity, long-term solvency, profitability and

investors performances; and the overall firm economic performance (average firm performance). Under each category, five variables were observed for this study.

Under the liquidity category, the variables observed include current ratio, acid test ratio, stock turnover ratio, debtor's turnover and creditors turnover. Of these, it is only creditors turn over that is not significantly influence by IFRS. All other variables within this category shows significant impact of IFRS. Current ratio and acid test ratio performances shows an inverse relationship with IFRS, significant at 1% level of significance. For every increase in IFRS, adoption current ratio and acid test, rations will fall by 22.16% and 13.49% respectively. This is an indication that IFRS adoption leads to a fall in current and acid test ratios. On the other hand, stock turnover and debtor's turnover performances responded positively towards the introduction of IFRS with a 79.94% and 2.17% impact respectively. Nevertheless, while stock turnover is significant at 1% debtor's turnover ratio is significant at 5%.

The result for the long-term solvency category indicates that of the five variables assessed only proprietary ratio has significant impact at 1% with an impact of 35.47%. Variables in this category are collectively influence by IFRS adoption to the tune of 57.49% with no significance. This indicates that for every increase in IFRS adoption, propriety ratio will increase by 35.47% vice versa. Other variables in this category such as gearing ratio, interest gearing, total liability to shareholders and debt ratio are all insignificantly influenced by IFRS adoption (Appendix 5).

The profitability performance category comprises variables which include returns on capital employed, gross profit margin, gross profit mark-up, net profit margin and expenses to sales ratio. All but one is significantly impacted by IFRS adoption as depicted by the p-statistics (0.0440). Gross profit mark-up which is the only element of

profitability that is significantly impacted by the adoption of IFRS shows a positive impact of 5.38% indicating an increase in this ratio of 5.38% as a result of IFRS adoption.

In the investors performance category, only the net book value per ordinary share ratio variable is significant (1%) with a 441.50% impact the highest in the entire study. This implies that for every single change in IFRS adoption by 1% net book value per ordinary share performance will change by some 441.50% in the same direction (increase or decrease). Dividend per share, dividend cover, earnings per share and price earnings per share are insignificant in this category.

#### 4.6 Test of hypotheses

Table 4.6: *Test of Hypothesis*

| <b>Performance Category</b>    | <b>z-Statistics</b> | <b>Significance</b>        |
|--------------------------------|---------------------|----------------------------|
| Liquidity Performance          | 0.73                | Positive & Not significant |
| Long term Solvency Performance | -0.56               | Negative & Not significant |
| Profitability Performance      | 0.90                | Positive & Not significant |
| Investors Performance          | 0.49                | Positive & Not significant |
| Average Firm Performance       | 0.89                | Positive & Not significant |

Source: Computed by the author using Stata13.

Earlier in chapter one, the following hypotheses were stated:

H<sub>01</sub>: IFRS adoption has no significant impact on the liquidity of Food and Beverages companies listed on the Nigerian Stock Exchange.

H<sub>02</sub>: IFRS adoption has no significant effect on the long-term solvency of Food and Beverages companies listed on the Nigerian Stock Exchange.

H<sub>03</sub>: IFRS adoption has no significant impact on the profitability of Food and Beverages companies listed on the Nigerian Stock Exchange.

H<sub>04</sub>: IFRS adoption has no significant effect on the investors ratios of Food and Beverages companies listed on the Nigerian Stock Exchange.

The variables of this study were categorized into four groups of firm performances (Table 4.5). They include liquidity performance, long-term solvency performance, profitability performance and investors performance. Each category consists of five variables (as discussed in chapter two) which were related to IFRS. The hypotheses formulated for this research were based on these categories of variables. The result shows that on average none of the categories has an overall significant impact on IFRS (Table 4.5). Therefore, from Table 4.6, the result of the z-statistics (t-statistics) showed that average liquidity, long-term solvency, profitability and investors performance ratios have no significant relationships with IFRS adoption. This shows that the hypotheses formulated for this research work (H<sub>01</sub>, H<sub>02</sub>, H<sub>03</sub> and H<sub>04</sub>), cannot be rejected for the four variables (liquidity performance, long-term solvency performance, profitability performance and investors performance).

However, a critical look at the individual variables in each category gives a different picture. From Table 4.5, it is clear that the result from the regression analysis shows that four out of the five variables considered under liquidity performance category have been significantly influenced by IFRS. Thus, current ratio, acid test ratio, stock turnover and debtor's turnover are influenced by IFRS adoption significantly. For this reason, the null hypotheses for these variables could be rejected, since the majority of variables have been significantly influenced by IFRS.

Notwithstanding this, the remaining three categories of long-term solvency, profitability and investor performances have only one variable with significant influence for each of the three categories (Table 4.5). Propriety ratio, gross profit mark-up and net book value per ordinary shares are the only variables that showed significant relationship with IFRS for long-term solvency, profitability and investors performance categories respectively. Thus, their null hypothesis should be rejected. Furthermore, the fact that only one out of five variables in each of the three categories have been significantly influenced by IFRS, one could argue that the null hypothesis should not be rejected for these categories.

Nonetheless, the hypotheses of the research were based on categorical performance of the variables. Hence, result as displayed on Table 4.6 showed that none of the average performances have been significantly influenced by IFRS. Therefore, the null hypotheses of the research cannot be rejected for all the four categories. For this reason, it could be concluded that IFRS adoption have no significant influence on liquidity, long-term solvency, profitability and investors ratio performances of food and beverages companies listed on the NSE.

#### **4.7 Research findings**

This study examined the impact of IFRS adoption on the performance of Food and Beverages companies listed on the NSE. The result of data analysis and hypotheses testing of this study is summarised below:

- i. There is no significant relationship between IFRS adoption and average liquidity performance of Food & Beverages companies listed in the NSE.

- ii. There is no significant relationship between IFRS adoption and average long-term solvency performance of Food & Beverages companies listed in the NSE.
- iii. There is no significant relationship between IFRS adoption and average profitability performance of Food & Beverages companies listed in the NSE.
- iv. There is no significant relationship between IFRS adoption and average investors performance of Food & Beverages companies listed in the NSE.
- v. There is a negative and significant relationship between IFRS adoption and current ratio performance of Food & Beverages companies listed in the NSE.
- vi. There is a negative and significant relationships between IFRS adoption and acid test ratio of Food & Beverages companies listed in the NSE.
- vii. Positive and significant relationships exist between IFRS adoption and stock turnover ratio of Food & Beverages companies listed in the NSE.
- viii. Positive and significant relationships exist between IFRS adoption and debtors' turnover ratio of Food & Beverages companies listed in the NSE.
- ix. Positive and significant relationships exist between IFRS adoption and propriety ratio of Food & Beverages companies listed in the NSE.
- x. Positive and significant relationships exist between IFRS adoption and gross profit mark-up of Food & Beverages companies listed in the NSE.
- xi. Positive and significant relationships exist between IFRS adoption and net book value per ordinary share of Food & Beverages companies listed in the NSE.

In summary, out of the twenty elements that make up the four variables of liquidity performance, long-term solvency performance, profitability performance and investors performance, only seven are significantly influence by the adoption of IFRS. These elements include current ratio, acid test ratio, stock turnover, debtor's turnover, proprietary ratio, gross profit mark-up and net book value per ordinary share performances. Furthermore, an average estimate of the individual variables of liquidity, long-term solvency, profitability and investors performances shows that none of them is significantly influenced by the adoption of IFRS as shown on Table 4.5. The p-values for liquidity performance, long term solvency performance, profitability performance and investors performance showed results of 0.468, 0.575, 0.370, and 0.628 respectively (Table 4.5). Similarly, the average firm performance result also shows insignificant result of 0.376 p-value (Table 4.5). This result is in line with the findings of Pazarski, et al (2011), Abdul-Baki, Uthman and Sanni, (2014), Adeuja, (2015), Donwa et al (2015), Adelusi and Ibigbami, (2017), Ironkwe and Oglekwu (2016), Aseoluwa and Jelil (2017) their results showed no significant difference between pre and post IFRS adoption figures and in contrast with the findings of Sherman and De-Klerk, (2017), Taiwo and Adejare (2014), Abata (2015), Akinyele, (2016), Sanyaolu, et al (2017) whose results showed significant difference between pre and post IFRS adoption figures.

## **CHAPTER FIVE**

### **5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This section deals with the final parts of the study such as summary of the study, conclusions, recommendations of the research, limitations of the study and suggestion for future research.

#### **5.2 Summary**

Nigeria is one of the first countries in Africa that adopted IFRS and made it compulsory for business entities from 2012 to date. Prior to this Nigeria was operating under Statement of Accounting Standards (SAS). The decision to adopt IFRS was based on the expectations that it will help the country to qualify for global business partnership, promote transparency and boost investors' confidence. This study examined the impact of IFRS adoption on the performance of Food and Beverages companies listed on the Nigerian Stock Exchange. It examined performance before and after the adoption.

The study was divided into five chapters. Chapter one consist of background of the study, statement of the research problem, research objectives, research hypotheses, scope of the study, significance of the study, scheme of chapters and definition of key terms. Chapter two contains review of literature related to this study particularly the concepts of IFRS, its meaning and history, elements of financial statements such as assets, liabilities income and expenses, standard IFRS requirement and differences between IFRS and SAS, performance indicators, financial ratios, empirical studies from around the world and from Nigeria. Chapter three the research methodology consists of research design, sample size and sampling procedure, source and method of data collection, method of data analysis and model specification. Chapter four contains data

presentation and analysis in terms of descriptive statistics, correlation matrix/index, trend in increments after IFRS adoption, the impact of the performance relationship on IFRS, test of hypotheses and research findings. Chapter five consist of summary of the study, conclusions and recommendations of the study.

### **5.3 Conclusions**

The aim of this study is to examine the impact of IFRS adoption on the performance of Food and Beverages companies listed in the NSE. The study addressed questions of whether IFRS adoption has any significant impact on the liquidity, long-term solvency, profitability and investors performances of Food and Beverages companies listed in the NSE. The result shows that;

- i. There is no significant relationship between IFRS adoption and average liquidity performance of firms in the Food and Beverages industry listed in the NSE.
- ii. There is no significant relationship between IFRS adoption and average long-term solvency performance of firms in the Food and Beverages industry listed in the NSE.
- iii. There is no significant relationship between IFRS adoption and average profitability performance of firms in the Food and Beverages industry listed in the NSE.
- iv. There is no significant relationship between IFRS adoption and average investors ratio performance of firms in the Food and Beverages industry listed in the NSE.

Even though there was no significant relationship between IFRS adoption and average performance of Food and Beverages companies, some significant relationship exists from the analysis. They include:

- i. Negative and significant relationship exist between IFRS adoption and current ratio performance and acid test ratio performance of Food and Beverages companies listed in the NSE.
- ii. Positive and significant relationships exist between IFRS adoption and stock turnover ratio, debtor's turnover ratio, propriety ratio, gross profit mark-up ratio and net book-value per ordinary share ratio of Food and Beverages companies listed in the NSE.

The study also concludes that IFRS adoption has not been able to make any significant impact on the average liquidity, long-term solvency, profitability and investors performances of Food and Beverages companies listed in the NSE.

#### **5.4 Recommendations**

From the conclusions above, it is clear that there is no significant relationship between IFRS adoption and average firm performance of Food and Beverages companies listed on the NSE. It is therefore recommended that:

Government should provide incentives and enabling environment for business organisations in the country to implement and fully adopt IFRS. Companies listed on the NSE should embark on training and re- training of their accountants and other staff involved in the preparations of financial reports in order to facilitate the acquisition of required skills in handling the preparations of IFRS based financial statements.

Food and Beverages companies listed on the Nigerian Stock Exchange should also comply fully with the provisions of IFRS as this will improve the quality of their financial reports which will in turn improve their performance through more investment flow due to investors' confidence in their reports. They should also endeavour to use

the opportunity presented by IFRS adoption to improve their transactions process and procedures to meet the international standards.

Regulatory authorities such as Financial Reporting Council of Nigeria (FRCN) should monitor and ensure strict compliance with IFRS adoption in the country.

### **5.5 Suggestion for further research**

The major hindrance to this research is the periods covered (2008-2015). This makes it impossible to obtain large amount of data for the analysis. IFRS adoption is very new in Nigeria. It was enforced in 2012 but most companies complied a year or two later. Its entire existence in Nigeria is about six years (as at 2017), but records for most companies are only available for up to 2015 financial year. Given the period of implementation (2013 or 2014), full data available for listed firms in the NSE may not exceed four years. This could be the major reason why most of the predictor variables are insignificant. It is hoped that researches conducted in this same area in ten years' time could rectify this limitation and produce many significant impact of the relationships.

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## APPENDICES

### APPENDIX 1

#### MAJOR DIFFERENCES BETWEEN IFRS AND NIGERIAN STANDARD (SAS)

| Subject  | INTERNATIONAL FINANCIAL ACCOUNTING STANDARDS  | NIGERIAN ACCOUNTING STANDARDS  |
|--|---|--|
|  | General requirements  |  |
| Historical Cost<br>IAS 1, IAS 16, IAS 38,<br>IAS 39, IAS 40, IFRS<br>1 AND SAS 1.            | Primary basis, with certain Items carried at revalued amounts or fair value.  | Uses historical cost, except for certain asset classes that may be re-measured.  |
| Fair presentation override<br>IAS 1, IAS 16, IAS 38,<br>IAS 39, IAS 40, IFRS<br>1 AND SAS 1. | In rare cases, entities should override the standards where essential to give a fair presentation.  | An exemption exists, but not based on fair presentation. Companies Act allows departure from accounting principles if there are special reasons for doing so.  |
| First-time adoption<br>IAS 1, IAS 16, IAS 38,<br>IAS 39, IAS 40, IFRS<br>1 AND SAS 1.        | Guidance is given on how to apply IFRS for the first time, including guidance on accounting policies, exemptions and exceptions.  | This is not relevant, as companies are obliged to comply with Nigerian GAAP from inception.  |
| Financial Statements   |   |  |
| Components of Financial Statements   | Statement of financial position;<br>Income statement;<br>Statement of other comprehensive income;<br>Statement of changes in equity;<br>Statement of cash flows;<br>Accounting policies;<br>and<br>Explanatory notes. | Balance sheet;<br>Profit or loss account (income statement);<br>Statement of cash flows;<br>Accounting policies;<br>Explanatory notes;<br>Value added statement; and<br>Five-year financial statement summary. |
| Exceptional items  | Not defined. Certain items or transactions may require separate disclosure.   | Defines the term and identifies that they should be separately disclosed.  |
| Extraordinary Items  | <i>Prohibited</i>   | Defines the term and requires separate disclosures on the face of the income statement.  |

|   |   |  |
|---|---|--|
| Changes in accounting policies                      | Restate comparatives and prior-year opening retained earnings, unless specifically exempted by transitional provisions of a new standard. | No restatement of comparatives. Adjustments made in opening retained earnings. |
| Correction of Material Errors                       | Comparatives are restated and their stated opening balance sheet for the earliest period presented is included.                           | No restatement of comparatives. Adjustments made in open retained earnings.    |
| Changes in accounting estimates                     | Reported in the income statement in the current period and the effect on future period is disclosed, if applicable.                       | Similar to IFRS.   |
| Consolidated Financial Statements IAS 27 AND SAS 28 |   |  |
| Definition of a subsidiary                          | Based on voting control or power to govern  | Comparable to IFRS   |
| Special purpose entities (“SPEs”)                   | Consolidate where the substance of the relationship indicates control.  | No guidance on SPEs and in practice they are not consolidated                  |
| Non-Consolidation of subsidiaries                   | Not applicable-all subsidiaries must be consolidated.   | Exemptions to consolidation exist  |
| Definition of Associate                             | Based on significant influence: presumed if 20% or more voting rights.  | Similar to IFRS. Differences arise in practice                                 |
| Presentation of associate results                   | Use equity method. Show share of post-tax result. In standalone financial statements measured at cost or fair value.                      | Comparable to IFRS   |

|   |  |   |
|---|--|---|
| Presentation of jointly controlled entities | Both the proportional consolidation and equity methods are permitted   | Comparable to IFRS  |
| Business Consolidations                     |  |   |
| Date of acquisition                         | The date at which the acquirer obtains control over the acquired entity.   | Normally based on legal date of control   |
| Consideration                               | Amount of cash or cash equivalents paid or the fair value of any assets transferred or liabilities incurred and any equity instruments issued.   | Similar to IFRS   |
| Contingent Consideration                    | Fair valued at date of acquisition and classified as a liability or equity. Financial liabilities are fair valued at each reporting date with gains or losses being taken to profit or loss. | Comparable to IFRS. No guidance on the calculation of fair value comparable to IFRS |

(IFRS POCKET GUIDE, 2012)

## APPENDIX II

### LIST OF COMPANIES THAT MADE UP THE POPULATION OF THE STUDY

| S/No. | NAME OF COMPANY                   | INDUSTRY           |
|-------|-----------------------------------|--------------------|
| 1.    | 7-up Bottling Company Plc         | FOOD and BEVERAGES |
| 2.    | Big Treat Plc                     | FOOD and BEVERAGES |
| 3.    | Dangote Flour Mills Plc           | FOOD and BEVERAGES |
| 4.    | Dangote Sugar Refinery Plc        | FOOD and BEVERAGES |
| 5.    | Flour Mills Nigeria Plc           | FOOD and BEVERAGES |
| 6.    | Honeywell Flour Mills Plc         | FOOD and BEVERAGES |
| 7.    | P.S. Mandrides Plc                | FOOD and BEVERAGES |
| 8.    | Multi-Trex Integrated Plc         | FOOD and BEVERAGES |
| 9.    | National Salt Company Nigeria Plc | FOOD and BEVERAGES |
| 10.   | Northern Nigeria Flour Mills Plc  | FOOD and BEVERAGES |
| 11.   | Union Dicon Salt Plc              | FOOD and BEVERAGES |
| 12.   | U.T.C. Nigeria Plc                | FOOD and BEVERAGES |
| 13.   | U.A.C. Nigeria Plc                | FOOD and BEVERAGES |
| 14.   | Unilever Nigeria Plc              | FOOD and BEVERAGES |
| 15.   | Cardbury Nigeria Plc              | FOOD and BEVERAGES |
| 16.   | Nestle Nigeria Plc                | FOOD and BEVERAGES |
| 17.   | Tantalizers Plc                   | FOOD and BEVERAGES |
| 18.   | Champion Breweries Plc            | FOOD and BEVERAGES |
| 19.   | Golden Guinea Breweries Plc       | FOOD and BEVERAGES |
| 20.   | Guinness Nigeria Plc              | FOOD and BEVERAGES |
| 21.   | International Breweries Plc       | FOOD and BEVERAGES |
| 22.   | Jos International Breweries Plc   | FOOD and BEVERAGES |
| 23.   | Nigerian Breweries Plc            | FOOD and BEVERAGES |
| 24.   | Premier Breweries Plc             | FOOD and BEVERAGES |
| 25.   | P Z Cusson Nigeria plc            | FOOD and BEVERAGES |

**APPENDIX III**  
**INDEPENDENT T-TEST RESULTS**

**Group Statistics**

|                                   | pre and post IFRS period | N  | Mean     | Std. Deviation    | Std. Error Mean |
|-----------------------------------|--------------------------|----|----------|-------------------|-----------------|
| international financial reporting | 1                        | 72 | .00      | .000 <sup>a</sup> | .000            |
| standard adoption                 | 2                        | 72 | 1.00     | .000 <sup>a</sup> | .000            |
| current ratio                     | 1                        | 72 | 1.152426 | .6086013          | .0717243        |
|                                   | 2                        | 72 | .930814  | .5923517          | .0698093        |
| acid test ratio                   | 1                        | 72 | .709142  | .4240219          | .0499715        |
|                                   | 2                        | 72 | .574254  | .4029094          | .0474833        |
| stock turnover ratio              | 1                        | 72 | 5.256218 | 3.7372125         | .4404347        |
|                                   | 2                        | 72 | 6.055596 | 4.0665715         | .4792500        |
| debtors turnover ratio            | 1                        | 72 | .126232  | .0664456          | .0078307        |
|                                   | 2                        | 72 | .147897  | .0798723          | .0094130        |
| creditors turnover ratio          | 1                        | 72 | .367992  | .7181288          | .0846323        |
|                                   | 2                        | 72 | .371238  | .6792175          | .0800466        |
| proprietary ratio                 | 1                        | 72 | .874160  | 1.1310847         | .1332996        |
|                                   | 2                        | 72 | 1.228815 | 1.0515615         | .1239277        |
| gearing ratio                     | 1                        | 72 | .201267  | .3402702          | .0401012        |
|                                   | 2                        | 72 | .216346  | .2438374          | .0287365        |
| interest gearing ratio            | 1                        | 72 | .168532  | .4584484          | .0540287        |
|                                   | 2                        | 72 | .187838  | .5015109          | .0591036        |
| total liability to shareholders   | 1                        | 72 | 1.181803 | 1.6088603         | .1896060        |
| fund ratio                        | 2                        | 72 | 1.292967 | 1.4711855         | .1733809        |
| debt ratio                        | 1                        | 72 | 2.289454 | 3.4993297         | .4124000        |

|                                  |   |  |    |           |            |           |
|----------------------------------|---|--|----|-----------|------------|-----------|
|                                  | 2 |  | 72 | 2.150803  | 4.0684141  | .4794672  |
| return on capital employed ratio | 1 |  | 72 | .043781   | .3722322   | .0438680  |
|                                  | 2 |  | 72 | .065872   | .1847347   | .0217712  |
| gross profit margin ratio        | 1 |  | 72 | .273275   | .1501844   | .0176994  |
|                                  | 2 |  | 72 | .274083   | .1585011   | .0186795  |
| gross profit mark-up ratio       | 1 |  | 72 | .372896   | .4387808   | .0517108  |
|                                  | 2 |  | 72 | .426665   | .3544654   | .0417741  |
| net profit margin                | 1 |  | 72 | .070133   | .2005725   | .0236377  |
|                                  | 2 |  | 72 | .050524   | .1986269   | .0234084  |
| expenses to sales ratio          | 1 |  | 72 | .181524   | .1358746   | .0160130  |
|                                  | 2 |  | 72 | .196822   | .1336534   | .0157512  |
| dividend per share ratio         | 1 |  | 72 | 4.757953  | 13.5799544 | 1.6004130 |
|                                  | 2 |  | 72 | 2.028125  | 7.8041230  | .9197247  |
| dividend cover ratio             | 1 |  | 72 | 2.725789  | 5.5615230  | .6554318  |
|                                  | 2 |  | 72 | 1.669194  | 3.0281675  | .3568730  |
| earnings per share ratio         | 1 |  | 72 | 2.602949  | 4.4409757  | .5233740  |
|                                  | 2 |  | 72 | 3.139610  | 6.1874317  | .7291958  |
| price per share ratio            | 1 |  | 72 | 17.767886 | 25.7334323 | 3.0327141 |
|                                  | 2 |  | 72 | 19.981176 | 24.8627973 | 2.9301088 |
| net book value per share ratio   | 1 |  | 72 | 7.581049  | 8.8805844  | 1.0465869 |
|                                  | 2 |  | 72 | 11.996049 | 14.0991219 | 1.6615974 |
| average firm performance ratio   | 1 |  | 72 | 2.435219  | 1.7996165  | .2120868  |
|                                  | 2 |  | 72 | 2.649236  | 1.8402278  | .2168729  |

a. t cannot be computed because the standard deviations of both groups are 0.

**Independent Samples Test**

|                        |                             | Levene's Test for Equality of Variances |      | t-test for Equality of Means |         |                 |                 |                       |   |          |
|------------------------|-----------------------------|---|------|------------------------------|---------|-----------------|-----------------|-----------------------|---|----------|
|                        |                             | F                                       | Sig. | T                            | df      | Sig. (2-tailed) | Mean Difference | Std. Error Difference | 95% Confidence Interval of the Difference |          |
|                        |                             |   |      |                              |         |                 |                 |                       | Lower                                     | Upper    |
| current ratio          | Equal variances assumed     | .087                                    | .769 | 2.214                        | 142     | .028            | .2216125        | .1000886              | .0237563                                  | .4194687 |
|                        | Equal variances not assumed |   |      | 2.214                        | 141.896 | .028            | .2216125        | .1000886              | .0237551                                  | .4194699 |
| acid test ratio        | Equal variances assumed     | .434                                    | .511 | 1.957                        | 142     | .052            | .1348875        | .0689334              | -.0013808                                 | .2711558 |
|                        | Equal variances not assumed |   |      | 1.957                        | 141.631 | .052            | .1348875        | .0689334              | -.0013838                                 | .2711588 |
| stock turnover ratio   | Equal variances assumed     | 1.119                                   | .292 | -<br>1.228                   | 142     | .221            | -.7993778       | .6508943              | -2.0860727                                | .4873172 |
|                        | Equal variances not assumed |   |      | -<br>1.228                   | 140.999 | .221            | -.7993778       | .6508943              | -2.0861512                                | .4873957 |
| debtors turnover ratio | Equal variances assumed     | 2.124                                   | .147 | -<br>1.769                   | 142     | .079            | -.0216653       | .0122444              | -.0458701                                 | .0025396 |

|  |                             |       |      |            |         |      |           |          |            |           |
|--|-----------------------------|-------|------|------------|---------|------|-----------|----------|------------|-----------|
|  | Equal variances not assumed |       |      | -<br>1.769 | 137.447 | .079 | -.0216653 | .0122444 | -.0458770  | .0025465  |
| creditors turnover ratio                   | Equal variances assumed     | .072  | .789 | -.028      | 142     | .978 | -.0032458 | .1164907 | -.2335259  | .2270342  |
|  | Equal variances not assumed |       |      | -.028      | 141.562 | .978 | -.0032458 | .1164907 | -.2335320  | .2270403  |
| proprietary ratio                          | Equal variances assumed     | .011  | .918 | -<br>1.949 | 142     | .053 | -.3546556 | .1820079 | -.7144507  | .0051396  |
|  | Equal variances not assumed |       |      | -<br>1.949 | 141.252 | .053 | -.3546556 | .1820079 | -.7144671  | .0051560  |
| gearing ratio                              | Equal variances assumed     | 3.774 | .054 | -.306      | 142     | .760 | -.0150792 | .0493345 | -.1126042  | .0824459  |
|  | Equal variances not assumed |       |      | -.306      | 128.703 | .760 | -.0150792 | .0493345 | -.1126909  | .0825325  |
| interest gearing ratio                     | Equal variances assumed     | .259  | .612 | -.241      | 142     | .810 | -.0193056 | .0800771 | -.1776028  | .1389916  |
|  | Equal variances not assumed |       |      | -.241      | 140.871 | .810 | -.0193056 | .0800771 | -.1776137  | .1390025  |
| total liability to shareholders fund ratio | Equal variances assumed     | .825  | .365 | -.433      | 142     | .666 | -.1111639 | .2569268 | -.6190595  | .3967318  |
|  | Equal variances not assumed |       |      | -.433      | 140.879 | .666 | -.1111639 | .2569268 | -.6190943  | .3967665  |
| debt ratio                                 | Equal variances assumed     | .004  | .952 | .219       | 142     | .827 | .1386514  | .6324259 | -1.1115351 | 1.3888379 |
|  | Equal variances not assumed |       |      | .219       | 138.894 | .827 | .1386514  | .6324259 | -1.1117754 | 1.3890782 |

|                                  |                             |       |      |       |         |      |           |           |           |           |
|----------------------------------|-----------------------------|-------|------|-------|---------|------|-----------|-----------|-----------|-----------|
| return on capital employed ratio | Equal variances assumed     | 6.659 | .011 | -.451 | 142     | .653 | -.0220917 | .0489733  | -.1189026 | .0747193  |
|                                  | Equal variances not assumed |       |      | -.451 | 103.975 | .653 | -.0220917 | .0489733  | -.1192079 | .0750245  |
| gross profit margin ratio        | Equal variances assumed     | .436  | .510 | -.031 | 142     | .975 | -.0008083 | .0257331  | -.0516779 | .0500612  |
|                                  | Equal variances not assumed |       |      | -.031 | 141.589 | .975 | -.0008083 | .0257331  | -.0516791 | .0500625  |
| gross profit mark-up ratio       | Equal variances assumed     | .300  | .585 | -.809 | 142     | .420 | -.0537694 | .0664762  | -.1851804 | .0776415  |
|                                  | Equal variances not assumed |       |      | -.809 | 135.991 | .420 | -.0537694 | .0664762  | -.1852303 | .0776914  |
| net profit margin                | Equal variances assumed     | .225  | .636 | .589  | 142     | .556 | .0196097  | .0332670  | -.0461529 | .0853723  |
|                                  | Equal variances not assumed |       |      | .589  | 141.987 | .556 | .0196097  | .0332670  | -.0461529 | .0853724  |
| expenses to sales ratio          | Equal variances assumed     | .402  | .527 | -.681 | 142     | .497 | -.0152986 | .0224614  | -.0597006 | .0291034  |
|                                  | Equal variances not assumed |       |      | -.681 | 141.961 | .497 | -.0152986 | .0224614  | -.0597007 | .0291035  |
| dividend per share ratio         | Equal variances assumed     | 7.023 | .009 | 1.479 | 142     | .141 | 2.7298278 | 1.8458644 | -.9190972 | 6.3787527 |
|                                  | Equal variances not assumed |       |      | 1.479 | 113.284 | .142 | 2.7298278 | 1.8458644 | -.9270630 | 6.3867186 |
| dividend cover ratio             | Equal variances assumed     | 5.131 | .025 | 1.416 | 142     | .159 | 1.0565944 | .7462902  | -.4186803 | 2.5318692 |

|                                |                             |        |      |       |         |      |           |           |            |           |
|--------------------------------|-----------------------------|--------|------|-------|---------|------|-----------|-----------|------------|-----------|
|                                | Equal variances not assumed |        |      | 1.416 | 109.697 | .160 | 1.0565944 | .7462902  | -.4224231  | 2.5356120 |
| earnings per share ratio       | Equal variances assumed     | 1.234  | .268 | -.598 | 142     | .551 | -.5366611 | .8975784  | -2.3110039 | 1.2376816 |
|                                | Equal variances not assumed |        |      | -.598 | 128.810 | .551 | -.5366611 | .8975784  | -2.3125667 | 1.2392445 |
| price per share ratio          | Equal variances assumed     | .294   | .589 | -.525 | 142     | .601 | -         | 4.2169766 | -          | 6.1228755 |
|                                | Equal variances not assumed |        |      | -.525 | 141.832 | .601 | 2.2132903 | 4.2169766 | 10.5494561 | 6.1229603 |
| net book value per share ratio | Equal variances assumed     | 17.186 | .000 | -     | 142     | .026 | -         | 1.9637337 | -8.2969305 | -.5330695 |
|                                | Equal variances not assumed |        |      | 2.248 | 119.675 | .026 | 4.4150000 | 1.9637337 | -8.3031637 | -.5268363 |
| average firm performance ratio | Equal variances assumed     | .649   | .422 | -.706 | 142     | .482 | -.2140167 | .3033392  | -.8136610  | .3856277  |
|                                | Equal variances not assumed |        |      | -.706 | 141.929 | .482 | -.2140167 | .3033392  | -.8136636  | .3856303  |

**APPENDIX IV**

**J-T TEST RESULTS**

**Jonckheere-Terpstra Test<sup>a</sup>**

|   | Number of Levels in pre and post IFRS period | N   | Observed J-T Statistic | Mean J-T Statistic | Std. Deviation of J-T Statistic | Std. J-T Statistic | Asymp. Sig. (2-tailed) |
|---|--|-----|------------------------|--------------------|---------------------------------|--------------------|------------------------|
| international financial reporting standard adoption | 2  | 144 | 5184.000               | 2592.000           | 216.754                         | 11.958             | .000                   |
| current ratio                                       | 2  | 144 | 1871.500               | 2592.000           | 250.274                         | -2.879             | .004                   |
| acid test ratio                                     | 2  | 144 | 1971.000               | 2592.000           | 250.275                         | -2.481             | .013                   |
| stock turnover ratio                                | 2  | 144 | 3005.000               | 2592.000           | 250.263                         | 1.650              | .099                   |
| debtors turnover ratio                              | 2  | 144 | 3023.000               | 2592.000           | 250.265                         | 1.722              | .085                   |
| creditors turnover ratio                            | 2  | 144 | 2852.500               | 2592.000           | 250.265                         | 1.041              | .298                   |
| proprietary ratio                                   | 2  | 144 | 3159.500               | 2592.000           | 250.275                         | 2.268              | .023                   |
| gearing ratio                                       | 2  | 144 | 2993.000               | 2592.000           | 241.057                         | 1.664              | .096                   |
| interest gearing ratio                              | 2  | 144 | 2700.000               | 2592.000           | 250.069                         | .432               | .666                   |
| total liability to shareholders fund ratio          | 2  | 144 | 2734.000               | 2592.000           | 250.275                         | .567               | .570                   |
| debt ratio  | 2  | 144 | 2133.500               | 2592.000           | 250.275                         | -1.832             | .067                   |
| return on capital employed ratio                    | 2  | 144 | 2216.000               | 2592.000           | 250.274                         | -1.502             | .133                   |
| gross profit margin ratio                           | 2  | 144 | 2632.000               | 2592.000           | 250.221                         | .160               | .873                   |
| gross profit mark-up ratio                          | 2  | 144 | 2643.500               | 2592.000           | 250.271                         | .206               | .837                   |

|                                |   |     |          |          |         |       |      |
|--------------------------------|---|-----|----------|----------|---------|-------|------|
| net profit margin              | 2 | 144 | 2435.500 | 2592.000 | 250.253 | -.625 | .532 |
| expenses to sales ratio        | 2 | 144 | 2826.500 | 2592.000 | 250.255 | .937  | .349 |
| dividend per share ratio       | 2 | 144 | 2373.000 | 2592.000 | 247.372 | -.885 | .376 |
| dividend cover ratio           | 2 | 144 | 2480.500 | 2592.000 | 246.924 | -.452 | .652 |
| earnings per share ratio       | 2 | 144 | 2627.000 | 2592.000 | 250.269 | .140  | .889 |
| price per share ratio          | 2 | 144 | 2819.500 | 2592.000 | 250.272 | .909  | .363 |
| net book value per share ratio | 2 | 144 | 2964.000 | 2592.000 | 250.275 | 1.486 | .137 |
| average firm performance ratio | 2 | 144 | 2760.000 | 2592.000 | 250.280 | .671  | .502 |

a. Grouping Variable: pre and post IFRS period

# 1. APPENDIX V

## 2. STATA STATISTICAL RESULTS

### 3. PANEL DECLARATION

- 4. panel variable: id (strongly balanced)
- 5. time variable: year, 2008 to 2015
- 6. delta: 1 unit

### 7. DESCRIPTIVE STATISTICS 1

| 8. Variable          | Mean     | Std. Dev. | Min     | Max     | Observations |
|----------------------|----------|-----------|---------|---------|--------------|
| 9. -----+-----       |          |           |         |         |              |
| 10. liquid~e overall | 1.518024 | .8496604  | -.0014  | 4.6854  | N = 144      |
| 11. solven~e overall | .984432  | .9709957  | -.4424  | 4.4348  | N = 144      |
| 12. profit~e overall | .1971931 | .1826818  | -.3216  | .4434   | N = 144      |
| 13. invest~e overall | 8.228686 | 10.57666  | -3.8678 | 57.1673 | N = 144      |
| 14. averag~e overall | 2.542228 | 1.816837  | -.7524  | 8.7628  | N = 144      |
| 15. ifrsad~n overall | .5       | .5017452  | 0       | 1       | N = 144      |
| 16. period overall   | 1.5      | .5017452  | 1       | 2       | N = 144      |

### 17. CORRELATION MATRIX 1

| 18. Variables    | liquid~e | solven~e | profit~e | invest~e | averag~e | ifrsad~n | period |
|------------------|----------|----------|----------|----------|----------|----------|--------|
| 19. -----+-----  |          |          |          |          |          |          |        |
| 20. liquidityp~e | 1.0000   |          |          |          |          |          |        |
| 21. solvencye~e  | -0.2253  | 1.0000   |          |          |          |          |        |
| 22. profitabil~e | 0.3407   | -0.3226  | 1.0000   |          |          |          |        |
| 23. investorsp~e | 0.2594   | 0.0353   | 0.2890   | 1.0000   |          |          |        |
| 24. averagefir~e | 0.3099   | 0.0596   | 0.4336   | 0.8985   | 1.0000   |          |        |
| 25. ifrsadoption | 0.0392   | -0.0245  | 0.0304   | 0.0380   | 0.0591   | 1.0000   |        |
| 26. period       | 0.0392   | -0.0245  | 0.0304   | 0.0380   | 0.0591   | 1.0000   | 1.0000 |

### 27. DESCRIPTIVE STATISTICS 2

| 28. Variable         | Mean     | Std. Dev. | Min     | Max     | Observations |
|----------------------|----------|-----------|---------|---------|--------------|
| 29. -----+-----      |          |           |         |         |              |
| 30. ifrsad~n overall | .5       | .5017452  | 0       | 1       | N = 144      |
| 31. curren~o overall | 1.04162  | .6086707  | .0075   | 2.3683  | N = 144      |
| 32. acidte~o overall | .6416979 | .4176715  | .0058   | 1.6926  | N = 144      |
| 33. stockt~o overall | 5.655907 | 3.9123    | 0       | 19.9576 | N = 144      |
| 34. debtor~o overall | .1370646 | .0740116  | 0       | .2876   | N = 144      |
| 35. credit~o overall | .3696146 | .6964977  | 0       | 4.1692  | N = 144      |
| 36. propri~o overall | 1.051487 | 1.102675  | -2.654  | 3.3202  | N = 144      |
| 37. gearin~o overall | .2088062 | .2950674  | 0       | 1.1146  | N = 144      |
| 38. interr~o overall | .1781847 | .4788774  | -.7539  | 1.9569  | N = 144      |
| 39. totall~d overall | 1.237385 | 1.537173  | -2.9828 | 5.1154  | N = 144      |
| 40. debtra~o overall | 2.220128 | 3.781904  | .3416   | 18.7001 | N = 144      |
| 41. return~d overall | .0548264 | .2930204  | -1.2688 | .3923   | N = 144      |
| 42. grossp~n overall | .2736792 | .1538585  | 0       | .4965   | N = 144      |
| 43. grossp~p overall | .3997806 | .3983748  | -1      | .9861   | N = 144      |
| 44. netpro~n overall | .0603285 | .1991462  | -.7748  | .3045   | N = 144      |
| 45. expens~o overall | .1891729 | .1345157  | 0       | .5967   | N = 144      |

|     |                  |  |          |          |          |          |  |         |
|-----|------------------|--|----------|----------|----------|----------|--|---------|
| 46. | divide~e overall |  | 3.393039 | 11.12106 | 0        | 65.2975  |  | N = 144 |
| 47. | divide~o overall |  | 2.197492 | 4.493441 | 0        | 24.8131  |  | N = 144 |
| 48. | earnin~e overall |  | 2.871279 | 5.373358 | -1.49    | 26.15    |  | N = 144 |
| 49. | pricep~s overall |  | 18.87453 | 25.23768 | -14.3095 | 135.1563 |  | N = 144 |
| 50. | netboo~e overall |  | 9.788549 | 11.94828 | -4.6642  | 43.1337  |  | N = 144 |
| 51. | averag~e overall |  | 2.542228 | 1.816837 | -.7524   | 8.7628   |  | N = 144 |

## 52. CORRELATION MATRIX 2

53. Variables | ifrsad~n curren~o acidte~o stockt~o debtor~o credit~o  
propri~o

54. -----+-----

|     |              |  |  |
|-----|--------------|--|--|
| 55. | ifrsadoption |  | 1.0000   |
| 56. | currentratio |  | -0.1827* 1.0000  |
| 57. | acidtestra~o |  | -0.1620 0.8601* 1.0000                                       |
| 58. | stockturno~o |  | 0.1025 0.0489 0.2690* 1.0000                                 |
| 59. | debtorstur~o |  | 0.1469 0.0436 0.2216* 0.3809* 1.0000                         |
| 60. | creditorst~o |  | 0.0023 -0.2633* -0.2292* 0.0728 0.2119* 1.0000               |
| 61. | proprietar~o |  | 0.1614 -0.0117 -0.0023 0.1283 -0.0842 -0.4336* 1.0000        |
| 62. | gearingratio |  | 0.0256 -0.1023 -0.1605 0.0264 -0.0506 -0.1077 0.5459*        |
| 63. | interrestg~o |  | 0.0202 0.0102 -0.0532 -0.0227 -0.0911 -0.2900* 0.4470*       |
| 64. | totalliabi~d |  | 0.0363 0.1634 0.1315 -0.0008 -0.1721* -0.4141* 0.8576*       |
| 65. | debtratio    |  | -0.0184 -0.3728* -0.3441* -0.3367* -0.2542* -0.0490 -0.2938* |
| 66. | returnonca~d |  | 0.0378 0.4763* 0.4660* 0.1001 -0.0276 -0.3604* 0.4130*       |
| 67. | grossprofi~n |  | 0.0026 0.1068 0.1820* 0.2437* 0.0577 -0.2957* 0.4833*        |
| 68. | grossprofi~p |  | 0.0677 0.1804* 0.2238* 0.2946* 0.0302 -0.2159* 0.4575*       |
| 69. | netprofitm~n |  | -0.0494 0.4452* 0.4561* -0.1390 -0.1764* -0.7369* 0.3959*    |
| 70. | expensesto~o |  | 0.0571 -0.2826* -0.2268* 0.4577* 0.2313* 0.4162* 0.1436      |
| 71. | dividendpe~e |  | -0.1232 0.0945 0.2064* 0.2387* 0.0981 -0.0547 -0.0643        |
| 72. | dividendco~o |  | -0.1180 0.2067* 0.2488* 0.1924* -0.0455 -0.0931 0.0183       |
| 73. | earningspe~e |  | 0.0501 0.0238 0.0045 -0.0235 -0.1813* -0.1768* 0.3247*       |
| 74. | priceperea~s |  | 0.0440 0.1535 0.0750 -0.0090 0.0314 -0.1271 0.4078*          |
| 75. | netbookval~e |  | 0.1854* 0.1315 0.0245 -0.1050 -0.1544 -0.2348* 0.3406*       |

76. Variables | gearin~o interr~o totall~d debtra~o return~d grossp~n  
grossp~p

77. -----+-----

|     |              |  |  |
|-----|--------------|--|--|
| 78. | gearingratio |  | 1.0000   |
| 79. | interrestg~o |  | 0.3206* 1.0000   |
| 80. | totalliabi~d |  | 0.4989* 0.4303* 1.0000                                   |
| 81. | debtratio    |  | -0.1982* -0.1049 -0.3651* 1.0000                         |
| 82. | returnonca~d |  | 0.1498 0.1468 0.4512* -0.5606* 1.0000                    |
| 83. | grossprofi~n |  | 0.2235* 0.0617 0.3517* -0.5092* 0.5713* 1.0000           |
| 84. | grossprofi~p |  | 0.2413* 0.0737 0.3923* -0.6536* 0.6941* 0.9150* 1.0000   |
| 85. | netprofitm~n |  | 0.0697 0.2543* 0.4210* -0.1177 0.5856* 0.5378* 0.4424*   |
| 86. | expensesto~o |  | 0.1492 -0.1512 -0.0102 -0.3869* -0.0445 0.4770* 0.4790*  |
| 87. | dividendpe~e |  | -0.1286 -0.0621 -0.0472 -0.0664 0.0101 0.0462 0.0417     |
| 88. | dividendco~o |  | -0.0235 0.0516 0.0773 -0.0766 0.1275 0.0500 0.0687       |
| 89. | earningspe~e |  | 0.4287* 0.0665 0.2582* -0.1575 0.3199* 0.4201* 0.3882*   |
| 90. | priceperea~s |  | 0.1502 0.4566* 0.4785* -0.2248* 0.2917* 0.2133* 0.2517*  |
| 91. | netbookval~e |  | 0.4238* 0.2977* 0.3131* -0.2958* 0.3231* 0.3302* 0.3530* |

```

92. Variables      | netpro~n  expens~o  divide~e  divide~o  earnin~e  pricep~s
    netboo~e
93. -----+-----
94. netprofitm~n | 1.0000
95. expenseto~o | -0.4278* 1.0000
96. dividendpe~e | 0.0021 0.0398 1.0000
97. dividendco~o | 0.1289 -0.0608 0.6660* 1.0000
98. earningspe~e | 0.3434* 0.0378 -0.1343 0.0655 1.0000
99. priceperrea~s | 0.2472* 0.0146 0.0757 0.0610 0.0990 1.0000
100. netbookval~e | 0.3335* -0.0158 -0.1239 0.0974 0.7546* 0.1128 1.0000

101. LIQUIDITY PERFORMANCE
102. Random-effects GLS regression          Number of obs   =   144
103. Group variable: id                    Number of groups =    18
104. R-sq: within = 0.2245                 Obs per group: min =    8
105. between = 0.0321                     avg =    8.0
106. overall = 0.0818                     max =    8
1. Wald chi2(5) = 31.90
107. corr(u_i, X) = 0 (assumed)           Prob > chi2 = 0.0000
108. -----+-----
109. liquidityperformance |   Coef. Std. Err.   z   P>|z|   [95% Conf.
    Interval]
110. -----+-----
111. solvencyperformance | .1294087 .0863752   1.50 0.134   -.0398835
    .298701
112. profitabilityperformance | 1.000481 .5111522   1.96 0.050   -.0013587
    2.002321
113. investorsperformance | -.0197492 .0103593  -1.91 0.057   -.0400531
    .0005547
114. averagefirmperformance | .2232202 .0730387   3.06 0.002   .0800671
    .3663734
115. ifrsadoption | .0295245 .0853105   0.35 0.729  -.1376811   .19673
i.   _cons | .7736132 .2005285   3.86 0.000   .3805845   1.166642
116. -----+-----
i.   sigma_u | .54614112
ii.  sigma_e | .48808321
117. rho | .55596032 (fraction of variance due to u_i)
118. -----+-----

119. LIQUIDITY PERFORMANCE
120. Random-effects GLS regression          Number of obs   =   144
121. Group variable: id                    Number of groups =    18
122. R-sq: within = 0.0000                 Obs per group: min =    8
123. between = 0.0000                     avg =    8.0
124. overall = 0.0015                     max =    8
1. Wald chi2(1) = 0.53
125. corr(u_i, X) = 0 (assumed)           Prob > chi2 = 0.4676
126. -----+-----
127. liquidityp~e |   Coef. Std. Err.   z   P>|z|   [95% Conf. Interval]

```

```

128. -----+-----
129. ifrsadoption | .0664208 .0914491 0.73 0.468 -.1128161 .2456578
130. _cons | 1.484814 .1697762 8.75 0.000 1.152059 1.817569
131. -----+-----
132. sigma_u | .66600652
133. sigma_e | .54869465
134. rho | .59568428 (fraction of variance due to u_i)
135. -----

```

136. SOLVENCY PERFORMANCE

```

137. Random-effects GLS regression           Number of obs   =   144
138. Group variable: id                     Number of groups =    18
139. R-sq: within = 0.0000                   Obs per group: min =    8
140. between = 0.0000                       avg =    8.0
141. overall = 0.0006                       max =    8
1. Wald chi2(1) = 0.31
142. corr(u_i, X) = 0 (assumed)             Prob > chi2     = 0.5749
143. -----
144. solvencype~e |   Coef. Std. Err.   z  P>|z|   [95% Conf. Interval]
145. -----+-----
146. ifrsadoption | -.0473917 .0845015 -0.56 0.575  -.2130115 .1182282
147. _cons | 1.008128 .2090497 4.82 0.000  .5983979 1.417858
148. -----+-----
149. sigma_u | .84992211
150. sigma_e | .50700883
151. rho | .73754212 (fraction of variance due to u_i)
152. -----

```

153. PROFITABILITY PERFORMANCE

```

154. Random-effects GLS regression           Number of obs   =   144
155. Group variable: id                     Number of groups =    18
156. R-sq: within = 0.0000                   Obs per group: min =    8
157. between = 0.0000                       avg =    8.0
158. overall = 0.0009                       max =    8
1. Wald chi2(1) = 0.80
159. corr(u_i, X) = 0 (assumed)             Prob > chi2     = 0.3701
160. -----
161. profitabil~e |   Coef. Std. Err.   z  P>|z|   [95% Conf. Interval]
162. -----+-----
163. ifrsadoption | .011075 .0123563 0.90 0.370  -.0131428 .0352928
164. _cons | .1916556 .0412937 4.64 0.000  .1107213 .2725898
165. -----+-----
166. sigma_u | .17122801
167. sigma_e | .07413759
168. rho | .84212791 (fraction of variance due to u_i)
169. -----

```

170. INVESTORS PERFORMANCE

```

171. Random-effects GLS regression           Number of obs   =   144

```



217. SOLVENCY PERFORMANCE

|                   |            |           |            |                 |                      |          |  |
|-------------------|------------|-----------|------------|-----------------|----------------------|----------|--|
| 218. Source       | SS         | df        | MS         | Number of obs = | 144                  |          |  |
| 219. -----+-----  |            |           |            | F( 1, 142) =    | 0.09                 |          |  |
| 220. Model        | .080854947 | 1         | .080854947 | Prob > F =      | 0.7708               |          |  |
| 221. Residual     | 134.744223 | 142       | .948902979 | R-squared =     | 0.0006               |          |  |
| 222. -----+-----  |            |           |            | Adj R-squared = | -0.0064              |          |  |
| 223. Total        | 134.825078 | 143       | .942832713 | Root MSE =      | .97412               |          |  |
| 224. -----        |            |           |            |                 |                      |          |  |
| 225. solvency~e   | Coef.      | Std. Err. | t          | P> t            | [95% Conf. Interval] |          |  |
| 226. -----+-----  |            |           |            |                 |                      |          |  |
| 227. ifrsadoption | -.0473917  | .1623528  | -0.29      | 0.771           | -.3683324            | .273549  |  |
| 228. _cons        | 1.008128   | .1148007  | 8.78       | 0.000           | .7811884             | 1.235067 |  |
| 229. -----        |            |           |            |                 |                      |          |  |

230. PROFITANILITY PERFORMANCE

|                   |            |           |            |                 |                      |          |  |
|-------------------|------------|-----------|------------|-----------------|----------------------|----------|--|
| 231. Source       | SS         | df        | MS         | Number of obs = | 144                  |          |  |
| 232. -----+-----  |            |           |            | F( 1, 142) =    | 0.13                 |          |  |
| 233. Model        | .004415602 | 1         | .004415602 | Prob > F =      | 0.7174               |          |  |
| 234. Residual     | 4.76787432 | 142       | .03357658  | R-squared =     | 0.0009               |          |  |
| 235. -----+-----  |            |           |            | Adj R-squared = | -0.0061              |          |  |
| 236. Total        | 4.77228992 | 143       | .033372657 | Root MSE =      | .18324               |          |  |
| 237. -----        |            |           |            |                 |                      |          |  |
| 238. profitabil~e | Coef.      | Std. Err. | t          | P> t            | [95% Conf. Interval] |          |  |
| 239. -----+-----  |            |           |            |                 |                      |          |  |
| 240. ifrsadoption | .011075    | .0305399  | 0.36       | 0.717           | -.0492965            | .0714465 |  |
| 241. _cons        | .1916556   | .0215949  | 8.88       | 0.000           | .1489664             | .2343447 |  |
| 242. -----        |            |           |            |                 |                      |          |  |

243. INVESTORS PERFORMANCE

|                   |            |           |            |                 |                      |          |  |
|-------------------|------------|-----------|------------|-----------------|----------------------|----------|--|
| 244. Source       | SS         | df        | MS         | Number of obs = | 144                  |          |  |
| 245. -----+-----  |            |           |            | F( 1, 142) =    | 0.21                 |          |  |
| 246. Model        | 23.1117387 | 1         | 23.1117387 | Prob > F =      | 0.6510               |          |  |
| 247. Residual     | 15973.6735 | 142       | 112.490659 | R-squared =     | 0.0014               |          |  |
| 248. -----+-----  |            |           |            | Adj R-squared = | -0.0056              |          |  |
| 249. Total        | 15996.7852 | 143       | 111.865631 | Root MSE =      | 10.606               |          |  |
| 250. -----        |            |           |            |                 |                      |          |  |
| 251. investorsp~e | Coef.      | Std. Err. | t          | P> t            | [95% Conf. Interval] |          |  |
| 252. -----+-----  |            |           |            |                 |                      |          |  |
| 253. ifrsadoption | .8012445   | 1.767694  | 0.45       | 0.651           | -2.693152            | 4.295641 |  |
| 254. _cons        | 7.828064   | 1.249948  | 6.26       | 0.000           | 5.357153             | 10.29898 |  |
| 255. -----        |            |           |            |                 |                      |          |  |

256. AVERAGE FIRM PERFORMANCE

|                  |            |     |            |                 |         |  |  |
|------------------|------------|-----|------------|-----------------|---------|--|--|
| 257. Source      | SS         | df  | MS         | Number of obs = | 144     |  |  |
| 258. -----+----- |            |     |            | F( 1, 142) =    | 0.50    |  |  |
| 259. Model       | 1.64891318 | 1   | 1.64891318 | Prob > F =      | 0.4816  |  |  |
| 260. Residual    | 470.37913  | 142 | 3.31252908 | R-squared =     | 0.0035  |  |  |
| 261. -----+----- |            |     |            | Adj R-squared = | -0.0035 |  |  |
| 262. Total       | 472.028043 | 143 | 3.3008954  | Root MSE =      | 1.82    |  |  |

263. -----  
264. averagefir~e | Coef. Std. Err. t P>|t| [95% Conf. Interval]  
265. -----+-----  
266. ifrsadoption | .2140167 .3033392 0.71 0.482 -.3856277 .813661  
267. \_cons | 2.435219 .2144932 11.35 0.000 2.011207 2.859232  
268. -----

269. CURRENT RATIO PERFORMANCE

270. Random-effects GLS regression                    Number of obs = 144  
271. Group variable: id                                Number of groups = 18  
272. R-sq: within = 0.0000                            Obs per group: min = 8  
273. between = 0.0000                                avg = 8.0  
274. overall = 0.0334                                max = 8  
1. Wald chi2(1) = 20.69  
275. corr(u\_i, X) = 0 (assumed)                    Prob > chi2 = 0.0000  
276. -----  
277. currentratio | Coef. Std. Err. z P>|z| [95% Conf. Interval]  
278. -----+-----  
279. ifrsadoption | -.2216125 .0487244 -4.55 0.000 -.3171106 -.1261144  
280. \_cons | 1.152426 .1309534 8.80 0.000 .8957625 1.40909  
281. -----+-----  
282. sigma\_u | .53601437  
283. sigma\_e | .2923466  
284. rho | .77073071 (fraction of variance due to u\_i)  
285. -----

286. ACID TEST PERFORMANCE

287. Random-effects GLS regression                    Number of obs = 144  
288. Group variable: id                                Number of groups = 18  
289. R-sq: within = 0.0000                            Obs per group: min = 8  
290. between = 0.0000                                avg = 8.0  
291. overall = 0.0263                                max = 8  
1. Wald chi2(1) = 9.80  
292. corr(u\_i, X) = 0 (assumed)                    Prob > chi2 = 0.0017  
293. -----  
294. acidtestra~o | Coef. Std. Err. z P>|z| [95% Conf. Interval]  
295. -----+-----  
296. ifrsadoption | -.1348875 .0430924 -3.13 0.002 -.219347 -.050428  
297. \_cons | .7091417 .0835082 8.49 0.000 .5454685 .8728148  
298. -----+-----  
299. sigma\_u | .32986769  
300. sigma\_e | .25855421  
301. rho | .61944013 (fraction of variance due to u\_i)  
302. -----

303. STOCK TURNOVER PERFORMANCE

304. Random-effects GLS regression                    Number of obs = 144  
305. Group variable: id                                Number of groups = 18  
306. R-sq: within = 0.0000                            Obs per group: min = 8

```

307. between = 0.0000                avg =    8.0
308. overall = 0.0105                max =    8
1.  Wald chi2(1) = 7.09
309. corr(u_i, X) = 0 (assumed)      Prob > chi2 = 0.0078
310. -----
311. stockturno~o |   Coef.  Std. Err.   z  P>|z|  [95% Conf. Interval]
312. -----+-----
313. ifrsadoption | .7993778 .3002855  2.66 0.008  .2108291  1.387926
314. _cons | 5.256218 .8611013  6.10 0.000  3.568491  6.943946
315. -----+-----
316. sigma_u | 3.5405331
317. sigma_e | 1.8017128
318. rho | .79430599 (fraction of variance due to u_i)
319. -----

320. DEBTORS TURNOVER PERFORMANCE
321. Random-effects GLS regression      Number of obs = 144
322. Group variable: id                 Number of groups = 18
323. R-sq: within = 0.0000             Obs per group: min = 8
324. between = 0.0000                  avg =    8.0
325. overall = 0.0216                  max =    8
1.  Wald chi2(1) = 4.85
326. corr(u_i, X) = 0 (assumed)      Prob > chi2 = 0.0277
327. -----
328. debtorstur~o |   Coef.  Std. Err.   z  P>|z|  [95% Conf. Interval]
329. -----+-----
330. ifrsadoption | .0216653 .0098414  2.20 0.028  .0023765  .0409541
331. _cons | .1262319 .0126196 10.00 0.000  .1014981  .1509658
332. -----+-----
333. sigma_u | .04466411
334. sigma_e | .05904835
335. rho | .3639241 (fraction of variance due to u_i)
336. -----

337. CREDITORS TURNOVER PERFORMANCE
338. Random-effects GLS regression      Number of obs = 144
339. Group variable: id                 Number of groups = 18
340. R-sq: within = 0.0000             Obs per group: min = 8
341. between = 0.0000                  avg =    8.0
342. overall = 0.0000                  max =    8
1.  Wald chi2(1) = 0.00
343. corr(u_i, X) = 0 (assumed)      Prob > chi2 = 0.9658
344. -----
345. creditorst~o |   Coef.  Std. Err.   z  P>|z|  [95% Conf. Interval]
346. -----+-----
347. ifrsadoption | .0032458 .0757093  0.04 0.966  -.1451417  .1516333
348. _cons | .3679917 .1386864  2.65 0.008  .0961714  .6398119
349. -----+-----
350. sigma_u | .54279209

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351. sigma_e | .45425576
352. rho | .58810377 (fraction of variance due to u_i)
353. -----

354. PROPRIETARY PERFORMANCE
355. Random-effects GLS regression           Number of obs   =   144
356. Group variable: id                     Number of groups =    18
357. R-sq: within = 0.0000                   Obs per group: min =    8
358. between = 0.0000                        avg =    8.0
359. overall = 0.0260                         max =    8
1. Wald chi2(1) = 6.81
360. corr(u_i, X) = 0 (assumed)              Prob > chi2     = 0.0091
361. -----
362. proprietar~o |   Coef. Std. Err.   z   P>|z|   [95% Conf. Interval]
363. -----+-----
364. ifrsadoption | .3546556 .1359057  2.61 0.009   .0882852 .6210259
365. _cons | .8741597 .1996031  4.38 0.000   .4829449 1.265375
366. -----+-----
367. sigma_u | .74223426
368. sigma_e | .81543446
369. rho | .45311012 (fraction of variance due to u_i)
370. -----

371. GEARING PERFORMANCE
372. Random-effects GLS regression           Number of obs   =   144
373. Group variable: id                     Number of groups =    18
374. R-sq: within = 0.0000                   Obs per group: min =    8
375. between = 0.0000                        avg =    8.0
376. overall = 0.0007                         max =    8
1. Wald chi2(1) = 0.24
377. corr(u_i, X) = 0 (assumed)              Prob > chi2     = 0.6256
378. -----
379. gearingratio |   Coef. Std. Err.   z   P>|z|   [95% Conf. Interval]
380. -----+-----
381. ifrsadoption | .0150792 .0309002  0.49 0.626   -.0454841 .0756425
382. _cons | .2012667 .0597165  3.37 0.001   .0842244 .3183089
383. -----+-----
384. sigma_u | .23578742
385. sigma_e | .18540129
386. rho | .61794055 (fraction of variance due to u_i)
387. -----

388. INTEREST GEARING PERFORMANCE
389. Random-effects GLS regression           Number of obs   =   144
390. Group variable: id                     Number of groups =    18
391. R-sq: within = 0.0000                   Obs per group: min =    8
392. between = 0.0000                        avg =    8.0
393. overall = 0.0004                         max =    8
1. Wald chi2(1) = 0.08
394. corr(u_i, X) = 0 (assumed)              Prob > chi2     = 0.7713

```

395. -----  
396. interestg~o | Coef. Std. Err. z P>|z| [95% Conf. Interval]  
397. -----+-----  
398. ifrsadoption | .0193056 .0664277 0.29 0.771 -.1108903 .1495014  
399. \_cons | .1685319 .0798884 2.11 0.035 .0119535 .3251104  
400. -----+-----  
401. sigma\_u | .27416269  
402. sigma\_e | .39856599  
403. rho | .32119124 (fraction of variance due to u\_i)  
404. -----

405. TOATLA LIABILITY/SHAREHOLDERS FUND PERFORMANCE

406. Random-effects GLS regression                    Number of obs = 144  
407. Group variable: id                                Number of groups = 18  
408. R-sq: within = 0.0000                            Obs per group: min = 8  
409. between = 0.0000                                avg = 8.0  
410. overall = 0.0013                                 max = 8  
1. Wald chi2(1) = 0.39  
411. corr(u\_i, X) = 0 (assumed)                    Prob > chi2 = 0.5324

412. -----  
413. totalliabi~d | Coef. Std. Err. z P>|z| [95% Conf. Interval]  
414. -----+-----  
415. ifrsadoption | .1111639 .1780499 0.62 0.532 -.2378074 .4601352  
416. \_cons | 1.181803 .2957996 4.00 0.000 .6020462 1.761559  
417. -----+-----  
418. sigma\_u | 1.1356221  
419. sigma\_e | 1.0682992  
420. rho | .53051837 (fraction of variance due to u\_i)  
421. -----

422. DEBT PERFORMANCE

423. Random-effects GLS regression                    Number of obs = 144  
424. Group variable: id                                Number of groups = 18  
425. R-sq: within = 0.0000                            Obs per group: min = 8  
426. between = 0.0000                                avg = 8.0  
427. overall = 0.0003                                 max = 8  
1. Wald chi2(1) = 0.98  
428. corr(u\_i, X) = 0 (assumed)                    Prob > chi2 = 0.3219

429. -----  
430. debtratio | Coef. Std. Err. z P>|z| [95% Conf. Interval]  
431. -----+-----  
432. ifrsadoption | -.1386514 .1399797 -0.99 0.322 -.4130066 .1357038  
433. \_cons | 2.289454 .8967137 2.55 0.011 .5319276 4.046981  
434. -----+-----  
435. sigma\_u | 3.7811862  
436. sigma\_e | .83987821  
437. rho | .95298231 (fraction of variance due to u\_i)  
438. -----

```

439. RETURN ON CAPITAL PERFORMANCE
440. Random-effects GLS regression           Number of obs   =   144
441. Group variable: id                     Number of groups =   18
442. R-sq: within = 0.0000                 Obs per group: min =    8
443. between = 0.0000                      avg =    8.0
444. overall = 0.0014                      max =    8
1. Wald chi2(1) = 0.49
445. corr(u_i, X) = 0 (assumed)            Prob > chi2     = 0.4853
446. -----
447. returnonca~d |   Coef.  Std. Err.   z   P>|z|   [95% Conf. Interval]
448. -----+-----
449. ifrsadoption | .0220917 .0316572   0.70 0.485  -.0399553  .0841387
450. _cons | .0437806 .0584525   0.75 0.454  -.0707843  .1583454
451. -----+-----
452. sigma_u | .22908711
453. sigma_e | .18994333
454. rho | .592607 (fraction of variance due to u_i)
455. -----

456. GROSS PROFIT PERFORMANCE
457. Random-effects GLS regression           Number of obs   =   144
458. Group variable: id                     Number of groups =   18
459. R-sq: within = 0.0000                 Obs per group: min =    8
460. between = 0.0000                      avg =    8.0
461. overall = 0.0000                      max =    8
1. Wald chi2(1) = 0.01
462. corr(u_i, X) = 0 (assumed)            Prob > chi2     = 0.9269
463. -----
464. grossprofi~n |   Coef.  Std. Err.   z   P>|z|   [95% Conf. Interval]
465. -----+-----
466. ifrsadoption | .0008083 .0088101   0.09 0.927  -.0164592  .0180759
467. _cons | .273275 .03549   7.70 0.000  .2037159  .3428341
468. -----+-----
469. sigma_u | .14823347
470. sigma_e | .05286072
471. rho | .88718015 (fraction of variance due to u_i)
472. -----

473. GROSS PROFIT MARKUP PERFORMANCE
474. Random-effects GLS regression           Number of obs   =   144
475. Group variable: id                     Number of groups =   18
476. R-sq: within = 0.0000                 Obs per group: min =    8
477. between = 0.0000                      avg =    8.0
478. overall = 0.0046                      max =    8
1. Wald chi2(1) = 4.06
479. corr(u_i, X) = 0 (assumed)            Prob > chi2     = 0.0439
480. -----
481. grossprofi~p |   Coef.  Std. Err.   z   P>|z|   [95% Conf. Interval]
482. -----+-----

```

483. ifrsadoption | .0537694 .0266878 2.01 0.044 .0014623 .1060766  
 484. \_cons | .3728958 .0899827 4.14 0.000 .1965329 .5492587  
 485. -----+-----  
 486. sigma\_u | .37327452  
 487. sigma\_e | .16012693  
 488. rho | .8445782 (fraction of variance due to u\_i)  
 489. -----

**490. NET PROFIT MARGIN PERFORMANCE**

491. Random-effects GLS regression                      Number of obs    =    144  
 492. Group variable: id                                    Number of groups =    18  
 493. R-sq: within = 0.0000                                Obs per group: min =    8  
 494.    avg =        8.0  
 495. overall = 0.0024                                     max =        8  
 1. Wald chi2(1)    =    1.37  
 496. corr(u\_i, X) = 0 (assumed)                        Prob > chi2       =    0.2418  
 497. -----  
 498. netprofitm~n |    Coef. Std. Err.    z   P>|z|    [95% Conf. Interval]  
 499. -----+-----  
 500. ifrsadoption | -.0196097 .0167516 -1.17 0.242 -.0524423 .0132228  
 501. \_cons | .0701333 .0431897 1.62 0.104 -.014517 .1547837  
 502. -----+-----  
 503. sigma\_u | .17621243  
 504. sigma\_e | .10050967  
 505. rho | .75452118 (fraction of variance due to u\_i)  
 506. -----

**507. EXPENSES/TOTAL SALES PERFORMANCE**

508. Random-effects GLS regression                      Number of obs    =    144  
 509. Group variable: id                                    Number of groups =    18  
 510. R-sq: within = 0.0000                                Obs per group: min =    8  
 511.    avg =        8.0  
 512. overall = 0.0033                                     max =        8  
 1. Wald chi2(1)    =    3.27  
 513. corr(u\_i, X) = 0 (assumed)                        Prob > chi2       =    0.0707  
 514. -----  
 515. expensto~o |    Coef. Std. Err.    z   P>|z|    [95% Conf. Interval]  
 516. -----+-----  
 517. ifrsadoption | .0152986 .0084637 1.81 0.071 -.0012898 .0318871  
 518. \_cons | .1815236 .0306558 5.92 0.000 .1214394 .2416078  
 519. -----+-----  
 520. sigma\_u | .12755892  
 521. sigma\_e | .05078191  
 522. rho | .86319411 (fraction of variance due to u\_i)  
 523. -----

**524. DIVIDEND PER SHARE PERFORMANCE**

525. Random-effects GLS regression                      Number of obs    =    144  
 526. Group variable: id                                    Number of groups =    18  
 527. R-sq: within = 0.0000                                Obs per group: min =    8



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572. sigma_e | 1.7949056
573. rho | .89311181 (fraction of variance due to u_i)
574. -----
575. PRICE PER EARNING PERFORMANCE
576. Random-effects GLS regression          Number of obs   =   144
577. Group variable: id                    Number of groups =    18
578. R-sq: within = 0.0000                 Obs per group: min =    8
579. between = 0.0000                      avg =    8.0
580. overall = 0.0019                      max =    8
1. Wald chi2(1) = 0.32
581. corr(u_i, X) = 0 (assumed)            Prob > chi2     = 0.5727
582. -----
583. pricepera~s |   Coef.  Std. Err.   z  P>|z|  [95% Conf. Interval]
584. -----+-----
585. ifrsadoption |  2.21329  3.924165   0.56  0.573  -5.477931  9.904512
586. _cons | 17.76789  3.56055   4.99  0.000  10.78934  24.74644
587. -----+-----
588. sigma_u | 9.4659233
589. sigma_e | 23.544988
590. rho | .13914264 (fraction of variance due to u_i)
591. -----

592. NET BOOK VALUE PER ORDINARY SHARE PERFORMANCE
593. Random-effects GLS regression          Number of obs   =   144
594. Group variable: id                    Number of groups =    18
595. R-sq: within = 0.0000                 Obs per group: min =    8
596. between = 0.0000                      avg =    8.0
597. overall = 0.0344                      max =    8
1. Wald chi2(1) = 32.86
598. corr(u_i, X) = 0 (assumed)            Prob > chi2     = 0.0000
599. -----
600. netbookval~e |   Coef.  Std. Err.   z  P>|z|  [95% Conf. Interval]
601. -----+-----
602. ifrsadoption |  4.415  .770223   5.73  0.000   2.905391  5.92461
603. _cons | 7.581049  2.666561   2.84  0.004   2.354685  12.80741
604. -----+-----
605. sigma_u | 11.074776
606. sigma_e | 4.6213382
607. rho | .85169677 (fraction of variance due to u_i)
608. -----

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