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COMPARATIVE ANALYSIS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) COMPLIANCE AMONG SUB-SECTORS OF LISTED COMPANIES IN NIGERIA

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Abstract

Adoption of IFRS have significantly led to greater consistency in recognition and measurement of accounting information but the burden of complying fully with the disclosure requirements is complex and impacting upon corporate financial reporting practices of

Keywords

INTRODUCTION

Accounting standards are important, not only for the accounting practices but for the world economy. The harmonization of accounting practices all over the world has resulted in the emergence of International Financial Reporting Standards (IFRS) (Ali, Merve & Başak, 2016). This has made investors and other users to have full confidence in companies' financial statements and an increasing number of countries have chosen to comply with IFRS either by adoption or convergence. The use of IFRS had gained momentum starting from the western world extending to developing countries *listed firms across the globe. Many companies usually claim that their financial statements are prepared in accordance with IFRSs but the reality is different due to varying levels of compliance which have been attributed to absence of "bright-line" rules coupled with the failure of auditors to express opinion regarding the extent of IFRS compliance. These consequently affect the quality of financial information, limit the potential effect of IFRS and impair the ability of investors and other market participants from making rightful decisions among listed companies. These motivate the study to carry out comparative analysis of IFRS compliance among various sub-sectors of listed companies in Nigeria, this will be achieved through investigation of the level of IFRS compliance and the extent to which IFRS compliance differs among various sub-sector of listed companies in Nigeria. 522 annual reports of 87 listed companies in Nigeria from 2012 to 2017 for different sub-sectors were employed and analyzed using descriptive analysis and ANOVA to test mean difference. The findings of the study revealed that more than 70% (368 firms) of Nigerian listed companies achieved IFRS compliance score of below 49% while 27% (41 firms) achieved between 50% to 59% compliance score and only 2% (13 firms) achieved compliance score of above 60%. The overall compliance index score ranged from 6% to 66% with average mean compliance score of 41%. The low performance in the compliance score was attributed performance in IAS 8 and IFRS 7. The study also revealed differences existed in the level of IFRS compliance among the IFRS, Nigerian listed companies and various sub-sector. The study concluded that IFRS differences existed among Nigerian listed companies in various sub-sector. Therefore, the study recommends that the regulatory bodies need to strengthen their monitoring activities to ensure that listed companies in Nigeria are not only adopting IFRS but also complying full with disclosure requirements. Also, Nigeria government* *should establish separate regulatory agencies for each sector because of the impact of IFRS compliance on the quality of accounting information and financial statements.*

including some parts of Africa (Asian & Dike 2015; Mulenga, 2016). According to International Accounting Standard Board (IASB) (2018), over 270 countries have either adopted or require IFRS as their financial reporting framework for business and commercial activities to enhance the comparability of financial statements and improving investment and economic decisions (Cascino & Gassen, 2015).

The adoption of IFRS requires companies to give explanations for differences in disclosure requirements. The explanations depend on how the implementation is performed and has been a great task for many listed companies include those of Nigeria (Ayuba, 2012; Bala, 2013; Edogbanya & Kamardin, 2014). While IFRS has significantly led to greater consistency in recognition and measurement of accounting information, the burden of full compliance with the disclosure requirements of IFRS is complex and significant efforts required to meet these disclosure requirements are seen to be affecting corporate financial reporting practices of listed companies (Adebimpe & Ekwere, 2015; Amiraslani, Iatridis, George & Peter, 2013). Many companies usually claimed that their financial statements are prepared using IFRS, but the reality is not certain due to varying levels of compliance with IFRS disclosure requirements (Tsalavoutas, 2011).

These differences show that IFRS adoptions are just in labels and inconsistent with IASB's prescription. This have been attributed to absence of "bright-line" rules on the level of compliance coupled with the failure of auditors to express opinion regarding the extent of IFRS compliance (Ball, 2006; Daske, Hail, Leuz & Verdi, 2008; Fernandes, 2017; Verriest, Gaeremynck & Thornton, 2013). The IASB quite explicitly points to the unsatisfactory performance of entities, auditors and preparers being the leading cause of the problem due to the application of mechanical box-ticking behaviour that currently seems sufficient even by the regulators (Juhmani, 2017). Therefore, the existence of legislation (IFRS) and enforcing bodies, such as IASB and FRCN, does not guarantee full compliance with all the required disclosures which had resulted to the production of irrelevant financial information (IASB, 2018). This has also posed a significant challenge to the veracity, credibility, and utility of accounting information emanating from such corporate financial reporting system (IASB, 2018).

Consequently, the qualities of financial information are affected and limit the potential effect of IFRS adoption (Verriest *et al.,* 2013; Fernandes, 2017). The ability of investors and other market participants to compare financial information of different firms to make rightful decisions is impaired (Al-Mutawaa, 2010). Wrong investment and business decision emanated such as sub-optimally deployed of capital; resource misallocation; investors paying huge opportunity cost by investing in companies with unrealistic vision and inflated values and better investments bypass (Ahmed, 2011). The effect is not only limited to the companies, but the customers and suppliers also make decisions based on this flawed picture of economic reality. The lenders are also unable to make the loan agreement with the real risk and competitors strive to achieve unrealistic goals while employees make unrealistic career retirement decisions (The Guardian, 2017).

Previous study such as Ball (2006); Daske, Hail, Leuz & Verdi (2008); Fernandes (2017); Verriest, Gaeremynck & Thornton (2013) failed to examine the differences among industry types with regards to the level of IFRS compliance. Also, literatures on the level of compliance with IFRS disclosure requirements are limited, especially in Nigeria. Therefore, the current study examines the level of compliance with the disclosure requirements of IFRS and differences among various sub-sectors of listed companies in Nigeria.

LITERATURE REVIEW

This section entails the conceptual issues, theoretical review, and empirical review. The conceptual issues discussed include the accounting theory and standards and adoption and compliance of IFRS accounting standard.

Accounting Theory and Standards

Accounting theory is material in the field of accounting and its development was to ameliorate the inherent problems encountered in a barter economy to give birth to the monetary economy which was predates in accounting (Unegbu, 2014). David (2009) defined accounting theory as logical reasoning in the form of a set of broad principles that provide a general frame of reference by which accounting practice can be evaluated and guided the development of new practices and procedures. Accounting theory is seen by Unegbu (2014) as an attempt at synthesizing, interacting and integrating empirical data for maximum clarification and unification. American Accounting Association (A.A.A) (1966) defined accounting theory as a cohesive set of conceptual, hypothetical and pragmatic proposition explaining and guiding the accountant's actions in identifying, measuring and communicating economic information to users of financial statement. Meanwhile, Wolk, Dodd, and Rozycki (2008) opined that accounting theory consists of the basic assumptions, definitions, principles and concepts and how they are derived as well as the reporting of accounting and financial information.

Therefore, accounting theory has a loose and overlapping meaning with principles, concepts, conventions, doctrines, standards, rules, assumptions, tenets, postulates and procedures which are used interchangeably in many instances (Unegbu, 2014). All these are man-made-laws on data generation, recording, classifying and analyses of financial information and interpreting the results therein for management decisions (Anao, 1996). They represent the best possible guides based on reason, observation, and experimentation and they are constantly changing, which resultantly influences the business practices (Unegbu, 2014). As theories are emerging, some are either rejected or accepted or continually being reviewed to keep pace with the increasing complexity of business environments. This is the nexus that empowers the current IFRS’s relevance. Globally known influential changer of many conceived and underlying accounting theories is IFRS, but without a regulatory framework like IASB, there would be no means of enforcing compliance with the standards.

IASB is responsible for establishing, monitoring and giving acceptable interpretations of the provisions of IFRS (Unegbu, 2014). IFRS is a single set of high quality, understandable standards for general purpose financial reporting which are principle-based in contrast to the rule-based approach. IFRS comprises of four types of documents which include Forty-one (41) IAS; Eighteen (18) IFRS; Eleven (11) Standing Interpretation Committee Statements (SICS) and Eighteen (18) International Financial Reporting Issues Committee Statements (IFRICS) (Azobu, 2010). IFRSs are designed to encourage professional judgment and discourage over-reliance on detailed rules (Doubnik & Perero, 2007). IFRS is comprehensive principles-based standards with fewer pronouncements which place more emphasis on real economic transactions (Galbraith & Flynn, 2009).

Adoption and Compliance of IFRS Accounting Standards

An accounting standard is defined as a guideline through which financial and monetary information is generated for economic, social and political decisions (Izedonmi, 2001). It was developed to ensure a high degree of standardization in the published financial statements, enhance its comparability and understandability (Yahaya, 2011). Thus, failure on the part of the firm to comply with the requirements of accounting standard would result in inconsistencies, lack of accountability and transparency as well as distortions in financial reports (Josiah, Okoye & Adediran, 2013). The adoption of IFRS were more through persuasion and never mandatory on any country's professional accountancy bodies but the standards have the problem of automatic adoption by all countries on account of differences in background, tradition of countries, the needs of the countries, economic environment and the perceived challenges (Abata, 2015).

IFRS nowadays found as the set of standards which promotes harmonization, consistency, and quality in corporate financial reporting of not only globally but also domestically (Godfrey, Hodgson, Tarca, Hamilton & Holmes, 2010). It has become mandatory in Australia, Canada, Brazil, Korea, New Zealand, and many other countries while other jurisdictions such as United States, Japan, India, Russia, Colombia, etc. are considering adoption or convergence with IFRS (Deloitte, 2018; Paul, Peter & Dang, 2014). The adoption of IFRS by listed firms in Europe in 2005 represents one of the most influential changes in accounting rule resulting in significant changes in the accounting practice (Cascino & Gassen, 2015).

National Accounting standards-setting bodies such as FRCN have supported the adoption of IFRS. The FRCN was structured to cope with the new and increasing demands for IFRS and to provide the platform for ensuring the enforcement and monitoring of IFRS in Nigeria (NASB, 2010). However, the extent of compliance with disclosures requirements of IFRS has become more important to investors and other users to assess the relevance and faithful representation of the financial information (Barker, Barone, Birt, 2013).

The extent of compliance is achieved with the use of checklists containing disclosure requirements of IFRS or the national accounting standards. A well-constructed compliance checklist is a reliable device for measuring compliance level. Therefore, self-constructed compliance checklist has been developed to calculate the compliance index while a few authors such as Bova & Pereira (2012); Gao and Kling (2012); and Hassan, Giorgioni, & Romilly, (2006) have relied on public disclosure scores. Gao and Kling (2012) use a direct measure of compliance published by the Shenzhen Stock Exchange or Bova & Pereira (2012), where the measure of IFRS compliance was obtained from Kenya's Financial Reporting Awards. In a similar vein, Hassan, Giorgioni, and Romilly, (2006) use a checklist provided by the Centre for International Financial Analysis and Research (CIFAR) to evaluate corporate disclosure levels.

Regarding the indexes self-constructed checklists; two methods are found in the literature are dichotomous disclosure index approach and Partial compliance unweighted approach. The dichotomous Disclosure (Weighted) Approach was initially developed to measure compliance with the voluntary information and referred to the dummy approach of the disclosure index (Cooke, 1989; 1992; Raiji, 2014). The method gives equal weight to items required to be disclosed for any standards. Each disclosure item receives uniform weight, thus giving higher weights to standards which contain more items to be disclosed (Cooke, 1992; Craig & Diga, 1998; Hodgdon *et al.,* 2008; Modugu & Eboigbe, 2017; Street & Gray, 2002; Tsalavoutas, Evan & Smith*,* 2010). This implies that if the information is disclosed, it is scored as 1 and if it is not, it is scored as 0. This was where the term dichotomous arises.

The dichotomous method requires a significant limit which is the considerable variation in the number of items included in each standard. Some standards require more items to disclose than others. For instance, 21 items are required for IFRS 8 while others require less like 3 items required for IAS 18. As a result, standards that require more information to disclose are indirectly not treated in the same way as those with fewer items to disclose (Al-Shiab, 2003). In this sense, Al-Shiab (2003) and Raiji (2014) used an alternative approach, named the partial compliance method. This method assumes that all standards have the same importance and consequently the same weight. The partial compliance approach has the advantage of avoiding the dichotomous approach problem of giving higher weight to standards that contain more items (Tsalavoutas *et al.,* 2010). The method of unweighted approach asserts that each item of disclosure is equally important and considers all the disclosure items rather than a particular item.

Theoretical Review

Many studies on disclosure and its determinants concluded that there is not a single explanatory and comprehensive theory for corporate disclosure, but several theories. Therefore, the study employed mixture of theories to provide a robust and realistic theoretical background for the study which include resources dependency and upper echelon theory.

Resource Dependency Theory

Resource dependency theory (RDT) was developed in 1978 by Preffer and Salancik (Delke, 2015). The theory presents how the external resources of an organization affect its behavior, thus focuses on the interdependence between organizations and their external environment. The theory recognizes the fact that the success of an organization is hinged on the resources available to it. Resources dependency theory is influenced by the importance, abundance, and control of the funds. Therefore, the theory focuses on the role that directors play in providing or securing essential resources to an organization through their linkages to the external environment (Hillman, Canella & Paetzold, 2000). The theory consequently answers questions of how vital, how accessible and who controls the resources. The focus of the theory was supported through the appointment of an independent director as a way of obtaining multiple skills, opportunities to gather information and networking in various ways. The ability of the board to bring the resources to the company depends on board members and their composition (Fernandes, 2017).

The theory emphasizes that the resources received by board members and committee from the environment are uncertain and, as their decisions are made in line with resources received and owned, they affect organizations. Therefore, the organization must have effective and efficient board members and audit committee that can advise and counsel the management to make different decisions. Pfeffer (1972) also noted that board members have their resources such as experience, expertise, reputation, and relational capital. Hillman and Dalziel (2003) stated that advice and guidance, legitimacy, channels of communication with the outside and preferential access to commitments outside the company are major benefits or resources that can be provided by the board members and audit committee. Therefore, one can suggest that the characteristics of the individual member of the board and committee will influence decisions on the level of compliance with IFRS disclosure requirement may be affected by those board and audit committee characteristics aforementioned above.

Upper Echelons Theory

The upper echelons theory is a management theory published by Hambrick and Mason in 1984. The theory states that organizational outcomes are partially predicted by managerial background characteristics of the top level management team (Hambrick & Mason, 1984). The theory proposes that the characteristics of top management might affect strategic decision-making and hence performance (Fernandes, 2017). There is the notion that the background knowledge and values of corporate directors impact upon the crucial strategic decisions made. This implies that certain organizational effects are linked to top management teams having specific demographic profiles. Hambrick and Mason (1984) claimed that observable attributes such as age, practical experience and tenure, could function as practical proxies for the cognitive base that influences top directors' decisions. The cognitive base, in upper echelons theory is categorized according to several important elements such as individual characteristics, strategic choices, and performance (Carpenter, Geletkanycz & Sanders, 2016).

Empirical Review

The following empirical studies were reviewed from developed countries to developing countries as well as in the Nigeria context to provide practical findings to the study. The first sets of studies reviewed were on the level of Compliance with IFRS Disclosure Requirements. Wallace and Naser (1995) examined the level of compliance with IFRS disclosure requirements and concluded that the compliance level was between 55.3% and 87.2% among 80 companies listed on the Hong Kong market in 1991. The finding is also in line with Glaum and Street (2003) who investigated the extent to which companies listed on Germany's New Market comply with IAS and US GAAP disclosure requirements in the financial statements of year-end 2000. The study found that the compliance levels range from 100% to 41.6%, with an average of 83.7%. Hodgdon, Rasoul, Adhikari and Harless (2009) carried out a comparative study on the level of compliance with disclosure requirements by non-US listed companies that claim to have complied with IASs in 1999 and 2000 and the study found that the level of compliance is 58% and 64% in 1999 and 2000 respectively.

Tsalavoutas (2011) studied 153 Greek listed companies' level of compliance with all IFRS mandatory disclosure requirements in 2005 which was the first year of IFRS implementation. The findings reveal about 80% level of compliance with IFRS mandatory disclosures in 2005 but averaged 72% compliance with the mandatory disclosure requirements of IFRS 3. Glaum and Street (2013) analyzed the level of compliance with IFRS 3 and IAS 36 by European companies. The study found a high level of compliance influenced by both firm and country characteristics with an average of 73% compliance with the mandatory disclosure requirements of IFRS 3. Lama, Sanchez, and Sobrino (2014) carry out a comparative study between Spain and the United Kingdom (UK) on the level of compliance with disclosure requirements for investment properties (IAS 40). They found that Spanish companies display a lower level of compliance with mandatory disclosure requirements of investment properties than UK firms although there has been an improvement in the degree of compliance in both countries from 2005 to 2008. Differences in the level of compliance with IFRS were examined, taking into consideration the legal system in different countries by Lucas & Lourenço (2014). The study showed that firms located in common-law countries have a strong level of compliance with IFRS with an average of 85% while firms located in the "French-civil-law" countries have poor compliance.

Baboukardos and Rimmel (2014) conducted a study in the same country but with a different approach. The study analyzed the relevance and disclosures relating to goodwill in an unfavorable environment (Greece). To test relevance, the study created formulas with the effect of goodwill on market valuation. While for compliance with the requirement of IFRS 3, the study created an index with 38 items and the average compliance stood at 82%. The results demonstrate that IFRS produces relevant information but only with a high level of compliance with IFRS disclosure requirements. Al-Mutawaa (2010) empirically investigated the extent of compliance of Kuwaiti listed companies with IAS/IFRS disclosure requirements. The annual reports of 48 non-financial companies were carefully sampled and scrutinized against the disclosure index, and the findings indicate that the overall compliance level averaged 69%. This level of compliance is lower when compared with the finding of Al-Shammari (2011) who carried out a study on the extent of compliance with IFRSs by 168 companies listed in the Kuwait Stock Exchange for the year ended in 2008. The study reported that the mean level of compliance is 82%.

Maia, Formigoni and Silva (2012) conducted a study in 78 Brazilian companies during the period 2008-2009 (1st IFRS implementation phase). The study developed a compliance index with 72 items requires disclosures from 13 standards and found that the level of compliance stood at 70%. This was also corroborated by Nakayama and Salotti (2014) who examined the level of compliance with mandatory disclosure of "Comité de Pronunciamento Contábil 15 – (CPC 15)" in Brazilian financial statements for the period ended 31st December 2010 (year of adoption of IFRS in Brazil). The study created an index with the disclosures required by CPC 15 and concluded that the level of disclosure was low with about 60%. The low level of compliance was attributed to the fact that the IFRS is virgin. Another study conducted by Santos, Ponte, and Mapurunga (2014) in Brazil on the level of compliance with the disclosure requirement of IFRS in the first year of full adoption 2010. The study carried out a comprehensive examination of 638 disclosure requirement items from 28 IFRS by all Brazilian non-financial companies (366) listed on the Brazilian stock exchange. The study revealed that compliance with standards requiring disclosure of many items was about 50% lower than for standards that require few items. It was also noted that despite the relatively low level of compliance and the amount of information required did increase after IFRS adoption.

Budaraj and Mohammed-Sarea (2015) examined the level of compliance with IAS 18 (Revenue) by listed firms in Bahrain. The population consists of the publically listed commercial banks, investment banks, insurance companies, services companies, hotels and tourism companies, industrial companies, and non-Bahraini companies listed on the Bahrain Bourse given a total of 47 companies in 2013, of which 2 have closed, 3 were suspended, and 6 did not publish financial statements for 2013. Therefore, the final sample was 36 listed companies. Both descriptive and empirical analyses were employed to test the hypotheses. The results reported an aggregate mean compliance of 63% which was differs from the result of Appiah-Kubi and Rjoub (2017) who found 83.7% compliance with IFRS disclosure requirements. Zango *et al.* (2015) assessed the level of compliance with IFRS 7 disclosure requirement by Listed Banks in Nigeria. The study sampled fourteen listed banks out of nineteen as of January 1, 2012. Using a disclosure checklist of 132 mandatory disclosure requirements of IFRS 7 for the study period of 2012 and 2013, the findings revealed non-compliance with disclosure requirements but the level of compliance is above average for the two years under study. The finding is in line with the submission of Ioraver, Joy, and Gabriel (2017) that the level of compliance with IFRS by the sampled firms in Nigeria is about 85.9% among deposit money banks.

Regarding differences in the level of IFRS compliance, Lama, Sanchez, and Sobrino (2014) who carried out a comparative study between Spain and the United Kingdom (UK) on the level of compliance with disclosure requirements for investment properties (IAS 40) found that Spanish companies display a lower level of compliance with mandatory disclosure requirements of investment properties than UK firms. Differences in the level of compliance with IFRS were examined, taking into consideration the legal system in different countries, by Lucas & Lourenço (2014). The study showed that firms located in common-law countries have a strong level of compliance with IFRS with an average of 85% while firms located in the "French-civil-law" countries have poor compliance. Mazzi, Slack, and Tsalavoutas (2018) examined the simultaneous influences of corruption and culture on levels of compliance with mandatory disclosure requirements with regards to goodwill reporting in Europe. The study uses a panel dataset of European companies, for 2008–2011, and measure compliance with IFRS goodwill disclosure requirements utilizing a disclosure index. The study found that compliance levels vary significantly across sample firms, countries and over time.

Yiadom and Atsunyo (2014) examined the level of compliance with IFRS by 31 listed companies on the Ghana Stock Exchange (GSE) in the 2010 financial statement. With the aid of a checklist, an index of compliance was devised to analyze the extent of compliance by companies categorized in line with the industry classification of the GSE. The analyses were conducted using correlation, ANOVA and multiple regressions. The findings revealed that overall mean compliance of 85.8% and also confirmed differences among industry types with regards to their compliance rate. Street and Gray (2002) examined the financial statements and notes of 279 companies worldwide to ascertain the level of compliance and the associated key factors. The finding revealed a significant level of non-compliance with the disclosures requirements of IFRS by companies based in France, Germany, Western Europe countries and Africa.

Aledo, Garcia-Martinez, and Diazarque (2009) examined firm-specific factors influencing the selection of accounting options provided in IFRS by firms listed on the Spanish Continuous Stock Market since 2005. The population of the study comprises first-time adopters of IFRS but exclude earlier adopters of IFRS; firm deleted in 2005, mergers companies during 2005 and companies that presented consolidated financial statements according to accounting principles different to those of the Spanish GAAP or IFRS. Eighty-eight companies were studied. The study revealed that firms in Consumer services, Consumer goods, Oil and Gas, and Basic Materials, Manufacturing and Construction industries experience the most significant adjustments, particularly in presentation and measurement practices. Additionally, the study finds that firm-specific factors such as industry, size, auditor's opinion, and capital structure influence the choice of accounting policy used to prepare financial statements.

Thomas (2014) examined the firm and country-specific differences in disclosure compliance concerning impairment testing through a quantitative study comparing the compliance degree of IAS 36 in Sweden and the United Kingdom. The study uses multiple regression analysis where the dependent variable is the compliance level of the companies listed on both London Stock Exchange and OMX Stockholm for 2012. The independent variables are both firm-specific and country-specific factors. The study found that there is a significant discrepancy in compliance level between the observed companies in Sweden and the United Kingdom as a result of enforcement differences and variations in the national culture. The finding further indicated a significant variation in the level of compliance with ownership dispersion. Ali, Ahmed and Henry (2004) carried out a comparative study on the level of compliance by 566 listed companies within the three major countries in South Asia, namely India, Pakistan, and Bangladesh. They evaluated the corporate attributes that influence the degree of compliance with 14 IFRSs. The study created a list of disclosures required with 131 items and developed a total compliance index. The findings of the study indicated a significant variation in overall disclosure compliance levels across companies and different national accounting standards.

All these studies revealed that the level of compliance varies among countries regardless of developed and developing countries. The compliance index score were within the range of 80%. However, it was also observed that studies on the level of compliance with IFRS disclosure requirements very scarce in Nigeria. Therefore, this study intends to bridge the gap by improving the literatures in this area.

RESEARCH METHODOLOGY

A longitudinal research technique was adopted in gathering the data used because the data gathered are drawn from listed companies sampled over a period of 2012 to 2017. Therefore, the study employed pre-existing data to formulate hypotheses and test the hypotheses with result obtained from ANOVA techniques. The target population are all listed companies in Nigeria on the Nigerian Stock Exchange (NSE) from 2012 to 2017. Out of 191 listed companies as at 31st December 2012, only 172 companies remained listed on the NSE as at 31st December 2017 as a result of the listing of new companies and delisted of some existing companies. These companies are categorized into twelve (12) industrial sectors, but the financial services sector was excluded due to the presence of different disclosure regulations. The unique nature of the transactions and the asset portfolio of such entities are another reason for exclusion (Karim & Ahmed, 2005). Therefore, out of 172, a total number of 115 (One Hundred and Fifteen) is the final population for this study. The sample size selected for this study was based on the formula for "Small Sample Techniques," that the research division of the National Education Association published for determining sample size (Krejcie & Morgan, 1970). Table 1 present the population for each sector and the sample size.

Table 1 Sector Distribution of Population and Sample Size

S/N	SECTOR DISTRIBUTION	POPULATION	SAMPLE SIZE
1	Agriculture	5	5
2	Construction/ Real Estate	9	9
3	Consumer Goods	22	19
4	Health Care	11	11
5	Industrial Goods	15	14
6	Information & Communications Technology (ICT)	7	7
7	Natural Resources	4	4
8	Oil & Gas	12	12
9	Services	24	19
10	Utilities	0	0
11	Conglomerates	6	6

TOTAL	115	106

Source: Author's Computation Based on Krejcie & Morgan (1970)

Out of 115 companies remained listed on the NSE as at 31st December 2017 as a result of the listing of new companies and delisted of some existing companies, a total number of 106 (One Hundred and Six) was sampled for this study. This sample size also concurs with the sample size suggested by Krejcie & Morgan (1970). The selection of the sample size was based on the proportion of the population of each sector on the total population.

In order to obtain the value for IFRS compliance level, a measure of compliance index was established and the selection of the IFRS to be included was determined by the focus of the study, applicability of the IFRS to the fiscal year ended 31 December 2012 to 2017 and their applicability to the selected listed companies in Nigeria. Consequently, the disclosure requirements of the following IFRS considered relevant to the study are IAS 1: Presentation of financial statements, IAS 7: Statement of cash flow; IAS 8: Accounting policies, change in accounting estimates and error; IAS 10: Events after the reporting period are the reporting standards; IAS 24: Related party disclosures, IAS 26: Accounting and Reporting by Retirement Benefit Plans, IAS 29: Financial reporting in hyperinflation economics, IAS 32: Financial Instruments Presentation, IAS 33 Earnings per share, IAS 34: Interim financial reporting, IFRS 1: First time adopters of IFRS, IFRS 7: Financial instruments disclosure, IFRS 8: Operating segments, IFRS 12 -Disclosure of Interests in Other Entities and IFRS 13: Fair value measurement was considered necessary to compute the compliance index.

However, the study excludes IAS 29, IAS 34 and IFRS 1 because of their peculiarities to circumstances and their inclusion will affect the consistency of data set. A total score of two hundred and fifty-three (253) items are expected to be disclosed for all the selected IFRSs. The result of this exercise was presented in Table 2.

Table 2 IFRS Disclosure Requirements to be included in the Index

S/N	IAS/IFRS	TITLE OF PRESENTATION AND DISCLOUSRE STANDARDS	APLLICABILITY TO THIS STUDY	DISCLOSURE REQUIREMENT
1	IFRS 1	First time adopters of IFRS,	X	-
2	IFRS 4	Insurance Contracts	X	-
3	IFRS 7	Financial instruments disclosure	√	59
4	IFRS 8	Operating Segments	√	10
5	IFRS 12	Disclosure of Interests in Other Entities	√	-
6	IFRS 13	Fair Value Measurement	√	16
7	IAS 1	Presentation of financial statements	√	84
8	IAS 7	Statement of cash flow	√	20
9	IAS 8	Change in Accounting policies, Estimates and Error	√	17
10	IAS 10	Event after reporting period	√	6
11	IAS 26	Accounting and Reporting by Retirement Benefit Plans	√	23
12	IAS 24	Related Party Disclosure	√	9
13	IAS 29	Financial reporting in hyperinflation economics	X	-
14	IAS 32	Financial Instruments Presentation (Replaced with IFRS 7)	X	-
15	IAS 33	Earnings per share	√	9
16	IAS 34	Interim Financial Reporting	X	-
		TOTAL DISCLOSURE REQUIREMENTS		**253**

Sources: Deloitte (2018); KPMG, (2017) and Author's reviews

Table 2 depicts a total score of two hundred and fifty-three (253) items expected to be disclosed for all the selected IFRSs. This was used for the listed companies in Nigeria when assessing the relevance of each item to classify as either non-disclosure or not-applicable.

The study employed descriptive analysis to assess the level of compliance with IFRS disclosure requirements and ANOVA test of mean difference to determine significant differences by comparing the level of compliance with IFRS disclosure requirements among various sub-sectors of listed companies in Nigeria (Kothar, 2004). The study also employed Bonferroni pairwise mean comparison across the selected sub-sectors to further analysis a pairwise test of the mean difference between two different sub-sectors across all sectors of listed companies in Nigeria.

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

The study proposed to use annual financial statements of 106 listed companies in Nigeria from 2012 to 2017 for analysis but not all these companies' annual reports available and relevance to the study. Therefore, only 87 out of the 106 sampled listed companies meet the criteria and accounted for 82% response rate across all sectors. The frequency and percentage of these companies, sector by sector, were presented in Table 3 below.

Table 3 Response Rate of Listed Companies on Sectorial Basis

S/N	SECTOR DISTRIBUTION	TARGET	NO. ACHIEVED	PERCENTAGE
1	Agriculture	5	3	60%
2	Construction/ Real Estate	9	6	67%
3	Consumer Goods	19	17	89%
4	Health Care	11	7	64%
5	Industrial Goods	14	14	100%
6	Information & Communications Technology (ICT)	7	6	86%
7	Natural Resources	4	4	100%
8	Oil & Gas	12	10	83%
9	Services	19	15	79%
10	Utilities	0	0	0%
11	Conglomerates	6	5	83%
	TOTAL	**106**	**87**	**82%**

Source: Author's Computation 2019

Listed companies from industrial goods and natural resources sector achieved a response rate of 100% which implies that all the listed companies in these sectors meet all the criteria set but listed companies from the agriculture, health and construction sectors were below 100%.

The study employed a self-constructed compliance index (Comdex) to measure the extent of compliance with IFRS disclosure requirements. The

Comdex was computed from the 2012 year of IFRS adoption to 2017. The Comdex range depicts the proportion firm's disclosure score from 0 to 100%.

Table 4 Extent of Compliance with IFRS Disclosure Requirements

COMDEX RANGE		Below 49%	50-59	60-69	70-79	80-89	90-100	TOTAL	HIGHEST SCORE
IAS7 INDEX	NUMBER OF FIRMS	127	382	13	0	0	0	522	
	PERCENTAGE (%)	24%	73%	2%	0%	0%	0%	100%	**65%**
IFRS 13 INDEX	NUMBER OF FIRMS	426	8	82	0	6	0	522	
	PERCENTAGE (%)	82%	2%	16%	0%	1%	0%	100%	**81%**
IAS 8 INDEX	NUMBER OF FIRMS	522	0	0	0	0	0	522	
	PERCENTAGE (%)	100%	0%	0%	0%	0%	0%	100%	**41%**
IAS 26 INDEX	NUMBER OF FIRMS	343	0	0	9	15	155	522	
	PERCENTAGE (%)	66%	0%	0%	2%	3%	30%	100%	**100%**
IAS 10 INDEX	NUMBER OF FIRMS	169	58	121	0	174	0	522	
	PERCENTAGE (%)	32%	11%	23%	0%	33%	0%	100%	**83%**
IAS 1 INDEX	NUMBER OF FIRMS	25	31	25	153	165	123	522	
	PERCENTAGE (%)	5%	6%	5%	29%	32%	24%	100%	**100%**
IAS 33 INDEX	NUMBER OF FIRMS	112	118	195	65	32	0	522	
	PERCENTAGE (%)	21%	23%	37%	12%	6%	0%	100%	**89%**
IFRS 8 INDEX	NUMBER OF FIRMS	446	62	13	1	0	0	522	
	PERCENTAGE (%)	85%	12%	2%	0%	0%	0%	100%	**70%**
IFRS 7 INDEX	NUMBER OF FIRMS	522	0	0	0	0	0	522	
	PERCENTAGE (%)	100%	0%	0%	0%	0%	0%	100%	**22%**
IAS 24 INDEX	NUMBER OF FIRMS	190	48	46	29	61	148	522	
	PERCENTAGE (%)	36%	9%	9%	6%	12%	28%	100%	**100%**
OVERALL COMDEX	NUMBER OF FIRMS	368	141	13	0	0	0	522	
	PERCENTAGE (%)	70%	27%	2%	0%	0%	0%	100%	**66%**

Sources: Author's Computation (2019)

Table 4 shows the result of the extent of compliance level with IFRS disclosure requirement among listed companies in Nigeria. The result shows the level of compliance with the disclosure requirements of all IFRS considered in the study which include IAS 1, IAS 7, IAS 8, IAS 10, IAS 24, IAS 26, IAS 33, IFRS 7, IFRS 8 and IFRS 13. For IAS 1, the table reveals that 5% of the Nigerian listed firms achieved compliance scores below 49% and more than 85% of the firms achieved compliance scores of 70%. The maximum compliance score is 100%. This is obvious because IAS 1 is on presentation of financial statements of which all listed firms must comply with for the acceptability of financial statements. IAS 7 is a statement of cash flow and the compliance scores show that 24% of the firms achieved below 49%. More than 70% of the Nigerian listed firms achieved compliance of 50-59% and the highest score for this standard is 65%. They may perhaps be attributed to some disclosure requirements of the statement of cash flow which does not occur often. IAS 8 is change in accounting policies, change in accounting estimates and error. The maximum compliance score is 41%. The reason for the low scores is not farfetched as this standard is only required when entities change their accounting policies, estimate and correcting of prior period errors. This implies that little of such event take place during year under review.

IAS 10 is the event after the reporting period. The list of companies under each of the compliance scores is evenly distributed as 32%, 11%, 23% and 33% of the listed firms achieved compliance scores of below 49%, 50-59%, 60-69% and 80-89% respectively and the highest score is 83%. The required disclosure for this standard is a condition of the event after the reporting period which cannot be predicted. IAS 24 related part disclosure share the same characteristics as IAS 10. The level of compliance with the disclosure requirements depends on the number of related party information that exists at the end of the reporting period, and the highest score is 100% which may be as a result of few disclosure requirements. IAS 26 employee benefit disclosure is the standard that shows two extreme levels of compliance score among the listed companies. 66% of the listed companies achieved compliance scores below 49% while 33% of the firms achieved compliance scores of 80% above with the highest score of 100%.

IAS 33 is earnings per share, and the result of the extent of compliance with the disclosure requirements shows that 21%, 23%, 37%, 12% and 6% of the firms achieved compliance scores of below 49%, 50-59%, 60-69%, 70-79% and 80-89% respectively. IFRS 8 is operating segment disclosure. 85% of the Nigerian listed companies achieved compliance scores below 49% which means that more than average of the listed companies did not fully comply with disclosure requirements of IFRS 8 operating segment but is one of the standards that reported the highest score of 70%. IFRS 7 is on disclosure of financial instrument and all the listed companies selected in this study reveal a compliance score below 49% in the disclosure requirements of IFRS 7 with the highest score of 22% which the lowest of all the compliance score. IFRS 13 fair value measurement is one of the recently released standards in 2012. 82% of the Nigerian listed companies achieved compliance scores below 49% while 2% and 16% of the listed firms achieved compliance scores of 50-59% and 60-69% respectively. This represents one of the standards that contributed to the overall low compliance score.

The result overall Comdex shows that more than 70% of Nigerian listed companies compliance level is below 49% while 27% achieved between 50% to 59% and only 2% achieved compliance score of above 60%. This account for the maximum compliance level of 66% obtained. IAS 8, IFRS 8, IFRS 13, IFRS 7 and IAS 26 were the standards contributed to the level of compliance below 49%. The level of compliance with the disclosure requirement of IAS 7 contributes to 27% of Nigerian listed firms that achieved compliance score of 50% to 59%. The 2% of the firms that achieved compliance score of 60% to 69% is mainly due to the compliance score from IAS 10 and IAS 33. Despite the level of compliance score achieved in IAS 26, IAS 1 and IAS 24, the scores are not enough to influence the overall compliance scores. Therefore, none of the listed companies achieved compliance scores of 70% above which implies that the maximum level of compliance with IFRS disclosure requirements is below 70% among all Nigerian listed companies.

The analysis carried out here is the analysis of variance (ANOVA) test of the mean difference. This will reveal the significant difference in average IFRS compliance across sub-sectors. The aim was to determine if the various sub-sectors have different performance in terms of IFRS compliance. Average values of IFRS compliance index and their respective standard deviations over the period in concern are presented in Table 5. The Table shows that IFRS compliance index of the agricultural sub-sector averaged 0.252 points, with a standard deviation of 0.108 points while that of conglomerate averaged 0.45 points with a standard deviation of 0.107 points. Construction, consumer goods, healthcare, ICT, Industrial, natural resources, oil and gas, and services sub-sectors have average IFRS compliance index of 0.377, 0.472, 0.386, 0.372, 0.402, 0.382, 0.422, and 0.374 respectively, with respective standard deviations of 0.114, 0.112, 0.125, 0.11, 0.122, 0.108, 0.133, and 0.124. This primarily shows that these sub-sectors are different in terms of their compliance index. However, this does not sufficiently indicate their differences are statistically significant. This necessitates a test of difference presented in Table 6.

Table 5: Mean and Standard Deviation of IFRS Compliance Index

Sector	Mean Compliance Index	Std. Deviation
Agriculture	0.252	0.108
Conglomerate	0.45	0.107
Construction	0.377	0.114
Consumer Goods	0.472	0.112
Health Care	0.386	0.125
ICT	0.372	0.11
Industrial	0.402	0.122
Natural Resources	0.382	0.108
Oil & Gas	0.422	0.133
Services	0.374	0.124
Total	0.405	0.127

Source: Author’s Computation, 2019.

Table 6 presents ANOVA test of the mean difference of IFRS compliance index across sub-sectors. It shows an F-statistic value of 8.93 with a p-value of 0.000. This indicates a statistically significant F-statistic; hence, rejection of the null hypothesis that the difference across sub-sectors regarding IFRS compliance index is not significant. This implies that the selected sub-sectors are significantly different in terms of their level of compliance with IFRS disclosure requirements and some sub-sectors comply more with these requirements than others.

Table 6: Panel Analysis of Variance (ANOVA)

Source	SS	Df	MS	F	p-value
Between groups	1.137	9	0.126	8.93***	0.000
Within groups	7.244	512	0.014		
Total	8.382	521	0.016		
Bartlett's Test				4.441	0.880

*** p<0.01, ** p<0.05, * p<0.1

Source: Author's Computation, 2019.

Table 6 also presents the Bartlett's test for equal variance which has a statistic value of 4.441 and p-value of 0.880. This shows that the statistic is not significant which implies that the null hypothesis is unequal variance among sub-sectors. The result indicates that a failure to rejection null hypothesis and a conclusion that the sub-sectors have unequal variance in terms of IFRS compliance index. This implies that these sub-sectors can simply be ranked in their other of compliance with IFRS disclosure requirements as follows; Consumer goods; Conglomerate; Oil and Gas; Industrial; Healthcare; Natural Resources; Construction; Services; ICT; and Agriculture.

Table 7: Bonferroni Pairwise Comparison

Sector	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Agric.	Congl.	Const.	Con. Gd	Hlth.	ICT	Indust.	Nat.	Oil
Congl.	0.2***								
Const.	0.12**	-0.073							
Con. Gd	0.2***	0.022	0.1***						
Hlth.	0.1***	-0.064	0.008	-0.1***					
ICT	0.12**	-0.078	-0.005	-0.1***	-0.014				
Indust.	0.1***	-0.048	0.025	-0.1***	0.017	0.03			
Nat. Res.	0.13**	-0.068	0.005	-0.1**	-0.004	0.01	-0.02		
Oil & Gas	0.2***	-0.028	0.045	-0.05	0.036	0.05	0.02	0.04	
Services	0.1***	-0.076	-0.004	-0.1***	-0.012	0.002	-0.03	-0.01	-0.048

*** $p<0.05$
Source: Author's Computation, 2019.

Table 7 presents the Bonferroni pairwise mean comparison across the selected sub-sectors. This analysis entails a pairwise test of the mean difference between two different sub-sectors. The analysis was conducted and verified on a 0.05 level of significance. The result shows that agricultural sub-sector is significantly differenced from other sub-sectors in terms of their IFRS compliance index. With all the differences positive and significant (in column number 1), the level of compliance with IFRS disclosure requirements in agricultural sub-sector is significantly lower to the level of compliance in other sub-sectors. The result showed that conglomerate sub-sector is not significantly different from each of construction, consumer goods, healthcare, ICT, industrial, natural resources, oil and gas, and services sub-sectors in terms compliance with IFRS requirements. This means that the level of compliance with IFRS disclosure requirements in conglomerate sub-sector is nearly the same with the compliance level of these other sub-sectors.

The level of compliance with IFRS disclosure requirements in construction sub-sector is significantly different from the compliance level in consumer goods subsector but not significantly different from the compliance level in each of healthcare, ICT, industrial, natural resources, oil and gas, and services sub-sectors. The significant positive difference in the mean compliance index of construction and consumer goods sub-sectors indicates that construction sub-sector significantly perform below the consumer goods sub-sector in terms of compliance with IFRS requirements. The insignificant difference in the mean compliance index of construction and other sub-sectors means that the level of compliance with IFRS disclosure requirements in construction sub-sectors is nearly the same with the compliance level of these other sub-sectors.

Consumer goods sub-sectors have significantly different levels of compliance with the IFRS disclosure requirements from the compliance level in each of healthcare, ICT, industrial, natural resources, and services subsectors, but do not have a significantly different level of IFRS compliance from the compliance level in oil and gas sub-sector. The significant negative difference in the mean compliance index of consumer goods sub-sector and those of healthcare, ICT, industrial, natural resources, and services subsectors indicates that consumer goods sub-sector significantly perform better than other sub-sectors in terms of compliance with IFRS requirements. The insignificant difference in the mean compliance index of consumer goods and oil and gas sub-sector means that the level of compliance with IFRS disclosure requirements in these two sub-sectors is similar. The result also shows that healthcare sub-sector is not significantly different from each of ICT, industrial, natural resources, oil and gas, and services sub-sectors in terms of compliance with IFRS requirements. This means that the level of compliance with IFRS disclosure requirements in healthcare sub-sector is nearly the same with the compliance level of these other sub-sectors. Similar results were obtained for the level of compliance with IFRS requirements among ICT, industrial, natural resources, and oil and gas sub-sectors. The difference in the level of compliance among these sectors is not statistically significant.

The compliance score obtained aligns with the study conducted by Street and Gray (2002) that there is a significant level of non-compliance with the disclosure requirements of IFRS by companies based in France, Germany, Western Europe countries and Africa. Although, the studies from some of these countries use disclosure requirements of a standard while some use more than a standard. The finding from the descriptive analysis reveals that the level of compliance with the disclosure requirements of IFRS is very low. This finding is in line with the Santos *et al.* (2014) and Nakayama and Salotti (2014) who found low compliance level. Therefore, the low compliance score may be attributed to the fact that IFRS is still virgin in Nigerian financial reporting system. The study of Glaum and Street (2003) also supports the findings of this study where the result shows a considerable extent of non-compliance in the German capital market and is attributed to a lack of adequate supervision. However, the maximum compliance score of 66% obtained in this study is even higher than the compliance score of 58% and 64% obtained in 1999 and 2000 respectively by Hodgdon *et al.* (2009).

The significant difference in the level of IFRS compliance was evidence Yiadom and Atsunyo (2014) who confirmed differences among industry types with regards to their compliance rate. Aledo *et al.* (2009) also substantiate the above result that firms in consumer services, consumer goods, oil and gas, and basic materials, manufacturing and construction industries experience the most significant adjustments, particularly in presentation and measurement practices. Thomas (2014) also find that there is a significant discrepancy in compliance level between the observed companies in Sweden and the United Kingdom as a result of enforcement differences and variations in the national culture. The finding further indicates a significant variation in the level of compliance. The variation may also be attributed to demographic characteristics and availability of resources as noted by upper echelon theory and resource dependency theory.

Resource dependency theory recognizes the fact that the success of an organization is hinged on the resources available to it. The theory emphasizes that the resources received from the environment are uncertain and may affect organizations regarding the decisions made. Therefore, the availability of the resources may be the reason for significant differences in the level of IFRS compliance among sub-sectors. Meanwhile, the upper echelons theory focuses on demographic characteristics of the top management team which might affect strategic decision-making. These observable attributes such as age, practical experience and tenure, could function as practical proxies for the cognitive base that influences top directors' decisions regarding the extent of compliance in a sector.

CONCLUSION AND RECOMMENDATION

Based on the findings obtained from both quantitative and qualitative analyse, the following conclusions were reached.

i. The level of compliance with disclosure requirements of IFRS is very low among listed companies in Nigeria from 2012 to 2017 evidenced with the IFRS compliance score ranged from 6% to 66% with a mean average score of 41%;
ii. There is variation in the IFRS compliance level among the 10 IFRS/IAS examined in the study between 2012 and 2017 evidenced with IFRS compliance score of 50% and above recorded for IAS 7; IAS 10; IAS 26; IAS 33; IFRS 8; IFRS 13 and below 49% reported for IAS 8 and IFRS 7;
iii. The study also concludes that there are differences in the level of IFRS compliance among various sub-sectors of listed companies in Nigeria stock market and
iv. Consequently, the study concludes that the variability in the compliance level among the selected IFRS, listed companies in Nigeria and sectors affect the quality of accounting information making it unreliable as expected.

The following recommendations were made taking into consideration the findings obtained from the study.

i. Given the low level of IFRS compliance achieved in the study, the regulatory bodies need to strengthen their monitoring activities to ensure that Nigerian companies are not only adopting IFRS but also complying and disclosing all the required information to be disclosed in the financial statement;
ii. The FRCN has been saddled with responsibilities for publication of a generally accepted code of governance for all Nigerian entities. Therefore, the study recommends a strict financial and non-financial penalty for defaulters as its compliance influence IFRS compliance;
iii. In line with the conclusion on differences in the level of IFRS compliance among various sub-sectors in Nigeria, the study recommends that Nigeria government should establish separate regulatory agencies for each sector to monitor and check their level

of IFRS compliance because of its impact on the quality of accounting information.

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