J-MACC
Journal of Management and Accounting
Vol. 7, No. 2, Oktober 2024

AN ASSESSMENT OF IFRS REGULATION FRAMEWORK: IMPLICATION FOR PRESENTATION OF FINANCIAL REPORTS AND FINANCIAL INFORMATION USEFUL IN NIGERIA

Emmanuel Imuede Oyasor
Department of Accounting Science,
Walter Sisulu University, Mthatha, South Africa
Corresponding author: emmanueloyasor247@gmail.com

Keywords:

Accounting Frameworks,
IFRS,
Preparation of Reports,
Financial Information Useful

Article history:

Received August 2024
Revised October 2024
Accepted October 2024

ABSTRACT

Accounting regulations specify how companies should maintain records, pertaining to reported income and expenses, to accomplish some goals. In recent times, accounting standards have taken the form of International Financial Reporting Standards (IFRS) - a set of high-quality standards introduced by the International Accounting Standards Board (IASB) in 2001. This investigates the compliance of private in Nigeria on the framework of IFRS regulations. The paper applied the Chi-square to analyst responses from 200 respondents, including accountants and managers, from private in Nigeria. The paper revealed that there is a relationship between IFRS framework and the preparation and presentation of financial reports. Morso, there is a relationship between IFRS frameworks and financial information useful for evaluating performance.

Introduction

Accounting regulations including "accounting statutes, laws, rules, systems, and others, are important for the regulation of the financial system. The regulations specify how companies should maintain records, pertaining to reported income and expenses, to accomplish some goals. The goals include but are not limited to the protection of workers and consumers, enhancement of market competitions, enforcement of accounting and auditing rules (Graham & Woods, 2006). One important aspect of accounting regulations is the accounting standards which comprise of 'imposed statements' on how particular types of transactions or events and operations should be reported on the financial statements. They are established to control firms and assist them with uniform reports incomes and expenses. High-quality standards play a central role for better functioning and capital attracting financial markets. The use of high-quality standards may be insufficient if not supported by suitable regulations (Kabir & Su, 2022) and effective regulatory settings (Agyei-Boapeah et al., 2020; Shruti & Thenmozhi, 2023).

In recent times, accounting standards have taken the form of International Financial Reporting Standards (IFRS) - a set of high-quality standards introduced by the International Accounting Standards Board (IASB) and its London-based IFRS

Foundation – a not-for-profit organisation (Posner, 2010; Adedokun et al., 2022; Gbadebo, 2023). The IFRS standards, which system replaced the IAS in 2001, constitute a standardised framework of reporting companies' true performance and position such that the financial statements are comprehensible and comparable across country-boundaries. IFRS harmonise global financial reporting and specify quality criteria needed to guide investment decisions in global capital markets. They are mostly relevant and adopted by companies with publicly listed shares or securities. They provide thematic information on how firms maintain specific records and account for cash-flows, expenses, income, investment, and accruals.

Several emerging market economies have officially adopted and implemented use of the IFRS to attract an increase in foreign (and mostly, institutional) investments. The widespread adoption of the standards has made the standard to be considered as one of the greatest accounting changes ever (Leuz & Wysocki, 2016). Presently, the standards are used in over 120 nations across developing and developed countries. In Africa, South Africa was the first to adopt the standards in 2005, based on the original and purest form and are often categorised, alongside the EU nations. African countries like Zambia, Zimbabwe and Lesotho adopted it immediately the start of formal reporting in their countries, respectively, in 2007, 2011 and 2012 (Tawiah & Boolaky, 2020). Ghana and Nigeria developed the local GAAP based on IFRS before official adoption in 2007 (IFRS Foundation, 2023; Tawiah & Boolaky, 2020). Table 1 represents the list of the IFRSs, from according to the IFRS Foundation

A critical evaluation of accounting standards would not only provide a reference for the users of financial information but offer lessons for the development of more benefitting regulations as well as a guide toward improving financial practices, financial quality and heighten listed firm towards global opportunities. The article reviews accounting regulations, accounting standards and the IFRS, focusing on the development, benefits, and challenges in Nigeria. This paper investigates the compliance of private in Nigeria on the framework of IFRS regulations. The rest of the paper includes section two, which provides the contextual background related to accounting regulations and standards prior IFRS; section three offers the method, section four provides the results and section five concludes.

Literature

Accounting Regulations and Standards

In terms of accounting information, 'accounting standards' and 'accounting regulations' may both be considered as two said of a coin – they both relate to ensuring compliance of accounting information to sets of rules, orders and values, in order to ensure a unified financial reporting system as well as protect investors funds and the integrity of the capital markets of a country. They are legal frameworks established to regulate firms, and assist them to uniformly reports their incomes and expenses. Firms' compliance with authoritative regulations and standards are mandatory, for their financial statements to be considered true and fair representative of the financial system and country's values, Gbadebo (2023). They are designed to bring consistency to accounting practices, information, and reports, as well as to guide investors and creditors in making financial decisions on prospective investments.

On one side of the coin, financial reporting standards are 'imposed statements' on how particular types of economic, financial transactions or other events and operations should be reported on the financial statements. The standards are established to ensure that firms follow sound and common accounting ground that is clear to investors, auditors, and the regulators. On the other side of the coin, accounting regulation involves the creation a single authority, mandated with reforms, formulation of financial rules, interpretation of the rules as well as the monitoring of compliance and imposition penalties or sanction of non-compliance firms (Leuz & Wsocki, 2016). The regulation specifies how a company should maintain records, pertaining to their reported income and expenses.

Nigeria-GAAP Framework

In Nigeria, the NASB been the body that enforce and ensure firms' compliance to reporting standards stipulated in SAS, was formed and guided by the ASB Act (2003). The NASB approves the Nigeria GAAP (i.e., N-GAAP), based on the SAS, for the preparation of financial reports. The N-GAAP are based on the following regulations SEC Act, Companies and Allied Matters Act of 1990, BOFI Act of 2003 and the Insurance Act of 2003. Impey (2017) notes that the quality of disclosures under these N-GAAP regulations are inadequate and not comprehensive to form standard for high-quality reporting relevant reports to attract institutional investment from major global capital. The SAS was practically incompatible with financial regulations relevant in major global financial markets. As noted by Gbadebo (2023), there was the necessity for a framework to boost investors' confidence by tightening regulations, and at this point, IFRS becomes inevitable.

IFRS Standards

The IFRS, developed by the IASB, are high quality financial framework for the documentation and prediction of earnings information, investments, cash-flows, and capital inflow. The framework improves the effectiveness of financial

ISSN (Online) 2620-9756 ISSN (Print) 2620-6951

statements by enhancing their comparability and transparency, in order to protect shareholders, accomplish global financial stability and promote economic growth. IFRS encourages flexibility in the presentation of companies' accounting reports of their operations, ensuing value for accounting information reported in the global capital markets. IFRS assists audit, tax and procurement purposes. In recent times, financial reporting regulation is taken the form of IFRS concurrent enforcement (Ball, 2016). The IFRS standard has become a financial architecture and has continues to attract interests from different countries.

The origin of the IFRS can be traced back to the 1960s, which was the beginning of the international harmonizination of accounting standards. By 1973 about sixteen accountancy bodies from different countries, including Canada, Australia, Germany, Japan, France, Mexico, United Kingdom, Netherlands and United States, formed the IASC which was aimed at issuing a worldwide recognised standard referred to as the IAS. In 2001, IASC reinforce to create the IASB, which maintain the obligation to form the IFRS/Standards, to be used as the Primary Basis of Accounting. This period initiates the first-time use of the IFRS [i.e., the IFRS 1]. From June 2003, IASB restructured and amend the IFRS 1 contents and accommodate the first-time adoption requirements, after which the adoption of IFRS was recommended to substitute the SIC-8. The modifications involve change in terminologies included in the earlier frameworks. Several complementary Standards have been introduced to amendments to IFRS 1 (IFRS, 2023).

IFRS gain popularity when on January 1, 2005, the EU requires that firms listed member countries to adopt and comply with the IFRS standard to consolidate their report. The EU adopt the frameworks with the intent of making business and their accounting information easily accessible across continent. Since, there has been continuous adoption from other countries, and improvement of the IFRS (Ball, 2016).

Although the U.S. and China still use own local GAAP systems, many countries have adopted the IFRS, the standard is required by most public firms in 167 jurisdictions. IFRS (2023a) reports that 65 percent of IFRS's jurisdictions have converged or adopted the standards, particularly all countries of the European Union, and others, including Canada, India, South Korea, Russia, Chile, South Africa, and Nigeria. Based on number of firms, over 25,000 out of 48,000 of listed firms on major stock exchanges have adopted the standard (IFRS Foundation, 2016).

IFRS in Nigeria

The adoption of IFRS in Nigeria becomes inevitable because the SAS was at that time incompatible with financial regulations relevant in major global financial markets. The IFRS-adoption process in Nigeria kicked off in 2009 when the country's law makers suggest the creation of FRCN bill. Due to the proposal to migrate from the SAS (or N-GAAP) to the international standard (IFRS), a new Act to substitute the NASB Act of 2003 was created and NASB was changed to FRCN. The FRCN holds the statutory authority to establish the financial reporting procedures and principles for public interest entities, including both quoted and unquoted.

The Federal Government appended the passed bill into law to support the adoption of IFRS that would later replace local standards (N-GAAP) on 28 July 2010. The approved Standards were scheduled to commence differently for listed companies, other public enterprises and the SMEs. For instance, listed companies and other legal entities with considerable public interest on the adoption of IFRS, are mandated to report financial using the IFRS from January 2012, whereas other public enterprises should start from January 2013 and the SMEs, expected to adopt the IFRS for SMEs, from January 2014. The FRCN Act (2011) necessitates that the body enforces and monitors firm's compliance with all the adopted standards by the IASB.

Methods

This investigates the compliance of private in Nigeria on the framework of IFRS regulations. This study uses survey-based (closed-ended) questionnaires to obtain data from 200 respondents. The questionnaires were given to participants, including accountants and managers, from the private sectors. The respondents are grouped into strata based on shared features, according to the stratified random sample technique. The paper applied the Chi-square test to analyse the hypothesis. The chi-square analysis, written as -test is a useful measure of comparing experimentally obtained results with those expected theoretically and based on the hypothesis. It is used as a test statistic in testing a hypothesis that provides a set of theoretical frequencies with which observed frequencies are compared.

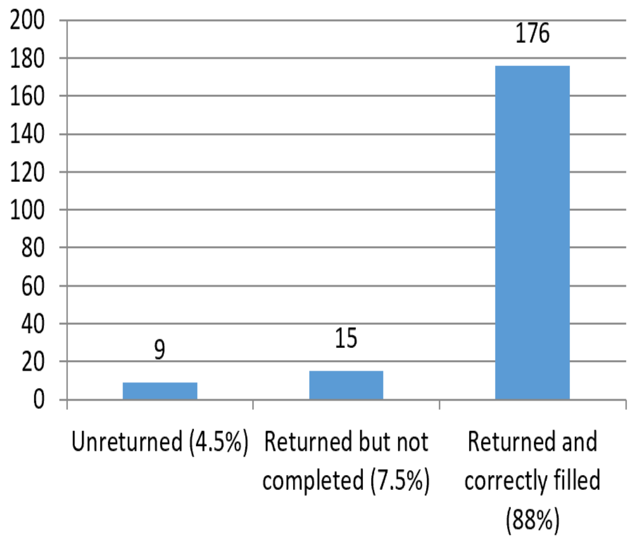
The distribution is of considerable theoretical and practical importance. It compares observed with theoretical frequencies. Information obtained empirically directed observation in an experiment are referred to as observed frequencies. While the theoretical frequencies are generated because of some hypothesis, which is different from the data obtained. It assit to find out whether the difference between the observed and theoretical frequencies are significant. The measure of chi-square denoted, $\psi 2$, defines that the degree of discrepancy between observed frequencies and theoretical frequencies is due to error of sampling or due to a "chance.

ISSN (Online) 2620-9756 ISSN (Print) 2620-6951

$$\psi = \frac{\sum_{i=1}^{n}(O_i - E_i)^2}{E_i} \quad (1)$$

Results

Of these, one hundred and seventy-six (176) questionnaires, or 88% of the total, were returned and completed correctly; fifteen (15) questionnaires, or 7.5% of the total, were returned but not properly completed, making them invalid; and nine (9) questionnaires, or 4.5% of the total, were not returned. The answers from the surveys that were received served as the basis for these analyses. Figure 2 above showed that one hundred and four (104) respondents, or 59% of the total respondents, are male and seventy-two (72) respondents, or 41% of the total respondents, are female.



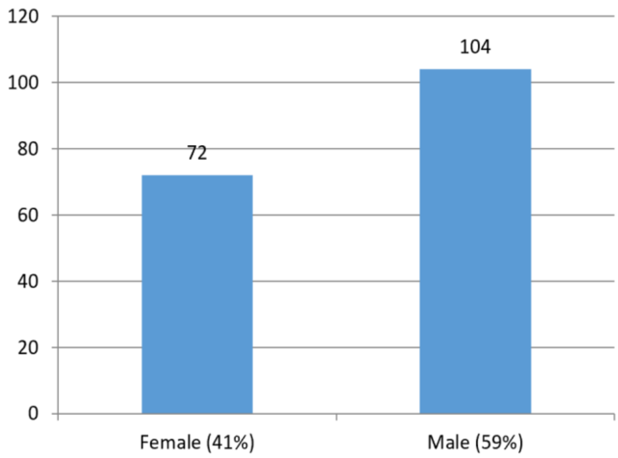


Figure 1: Analysis of response rate Figure 2: Gender distribution of respondent
Source: Author (2025)

Table 1 shows the result of the hypothesis testing. The paper tests the first hypothesis that there is no relationship between the IFRS framework and the preparation and presentation of financial reports. The result revealed that the calculated value of 61.25 is greater than the table value of 3.811, supposing that the null is rejected. Hence, there is a relationship between IFRS framework and the preparation and presentation of financial reports. The paper tests the second hypothesis that there is no relationship between IFRS frameworks and financial information, useful accountability and stewardship. Since the calculated value of 25 is greater than the table value 3.841, we reject the null hypothesis and accept the alternative hypothesis. Therefore, there is a relationship between IFRS frameworks and financial information useful for evaluating performance.

Table 1: Test of Hypothesis

Options	Fo	Fe	Fo – Fe	ψ
Yes	176	100	75	61.25
No	24	100	-75	56.25
Total	200	200		
Yes	140	100	40	16.00
No	60	100	-40	16.00
Total	200	200		
Yes	50	100	-50	25
No	150	100	50	25
Total	200	200		

Conclusions

Accounting regulation, and the IFRS involves compliance to a unified framework which facilitate consistency, comparability and transparent of financial statement. The successful use of the regulatory framework is expected to improve financial reports' quality. However, the reliability of financial reports, as a reflection transactions and performance met for capital market stakeholders to make informed decisions, may be dependent on reliability of the basic earnings quality metrics. Financial reporting systems are deemed appropriate to enhance earnings quality, if evidence shows that implementation has significant influence on measures of earnings quality. This is important, the regulation is adjusted fair value, persistent earnings, and promoting voluntary disclosure. Otherwise, the consequence of the decision being completed based on distorted financial statement may be misleading. For IFRS, because the regulation's framework allows managers to have some degree of discretion in use of professional judgement, many managers misused the loopholes to report greater earnings management and therefore compromise the quality earnings.

References

Adewunmi, W. (1991). Accounting Standards: Implications for Banks and Economy. Business Times, August 12, 1991, p.16.

Alao, S. (2000) "New Law to Legalise NASB in the Offing. Business Times, Vol. 25, No.51, p.4.

Ambode, A. (2000). Towards Probity and Accountability in Public Service. Business Times, October 9, 2000.

IFRS Foundation (2018). Use of IFRS Standards by Jurisdiction. Available at: www.ifrs.org/usearoundthe-world/use-of-ifrs-standards-by-jurisdiction/.

IFRS Foundation (2021). IFRS Foundation announces International Sustainability Standards Board, consolidation with CDSB and VRF, and publication of prototype disclosure requirements.

IFRS Foundation (2023). About the International Sustainability Standards Board. Archived. https://www.ifrs.org/groups/international-sustainability-standards-board/

Isaboke, C. & Chen, Y. (2019). IFRS adoption, value relevance and conditional conservatism: evidence from China. *International Journal of Accounting & Information Management* 27 (4). https://doi.org/10.1108/IJAIM-09-2018-0101.

Judge, W., Li, S. & Pinsker, R. (2010). National adoption of international accounting standards: an international perspective. *Corporate Governance: An International Review*, 18(3): 161–174.

Klimczak, K. (2011). Market reaction to mandatory IFRS adoption: evidence from Poland. Accounting & Management Information Systems. 10(2): 228–248.

Tawiah, V., & Boolaky, P. (2020). A Review of Literature on IFRS in Africa. *Journal of Accounting and Organizational Change*. 16 (1), 47-70. http://dx.doi.org/10.1108/JAOC-09-2018-0090.

Gbadebo, A. D. (2023a). Does the International Financial Reporting Standard impact earnings management of the JSE firms? *Jurnal Dinamika Akuntansi,* 15 (1): 99–115. http://dx.doi.org/10.15294/jda.v15i1.44096

ACCA. Accounting Concepts and Standards. A research monograph, CAET London

Blake, J. (1994). Accounting Standards. 4th ed., Longman UK Ltd.

Chandler Rand Rees, N. (2000). Global Harmony. Accountancy, p.133.

NASB (1982-2001) Nigerian Accounting Standards (various issues), ISSN: 118-292.

Nnadi Godson (1998). Accounting Standards Cannot Prevent Distress. Interview granted to The Guardian Newspaper, August 17, pp.44-45.

Nobes, C. (1998). IASC's Brave Nev World. Accounting and Business, Journal of Chartered Association of Certified Accountants of London, March, pp. 22-23.

Ogunleye, R. (2001). New Accounting Policies in Banks. Business Times, Vol. 26, No.3, p.7.

Okaro, S.C. (1987). Accounting Standards. Journal of Accountancy, University of Nigeria, Vol. 11, No.15, pp.17-18.

Ollier Corinne (1998). Accounting Standards in Africa. Accounting and Business, Journal of Chartered Association of Certified Accountants of London, March, pp.1820.

Pizzey, A. (1994). Accounting and Finance: A Firm Foundation. Casell Ltd. London, pp.288-289.

Sidebothan, R. (1977). Introduction to the Theory and Context of Accounting. 2nd Ed., Pergamon Press, New York.

Okaro, S.C. (2002). Accounting standard: The Nigerian Experience. The Nigerian Accountant. Pp 29-31.

Gbadebo, A. D. (2023). Review of the Global-IFRS Accounting and the Recent Sustainability-Disclosure Standards. *International Journal of Social and Educational Innovation (IJSEIro)*, 10 (20).

Klimczak, K. (2011). Market reaction to mandatory IFRS adoption: evidence from Poland. *Accounting & Management Information Systems. 10(2): 228–248.*

Leuz, C. & Wysocki, P. D. (2016). The economics of disclosure and financial reporting regulation: evidence and suggestions for future research. *Journal of Accounting Research*, *54*(2), 525–622.

Ma, C., Awan, R. U., Ren, D., Alharthi, M., Haider, J. & Kouser, R. (2022). The IFRS adoption, accounting quality, and banking performance: An evaluation of susceptibilities and financial stability in developing economies. *Plos One,* 17(7), e0265688.

Nijam, H. M. & Jahfer, A. (2018). IFRS adoption and value relevance of accounting information: Evidence from a developing country. *Global Business Review.* 097215091879457. https://doi.org/10.1177/0972150918794571.

Anao, A.R and Uche, C.U (2002): *Research Design and Implementation in Accounting and Finance.* Benin City: University of Benin Press.

ISSN (Online) 2620-9756 ISSN (Print) 2620-6951

Table 1: List of the IFRSs

No.	Title	Issued	Effective	With-drawn	Super-seded by
IAS 1	Disclosure of Accounting Policies (1975); Presentation of Financial Statements (1997)	1975	1/1/1975		
IAS 2	Valuation and Presentation of Inventories in the Context of the Historical Cost System (1975) Inventories (1993)	1976	1/1/1976		
IAS 3	Consolidated Financial Statements	1976	1/1/1977	1/1/1990	IAS 27 & IAS 28
IAS 4	Depreciation Accounting	1976	1/1/1977	7/1/1999	IAS 36
IAS 5	Information to Be Disclosed in Financial Statements	1976	1/1/1977	7/1/1998	IAS 1
IAS 6	Accounting Responses to Changing Prices	1977	1/1/1978	1/1/1983	IAS 15
IAS 7	Statement of Changes in Financial Position (1977) Cash Flow Statements (1992) Statement of Cash Flows (2007)	1977	1/1/1979		
IAS 8	Unusual and Prior Period Items and Changes in Accounting Policies (1978); Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies (1993) Accounting Policies, Changes in Accounting Estimates and Errors (2003)	1978	1/1/1979		
IAS 9	Accounting for Research and Development Activities	1978	1/1/1980	7/1/1999	IAS 38
IAS 10	Contingencies and Events Occurring After the Balance Sheet Date (1978); Events After the Balance Sheet Date (1999) Events after the Reporting Period (2007)	1978	1/1/1980		
IAS 11	Accounting for Construction Contracts (1979) Construction Contracts (1993)	1979	1/1/1980		IFRS 15
IAS 12	Accounting for Taxes on Income (1979); Income Taxes (1996)	1979	1/1/1981		
IAS 13	Presentation of Current Assets and Current Liabilities	1979	1/1/1981	7/1/1998	IAS 1
IAS 14	Reporting Financial Information by Segment (1981) Segment reporting (1997)	1981	1/1/1983	1/1/2009	IFRS 8
IAS 15	Information Reflecting the Effects of Changing Prices	1981	1/1/1983	1/1/2005	N/A
IAS 16	Accounting for Property, Plant and Equipment (1982); Property, Plant and Equipment (1993)	1982	1/1/1983		
IAS 17	Accounting for Leases (1982); Leases (1997)	1982	1/1/1984	1/1/2019	IFRS 16
IAS 18	Revenue Recognition (1982); Revenue (1993)	1982	1/1/1984	1/1/2018	IFRS 15
IAS 19	Accounting for Retirement Benefits in Financial Statements of Employers (1983); Retirement Benefit Costs (1993); Employee Benefits (1998)	1983	1/1/1985		
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1983	1/1/1984		
IAS 21	Accounting for the Effects of Changes in Foreign Exchange Rates (1983); The Effects of Changes in Foreign Exchange Rates (1993)	1983	1/1/1985		
IAS 22	Accounting for Business Combinations (1983) Business Combinations (1993)	1983	1/1/1985	4/1/2004	IFRS 3
IAS 23	Capitalisation of Borrowing Costs (1984); Borrowing Costs (1993)	1984	1/1/1986		
IAS 24	Related Party Disclosures	1984	1/1/1986		
IAS 25	Accounting for Investments	1986	1/1/1987	1/1/2001	IAS 39 & IAS 40
IAS 26	Accounting and Reporting by Retirement Benefit Plans	1987	1/1/1988		

Table 1: List of the IFRSs (continues…)

No.	Title	Issued	Effective	Withdrawn	Superseded by
IAS 27	Consolidated Financial Statements and Accounting for Investments in Subsidiaries (1989); Consolidated and Separate Financial Statements (2003); Separate Financial Statements (2011)	1989	1/1/1990		
IAS 28	Accounting for Investments in Associates (1989); Investments in Associates & Associates (2003); Investments in Associates and Joint Ventures (2011)	1989	1/1/1990		
IAS 29	Financial Reporting in Hyperinflationary Economies	1989	1/1/1990		
IAS 30	Disclosures in the Financial Statements of Banks and Similar Financial Institutions	1990	1/1/1991	1/1/2007	IFRS 7
IAS 31	Financial Reporting of Interests in Joint Ventures (1990); Interests in Joint Ventures (2003)	1990	1/1/1992	1/1/2013	IFRS 11 & IFRS 12
IAS 32	Financial Instruments: Disclosure and Presentation (1995); Financial Instruments: Presentation (2005)	1995	1/1/1996		
IAS 33	Earnings per Share	1997	1/1/1999		
IAS 34	Interim Financial Reporting	1998	1/1/1999		
IAS 35	Discontinuing Operations	1998	7/1/1999	1/1/2005	IFRS 5
IAS 36	Impairment of Assets	1998	7/1/1999		
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	1998	7/1/1999		
IAS 38	Intangible Assets	1998	7/1/1999		
IAS 39	Financial Instruments: Recognition and Measurement	1998	1/1/2001	1/1/2018	IFRS 9
IAS 40	Investment Property	2000	1/1/2001		
IAS 41	Agriculture	2000	1/1/2003		
IFRS 1	First-time Adoption of International Financial Reporting Standards	2003	1/1/2004		
IFRS 2	Share-based Payment	2004	1/1/2005		
IFRS 3	Business Combinations	2004	4/1/2004		
IFRS 4	Insurance Contracts	2004	1/1/2005	1/1/2021	IFRS 17
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	2004	1/1/2005		
IFRS 6	Exploration for and Evaluation of Mineral Resources	2004	1/1/2006		
IFRS 7	Financial Instruments: Disclosures	2005	1/1/2007		
IFRS 8	Operating Segments	2006	1/1/2009		
IFRS 9	Financial Instruments	2009*	1/1/2018		
IFRS 10	Consolidated Financial Statements	2011	1/1/2013		
IFRS 11	Joint Arrangements	2011	1/1/2013		
IFRS 12	Disclosure of Interests in Other Entities	2011	1/1/2013		
IFRS 13	Fair Value Measurement	2011	1/1/2013		
IFRS 14	Regulatory Deferral Accounts	2014	1/1/2016		
IFRS 15	Revenue from Contracts with Customers	2014	1/1/2018		
IFRS 16	Leases	2016	1/1/2019		
IFRS 17	Insurance contracts	2017	1/1/2023		

Note: The table contains standards framed or adopted by the IASB - the Standard-setting body of the IFRS Foundation. The IASB adopted the IASs developed by IASC. The list involves all the IFRSs' Standards, including those already suspended. The IASs are the older standards now replaced by the IFRS since 2001.
Source: IFRS Foundation