International Journal of Accounting and Taxation
June 2018, Vol. 6, No. 1, pp. 102-114
ISSN: 2372-4978 (Print), 2372-4986 (Online)

Published by American Research Institute for Policy Development
DOI: 10.15640/ijat.v6n1a9
URL: https://doi.org/10.15640/ijat.v6n1a9

International Financial Reporting Standards and Manufacturing Firms' Financial Performance in Nigeria: A Study of Selected Quoted Firms

Leonard I. Amaefule Ph.D[1], Ulumma R. Onyekpere[2]& Edith O. Kalu[3]

Abstract

This study examined the effect of international financial reporting standards (IFRS) adoption on the financial performance of quoted manufacturing firms in Nigeria. It utilized data on two key financial performance indicators: earning per share (EPS) and return on assets (ROA) of five selected manufacturing firms quoted on the Nigeria Stock Exchange for the period of 2007 – 2016; segregated into pre-IFRS (NGAAP) regime and post-IFRS regime. Descriptive analysis (Mean) and inferential statistics (paired sample t-test) were employed in analyzing the data collected. Results from the analysis indicated that, on the one hand, IFRS adoption in Nigeria exerts insignificant negative effect on the firms' EPS while on the other hand exerting significant negative effect on the firms' ROA. The study thus concluded that manufacturing firms in Nigeria have not fared better with regards to their reported financial performance following the adoption of the new financial reporting standards. The study therefore recommended that the financial reporting council of Nigeria should consider a review of the tenets of IFRS as specified by the International Accounting Standard Board to incorporate local content; hence, instead of full adoption, convergence could be the way to go by Nigeria firms.

Key words: Financial Performance, Earnings per Share, Return on Assets, Reporting Standards

1. Introduction

1.1 Background of the Study

The nomenclature of the Generally Accepted Accounting Principle (GAAP) has obviously become illusive in view of the pressure of globalization, capital market crash cum global economic meltdown and the Enron's case which led the accounting profession to insist on the need for a single set of high quality reporting standards. Besides, the limitation of GAAP to given national territorial boundaries; its inability to offer cross-border or cross-nation uniformity, in the face of the dynamic global business environment, spelt its necessary demise. No doubt, the diversification of cultures and national peculiarities necessitated the differences in the financial reporting of corporate firms in different economies of the world. Thus, it is believed that the prevalence of various national accounting standards in different economies of the world unavoidably evolved to capture the economic and financial climatic differences of the nations of the world. Dumont (2012) argued that there are many accounting standards in the world, with each country using a version of their own generally accepted accounting principles, also known as GAAP. These allowed firms to report their financial statements in accordance to the GAAP that applies to the country where they operate. But the worry, according to him, is whether the firm does business in multiple countries. The increasing globalization of businesses, alongside the improvement in technology has led to a globalization of the capital markets and increased accounting practices foreign direct investment (Umobong, 2015), which has made it almost impracticable for any modern conglomerate to confine to a given national boundary; thus, the concerns are various:

[1] Accountancy Department, Imo State University, P.M.B. 2000 Owerri, Imo State – Nigeria. *E-mail: leo4christ2002@yahoo.com*
[2]Alvan Ikoku Federal College of Education Owerri, Imo State – Nigeria
[3] Alvan Ikoku Federal College of Education Owerri, Imo State – Nigeria

How can investors then deal with multiple standards, which ones are accurate, and how can corporations' performance be compared based upon their financials? It became unarguably clear that what was being practiced by corporations, organizations and entities world over (under the auspices of each country's national GAAP) could not survive the pressure and heat of the globalization of virtually every action that has economic value; a financial reporting standard that would be all embracing; that can guarantee international acceptance and promote cross-border interactions, comparability and standardized financial reporting became inevitable, hence, the emergence of a global reporting standard called International Financial Reporting Standard (IFRS) issued by the International Accounting Standards (IASs) basically for private sector.

Historically, the evolution of international convergence towards a global set of accounting standards started in 1973, when 16 professional accounting bodies from Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the United Kingdom, and the United States decided to establish the International Accounting Standards Committee (IASC), which in 2001 transmuted into the International Accounting Standards Board (IASB). The IASB thus developed these global standards and associated interpretations that are conjointly known as International Financial Reporting Standards (IFRSs) (Isenmila & Adeyemo, 2013).

Besides, given the evolution of the globalization of modern businesses, firms' performances generally and manufacturing sector performance in particular now have a wider window of opportunities in the global environment to reduce costs and enhance revenue. This has, by extension, warranted globalization of production. Hill (2004) in Akinmulegun and Oluwole (2014) opines that globalization of production refers to the sourcing of goods and services from locations around the globe to take advantage of national differences in the cost and quality of factors of production. This global dispersal of productive activities (notably manufacturing) is targeted at lowering the overall cost structure of firms engaging in global production and improve quality of products. This idea presupposes the integral position of globalization in the manufacturing process of a nation that engages in openness. Remarkably, opening of an economy offers opportunities for better and superior technology from abroad to be available to domestic firms. This presupposes a better productive capacity for domestic manufacturing industries. In addition, opening an economy to foreign competition might stimulate efficiency in domestic production.

In the face of these obvious implications of globalization on modern businesses, firms' financial reporting standards have also been affected by the trend; hence the need for compliance to the global reporting standard known as IFRS. It therefore becomes imperative to evaluate the effect of the adoption of these global reporting standards on the financial performances of manufacturing firms quoted in the Nigeria Stock Exchange (NSE). This study utilized two key financial performance indicators; namely, earning per share (EPS) and return on asset (ROA) of five selected manufacturing firms in Nigeria.

1.2 Statement of the Problem

Following the approval of the Federal Executive Council, the Financial Reporting Council of Nigeria (FRCN) issued an implementation roadmap for Nigerian's adoption of IFRS which set January 2012 as compliance period for publicly quoted companies including banks in Nigeria. Accordingly, some quoted firms in Nigeria tolled the line of the requirement including some manufacturing firms. Given that the whole essence of firms' operations generally is to improve on their performance in terms of their earnings, profitability and otherwise, it is therefore of concern to ascertain the effect of this compulsory adoption of the global reporting standards (IFRS) by Nigerian manufacturing firms on their performances, particularly financial performances, more than five years now after the adoption date. Can it be affirmed that Nigerian manufacturing firms in particular have fared better in terms of their reported earnings performance following the adoption of this new reporting standard?

On the other hand, previous attempts to study the effect of IFRS adoption on firms' performance abroad show mixed result; hence, Akpaka (2015) asserts that empirical works on value relevance and IFRS adoption from foreign countries have produced mixed results, that is, there is no consensus empirically. The Nigeria context has also witnessed such mixed findings as typified in the study by Umobong (2015) and Onipe, Musa and Isa (2015). While Umobong found no significant differences between some performance indicators in financial statements prepared under IFRS and that of Nigerian GAAP, Onipe, et al asserted that IFRS adoption has positively impacted on the overall financial performance and position of banks, and that under IFRS, important financial performance figures such as profitability and growth, appear to be higher. Eloquently, empirical evidences that should add credence to either of the two positions appear to be scanty in literature, particularly as it relates to manufacturing firms in Nigeria. It is in the light of the above highlights that this study seeks to evaluate the effect of IFRS adoption by Nigerian manufacturing firms on their financial performances such as their earnings per share (EPS) and return on assets (ROA).

1.3 Objective of the Study

The main objective of this study is to examine the effect of IFRS adoption on the financial performance of manufacturing firms in Nigeria. The following specific objectives were pursued in realizing the main objectives:

i. To determine the difference in the earning per share (EPS) of the selected manufacturing firms in Nigeria between the post-IFRS and pre-IFRS (NGAAP) regimes.
ii. To evaluate the difference in the return on assets (ROA) of the selected manufacturing firms in Nigeria between the post-IFRS and pre-IFRS (NGAAP) regimes.

1.4 Hypotheses of the Study

In achieving the specific objectives of the study, the following hypotheses were advanced in null form:

Null Hypothesis 1 ($H0_1$): There is no significant difference in the earning per share (EPS) of the selected manufacturing firms in Nigeria between the post and pre IFRS adoption eras.

Null Hypothesis 2 ($H0_2$): There is no significant difference in the return on assets (ROA) of the selected manufacturing firms in Nigeria between the post and pre IFRS adoption periods.

2. Literature Review

2.1 IFRS: Nature and Meaning

The practice of Accountancy worldwide is guided by sets of guidelines and rules. The rules and guidelines are compiled into accounting standards. They are statements of principle that discusses the accounting treatment and disclosure of a particular item or group of items (Adebimpe & Ekwere, 2015). Hence, accounting practice generally and financial reporting in particular are until recently regulated by the Generally Accepted Accounting Principles (GAAP) comprising of accounting standards, company law, stock market regulations, and so on. GAAP for accounting and financial reporting were diversified across national boundaries; there were diversities of standards for financial reporting between nations of the world. During this regime, cross-border or transnational comparison of financial reports was not possible based on different reporting standards. The advancement in Information and Communication Technology (ICT) which has reduced the entire world to a global village threatened the continual practices of individual national GAAP along the line of growth in modern businesses which is hardly operated within one national boundary for profit maximization (in the short run) or wealth maximization (in the long run). A Global GAAP became inevitable therefore to give answers to the differences in business reporting/communication between countries.

Herbert et al (2013) in Akpaka (2015) assert that since financial information is a medium of communicating financial transactions, it became imperative that different countries' accounting standards be harmonized to form a single set of accounting standard, to improve the rate at which investment and credit decisions are taken and aid international comparability of companies' performance both within and outside the reporting countries. On their part, Ikpefan and Akande (2012) opine that IFRS shapes accounting framework to provide for recognition, measurement, presentation and disclosure requirements relating to transactions and events that are reflected in the financial statements. This IFRS, according to them, was developed in the year 2001 by the International Accounting Standard Board (IASB) in the public interest to provide a single set of high quality, understandable and uniform accounting standardsInternational Financial Reporting Standard (IFRS) are standards, interpretation and the framework adopted by International Accounting Standards Board; International Financial Reporting Standards are products of private sector initiatives towards the harmonization and internationalization of financial reporting in response to the demands of business globalization and regional convergence (Abata, 2015). IFRS are body of prescriptive rules and guidelines with global reach and appeal which provide direction and guidance on how business enterprises in a globalized world could achieve the goal of proper record keeping, transparency, uniformity.

Comparability and enhancing public confidence in financial reporting (Tendeloo & Vanstraelen, 2005).They are statements of principle that discusses the accounting treatment and disclosure of a particular item or group of items (Adebimpe & Ekwere, 2015).

Thus, failure on the part of the firm to apply the requirements of IFRS would result in inconsistencies, lack of accountability and transparency, distortion in financial reports, which in turn results into poor financial reporting practices and dissemination of accounting information that is of less value to any particular group of users. IFRS represent a single set of high quality, globally accepted accounting standards that can enhance comparability of financial reporting across the globe. This increased comparability of financial information could result in better investment decisions and ensure a more optimal allocation of resources across the global economy (Jacob & Madu, 2009). If a firm's financial statement is prepared and presented on a basis that does not allow cross-border comparison, it will be bereft of objectivity, reliability, credibility and comparability, and thus results in fraudulent business practices which subsequently lead to business failure and become devastating on the national economy (Atu, Atu & Atu, 2014).

2.2 Challenges to IFRS Implementation

According to Herbert, Ene and Tsegba (2014),the implementation of IFRS provokes a plethora of development issues and challenges. The leading candidates can be compactly summarized under three categories, namely: bounded rationality challenges, process challenges, and technical challenges. Bounded rationality Challenges: These are mainly deposited in the firm's staff and involve their capacity to take on idiosyncratic skills and competencies required by IFRS. Technical capacity is a basic requirement for effective implementation of IFRS. "Countries that implement IFRS face a variety of capacity-related issues, depending on the approach they take. One major challenge encountered in the implementation process is the shortage of skilled accountants and auditors who are technically competent in implementing IFRS and ISAs" (United Nations 2008 in Herbert et al., 2014).

The literature provides evidence of two forms of challenges associated with IFRS adoption and implementation in less-developed countries namely; Process and Technical challenges. **Process challenges** are usually inherent in the nature of enterprise and business performance. IFRS implementation in an environment of poor business performance is bound to be prolonged or fail totally. On the other hand, **Technical challenges** are related to both bounded rationality and process management. Transactional disabilities are implicit in the presence of scarce resources, poor skills functionality and poor application management.

2.3 Composition of IFRS

Table 1: Outline of IFRSs Content

IFRSs Standard	Standard Name	Effective Date
IFRS 1	First-time Adoption of International Financial Reporting Standards	1 July 2009
IFRS 2	Share-based Payment	1 January 2005
IFRS 3	Business Combinations	1 July 2009
IFRS 4	Insurance Contracts	1 January 2005
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2005
IFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2006
IFRS 7	Financial Instruments - Disclosures	1 January 2007
IFRS 8	Operating Segments	1 January 2009
IFRS 9	Financial Instruments	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IAS 1	Presentation of Financial Statements	1 January 2005
IAS 2	Inventories	1 January 2005

IAS 7	Statement of Cash Flows	1 January 1994
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2005
IAS 10	Events After the Reporting Period	1 January 2005
IAS 11	Construction Contracts	1 January 1995
IAS 12	Income Taxes	1 January 1998
IAS 16	Property, Plant and Equipment	1 January 2005
IAS 17	Leases	1 January 2005
IAS 18	Revenue	1 January 1995
IAS 19	Employee Benefits	1 January 2013
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1 January 1984
IAS 21	The Effects of Changes in Foreign Exchange Rates	1 January 2005
IAS 23	Borrowing Costs	1 January 2009
IAS 24	Related Party Disclosures	1 January 2011
IAS 26	Accounting and Reporting by Retirement Benefit Plans	1 January 1988
IAS 27	Separate Financial Statements	1 January 2013
IAS 28	Investments in Associates and Joint Ventures	1 January 2013
IAS 29	Financial Reporting in Hyperinflationary Economies	1 January 2007
IAS 32	Financial Instruments - Presentation	1 January 2005
IAS 33	Earnings per Share	1 January 2005
IAS 34	Interim Financial Reporting	1 January 1999
IAS 36	Impairment of Assets	1 January 2004
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	1 January 1999
IAS 38	Intangible Assets	31 March 2004
IAS 39	Financial Instruments - Recognition and Measurement	1 January 2005
IAS 40	Investment Property	1 January 2005
IAS 41	Agriculture	1 January 2003

Source: BDO IFR Advisory Limited, 2015 (www.bdointernational.com)

2.4Nigerian GAAP versus Global GAAP

The adoption cum conversion to the global GAAP (IFRS) by Nigeria business entities against the backdrop of the previously practiced local GAAP (Statement of Accounting Standards – SAS) became imperative in view of the clear differences between the two bases. Ikpefan and Akande (2012) summarized the key difference between IFRS and Nigerian local GAAP requirements in the following table.

Table 2: Major Differences between IFRS and Nigerian GAAP (SAS)

Subject	IFRS	Nigeria GAAP
Components of Financial Statement	Comprises of Statements of Financial Position: -Statement of Comprehensive Income (e.g. revaluation gains, foreign exchange etc), -Statement of Cash flow and -Notes to Accounts.	Comprises of • Balance sheet • Profit and loss • Cash flows statement • Notes to Accounts
Format of Income Statement	IAS 1 prescribes the format of income statement	According to the format prescribed in the CAMA 1990, Banking Regulation Act for Banks etc
Statement of Cash Flows	Mandatory for all entities	Not applicable for Non-listed Companies
Presentation of Extraordinary Items	IFRS prohibits the presentation of extraordinary items in statement of comprehensive income or in the notes	Nigerian GAAP requires extraordinary items to be presented in the profit and loss statement of the entity distinct from the ordinary

		income and expenses for the period. They are considered in determining the profit and loss for the period
Dividends Proposed After the end of the Reporting Period	Dividends declared after the end of the reporting period but before the financial statements are authorized for issue are not recorded as liability in the financial statements.	Dividends declared after the end of the reporting period but before the financial statements are approved and recorded as liabilities in the financial statements.
Depreciation Rates	Allocated on a systematic basis to each accounting period during the useful life of the asset.	Depreciation is based on the higher estimate of useful life of the asset.
Change in the Depreciation Method	Treated as a change in the accounting estimate and hence is accounted for prospectively.	Treated as a change in the accounting policy and is accounted for retrospectively (i. for all the relevant previous years).Any excess/deficit in the case of this kind of recalculation must be adjusted in the period in which the change is affected.
Entire Class to be Revalued	If an item of property, plant and equipment is revalued, the entire class of assets to which that asset belongs should be revalued.	An entire class of assets can be revalued, or selection of assets for revaluation can be made on a systematic basis.
Functional and Foreign Currency	Functional currency is the currency of the primary economic environment in which the entity operates. Functional and presentation currencies may be different. The standard contains detailed guidance on this.	No concept of functional currency
Goodwill	Goodwill is not amortized under IAS 38 but is subject to annual impairment test under IAS 36	SAS 9 provides that goodwill arising on amalgamation in the nature of purchase is amortized over a period of 5years.
Measurement of Intangible Assets	Can be measured at cost or revalued.	Are measured at cost only
Actuarial Gain or Loss	IAS 19 gives three choices for the treatment of actuarial gains or losses arising on measurement of employee benefits.	Actuarial gains and losses should be recognized immediately in the statement
Contingent Asset Disclosure	Contingent assets are disclosed in the financial statements only if the inflow of economic benefit is probable.	Contingent assets are disclose as part of the director's report and not disclosed in the financial statement but as note (off-balance sheet items)
Entities Operating in Hyper-Inflationary Economies	IAS 29 - Financial Reporting in Hyper inflationary economies prescribes reporting requirement for entities operating in hyperinflationary economies.	There is no equivalent standard.

Source: IFRS AND SAS in Ikpefan and Akande (2012)

On the other hand, Adebimpe and Ekwere (2015) comprehensively compare and contrasted the contents of the Nigerian national GAAP (SAS) and the global GAAP (IFRS). They asserted that "Although the Nigerian Statements of Accounting Standards (SAS) are similar to IFRS in certain respects, many differences exist. SAS promulgated by Nigeria Accounting Standard Board (NASB) were largely based on past IAS promulgated by IASC. Due to the increasing complexity of financial reporting requirements, some of the original IASs were reviewed resulting in their amendment or withdrawal. The SASs were not reviewed or updated with the IASs/IFRSs.

The significant disparities between the Nigerian SASs and IFRSs resulted in the SAS being regarded as outdated and incomplete as an authoritative and internationally accepted guide to the preparation of financial statements".

2.5 Empirical Review

The literature provides evidence of existing empirical works around the subject matter of this study. Some of such empirical works are reviewed as follows:Zaiyol, Andrew and Udende (2017) examined the impact of IFRS implementation on accountability of Nigerian organisations. The study specifically investigates whether the quantitative differences in the financial reports prepared by Nigerian listed companies under SAS and IFRS are statistically significant or not. Secondary data were employed from annual reports of companies in Nigeria using key financial statement content in terms of earning per share, profit for the year and number of disclosure as a means for comparison. Pearson correlation coefficient was used to analyze the relationship between the IFRS and NGAAP. Findings from the analysis revealed that the quantitative differences in the financial reports prepared under SAS and IFRS are statistically significant. The study therefore concludes that IFRS have impacted on accountability and quality of information from financial statement of Nigerian organization.

Nwakaeze (2010) analyzed the regulation of financial reporting for accountability in public companies in Nigeria. The study sought to correlate the non compliance with the financial standards and governance code in 20 selected public quoted companies on the Nigerian stock exchange (NSE) in the Delta State of Nigeria. Primary data were generated with the aid of questionnaire from the population of 20 public companies quoted on NSE. Data collected were analyzed using percentages and chi – square. The study revealed that there is a general problem of accurate financial reporting of accounts of some public companies which resulted in misleading of the prospective investors and the general public at large. The authors recommend that stipulated penalties go to deviants as to enforce a credible reporting system.

Ikpefan and Akande (2012) employed content analysis method while x-raying the benefits of adopting IFRS, obstacles and intrigues expected from the implementation of IFRS and the requirements that would assists in the implementation of IFRS in Nigeria. They concluded that just as we crave for IFRS, there should be International Auditor Reporting Standard (IARS) by auditors in respect of financial statements; that the harmonization of International Auditing Report Standard should be clear, concise and unambiguous expression of opinion (or disclaimer of opinion) on the financial statement that will also facilitate the interpretation of financial reports by users globally. The authors recommended among other things that a continuous research is in fact needed to harmonize and converge with the international standards through mutual international understanding of corporate objectives.

Abdul-Baki, Uthman and Sanni (2014) studied on financial ratios as performance measure: A comparison of IFRS and Nigerian GAAP, using Mann-Whitney U test as the statistical tool for testing whether significant difference exists between the pair of ratios when the normality test showed a non-normal distribution of the data set. A One-Sample Kolmogorov-Smirnov Test was conducted to test for data normality. The result of the test showed that there is no significant difference between the pair of ratios at 5% level of significance, which informed the conclusion that the disclosure of IFRS compliant set of financial statements was not attributable to higher performance evaluation, through ratios, of the case firm.

While empirically examining whether the mandatory adoption of IFRS has improved the value relevance of financial information in the financial statements of commercial banks in Nigeria, Adebipe and Ekwere (2015) in their study "IFRS Adoption and Value Relevance of Financial Statements of Nigerian Listed Banks" adopt descriptive statistics and least square regression in their analysis of the effect of IFRS adoption on the accounting quality. The sample comprises of twelve listed banks in Nigeria; and specifically utilized the financial statement figures of 2010 and 2011 (pre-adoption period) and 2012 and 2013 (post-adoption).The result of the analysis indicated that the equity value and earnings of banks are relatively value relevant to share prices under IFRS than under the previous Nigerian SAS. Results also indicate that earnings per share is incrementally value relevant during post-IFRS period while book value of equity per share is incrementally less value relevant during the post-IFRS period. Thus, the authors asserted that the results may imply that earnings reported by Nigerian Commercial banks have become more informative to equity investors in determining the value of banks following IFRS adoption.

In a similar study to the foregoing, Akpaka (2015) appraised the International Financial Reporting Standards (IFRS) adoption and value relevance of financial information of listed deposit money banks in Nigeria. The study embraced correlation research design and data on Earnings per Share (EPS), Change in Earnings per Share (CEPS), Book Value per Share (BVPS)and share price (SP) were sourced from published annual reports of listed banks and cash craft asset management. Edward Bells and Olhson model was adopted to conduct a pre (2006-2009) and post (2010-2013) IFRS analyses on seven (7) listed banks. Using the Generalized Least Square (GLS), the study found that: Pre- IFRS financial information is value relevant; post IFRS financial information has very weak value relevance and post IFRS financial information has no relative value relevance over pre- IFRS financial information.

Also, Onipe, Musa and Isah (2015) examine the effects of the adoption of the International Financial Reporting Standards on the financial statements of banks. A regression model was employed using pooled data and fitted with dependent variables. The results show that IFRS adoption has positively impacted some variables in the financial statement of banks, for example, profitability and growth potential. It also reveals that given the fair value perspective of IFRS, the transition to IFRS brings instability in income statement figures.

Akinmulegun&Oluwole (2014) employ Ordinary Least Square (OLS) econometric technique on time series data of relevant variables of manufacturing Output, Trade openness and Current Account Balance while assessing the Nigerian manufacturing sector in the era of globalization. The study found that though Nigeria manufacturing sector benefited from globalization process, the level of the development in the sector was found to be highly negligible. Meaning that globalization exerts little impact on economic growth via manufacturing sector of the economy.In their study, Isenmila and Adeyemo (2013) examine the perceived impact of Nigerian institutional infrastructure (i.e. Educational Institution, Professional Accounting Bodies, Legal Framework, SEC and NASB or FRCN) on the mandatory adoption of IFRS. The study adopts the questionnaire survey method to seek respondents' views on the subject matter. Multiple Regression techniques as well as One Way Repeated Measure Analysis of Variance were employed in testing the two hypotheses of the study. The result shows that four of the five institutions are ready and strong enough to support the mandatory adoption of IFRS.

Umobong (2015) researched on IFRS adoption and firms' performance: a comparative analysis of quoted food and beverage manufacturing firms in Nigeria. The study isolated Earnings Per Share, Price Earnings Ratio and Dividend Yield as performance criterion. Data collected for the study were divided into pre and post IFRS-comparative analysis and T test was employed to ascertain influence of pre and post IFRS adoption on market performance of the firms. The analysis reveals that differences on market performance between Pre and Post IFRS periods are not significant; suggesting a weak correlation between adoption of IFRS and market performance of quoted food and beverage manufacturing firms in Nigeria Stock Exchange.

Jinadu, Ojeka and Ogundana (2016) examined whether International Financial Reporting Standards (IFRS) adoption has impacted significantly on Foreign Direct Investments (FDI) in Nigeria. They employed regression method for data analysis. The findings revealed that the adoption of IFRS is positively and significantly related to FDI and that there has been a significant impact of foreign investors on quoted firms that have adopted IFRS in Nigeria.Ezeani and Oladele (2012) while adopting a survey design examined the extent to which adoption of international financial reporting standards (IFRS) can enhance financial reporting system in Nigerian Universities. The mean scores and Z-Test was used in analyzing the data generated for the study. The key finding of the authors among others is that there is no significant difference in the rating of the implication of adopting IFRS in institutions by auditors and accountants. This implies that IFRS adoption has not significantly enhanced financial reporting system in the Nigerian universities in particular and by extensions institutions and organisations in Nigeria.

In his study, Abata (2015) examined the impact of International Financial Reporting Standard (IFRS) on financial reporting practices of corporate establishments in Nigeria. Using mean scores, standard deviation and Pearson Chi-square analysis as basic statistical tools, he found that IFRS provides better information for regulators than GAAP and that IFRS directly affects how earnings and other key aspect of the business are accounted and reported for.In another study, Abata (2015) evaluates the impact of international financial reporting standards (IFRS) adoption on financial reporting practice in the Nigerian banking sector. He employed Gray's Comparability index in his analysis and utilizes inferential statistics of one sample t-test in testing the studies hypothesis.

Findings from the test revealed that International Financial Reporting Standards (IFRS) have an impact on financial reporting practices of Nigerian banks, as the banks total assets and total liabilities valued under the IFRS are greater than the values under NGAAP. However, it also finds that the total equity of banks under the IFRS is less under than under the NGAAP. This shows a case of mixed findings.

In a related study by Abolaji and Adeolu (2015), the scholars examined the effectiveness of IFRS on financial reporting quality of quoted companies in Nigeria. They utilized descriptive statistics and chi-square analysis at 0.05 level of significance in their analysis; and find that IFRS adoption would have significant positive effects on capital markets stability and efficiency.

Chiha, Trabelsi1 and Hamza (2013) studied on the effect of IFRS on earnings quality in a European stock market: evidence from France. They examined earnings quality by measuring the strength of the association between earnings and firm market value and utilized descriptive statistics and multiple regressions in their analysis. Results indicate that accounting information quality has been improved by the increase of the association degree; earnings measured using IFRS are more useful for firms' evaluation. Further tests indicate that these results are not significantly sensitive to the firm size. Value relevance of earnings prepared using IFRS is not higher for large companies.

On his part, Agyei-Mensah (2012) studied the impact of adopting International Accounting Standards 1 (IAS 1) in Ghana: The extent of disclosures, and their relationship to corporate characteristics. The study utilized multiple regressions in its analysis. The key relationships examined are between extent of disclosure and company size, profitability, liquidity, leverage and auditor size. The result of the analysis shows that only liquidity is associated on a statistically significant level as far as the extent of disclosure is concerned. The results did not provide support for a positive relationship between company size, profitability, leverage and auditor size.

Das (2015) investigated whether the same relationship exists or not when the Indian Companies prepare their financial statement as per International Financial reporting Standard as against those prepared under Indian GAAP. Multiple regression was adopted alongside two ways ANOVA in the relevant analysis and test of the study's hypothesis. These findings warranted the conclusion by the study that IFRS adoption does not have a significant effect on the relationship between capital structure and firm profitability.

Kipchoge (2015) examined the effects of corporate attributes on International Financial Reporting Standards disclosure level by Kenyan firms listed on Nairobi Securities Exchange (NSE). Descriptive and Inferential statistics were employed in the analysis as well as multiple regression. The findings showed that profitability, liquidity and company size had positive and significant effects on International Financial Reporting Standards disclosure level.

Nengzih (2015) studied the impact of the adoption of IFRS on profitability rate and tax income for before and after IFRS adoption in Indonesia Listed Company. Paired samples t-test, using SPSS 20.0 was employed for analysis; results show that the average ratio of companies' profitability is increasing after the adoption of IFRS. The profitability results also show that there is no change in the amount of profit before tax after the adoption of IFRS.

Ibiamke and Ateboh-Briggs (2014) examine the impact of International Financial Reporting Standards (IFRS) adoption by Nigerian listed firms on key financial ratios used by investors. The study employs Gray Index to find the impact of IFRS adoption on financial ratios while Paired sample t test and Levene's F-test were used to test the statistical significance of the differences in mean and variances between ratios under IFRS and Nigerian Generally Accepted Accounting Principles (NGAAP) respectively Guerrero (2014) analyze the effects of mandatory International Financial Reporting Standards (IFRS) adoption by Spanish firms in 2005 on the cost of equity capital.

OLS regression analysis was employed; the study find evidence that, unlike previous studies, Spanish listed companies show a significant reduction in their cost of equity capital after the mandatory adoption of IFRS in 2005, after controlling by a set of firm-risk and market variables.. The main finding from the study is that IFRS adoption has caused a negative impact on the financial ratios of Nigerian listed firms, but the impact was not statistically significant. Castillo-Merino, Menendez-Plans and Orgaz –Guerrero (2014) analyze the effects of mandatory International Financial Reporting Standards (IFRS) adoption by Spanish firms in 2005 on the cost of equity capital. OLS regression analysis was employed; the study find evidence that, unlike previous studies, Spanish listed companies show a significant reduction in their cost of equity capital after the mandatory adoption of IFRS in 2005, after controlling by a set of firm-risk and market variables.

3. Research Methods

This study evaluates the effect of IFRS adoption on the financial performance of the selected manufacturing firms quoted on the floor of the Nigeria Stock Exchange (NSE) for the period of ten years (2007 – 2016) segregated into pre-IFRS and post-IFRS adoption periods (2007-2011 and 2012-2016 respectively). The manufacturing firms selected for this study are Dangote Cement Plc, Nigeria Breweries Plc, Nestle Nigerian Plc, Guinness Nigerian Plc and Unilever Nigeria Plc based on their outstanding performance in term of the value of their market capitalization in the NSE. The selection of the five firms were based on the following criteria: (1) Manufacturing firms with minimum market capitalization of hundred billion Naira (N100,000,000,000) and (ii) Manufacturing firms that complied with the IFRS compulsory adoption date of January 1, 2012 in Nigeria. Data on two proxies for financial performance variously used by scholars and consistent with existing studies namely; earnings per share (EPS) and return on assets (ROA) were drawn from the online published accounts of the selected firms for the 10 years. Descriptive statistics (particularly the mean) was used to establish the effect of the adoption of IFRS (whether it exerts a positive or negative effect) comparative to NGAAP while the inferential statistics of paired sample t-test was utilized in testing the earlier formulated hypothesis, thus establishing the significance of the identified effect of the IFRS adoption of the two financial performance indicators. The analysis was carried out with the aid of the Statistical Package for the Social Sciences (SPSS) version 21. The test is conducted at 5% level of significance. The decision to accept or reject either of the two null hypotheses of the study for the associated alternatives is made along the following lines: If the significance value is less than 0.05 (i.e. $P < 0.05$); Reject H_o and Accept H_1; indicating a case of significant difference between the two periods; which suggests that IFRS implementation has shown significant effect on the performance indicator. But If significance value is greater than 0.05 (i.e. $P > 0.05$); Accept H_o and Reject H_1; indicating a case of no significant difference between the two periods; which suggests that IFRS implementation has shown no significant impact on the performance indicator.

4. Data Presentation, Analysis and Findings

Table 3: Data on EPS (₦)

Pre-IFRS (NGAAP) Regime	**Dangote Cement Plc**	**Nig. Breweries Plc**	**Nestle Nig. Plc**	**Guinness Nig. Plc**	**Unilever Nig. Plc**
2007	23.00	2.50	8.79	7.84	0.28
2008	36.00	3.40	12.61	8.04	0.69
2009	95.00	3.69	14.81	9.18	1.08
2010	6.80	4.01	19.08	9.31	1.11
2011	8.10	5.08	21.21	12.16	1.46
Post-IFRS Regime					
2012	8.57	5.03	26.67	9.95	1.48
2013	12.34	5.70	28.08	7.93	1.25
2014	10.90	5.62	28.05	6.36	0.64
2015	12.51	4.82	29.95	5.18	0.32
2016	21.61	3.58	10.00	1.34	0.81

Source: Extracts from the online Published Financial Statements of the selected Firms

Table 4: Data on ROA (₦)

Pre-IFRS (NGAAP) Regime	**Dangote Cement Plc**	**Nig. Breweries Plc**	**Nestle Nig. Plc**	**Guinness Nig. Plc**	**Unilever Nig. Plc**
2007	0.09	0.21	0.26	0.15	0.05
2008	0.08	0.25	0.29	0.16	0.11
2009	0.19	0.26	0.22	0.18	0.17
2010	0.26	0.27	0.21	0.18	0.16
2011	0.24	0.18	0.22	0.19	0.17
Post-IFRS Regime					
2012	0.23	0.15	0.24	0.14	0.15
2013	0.26	0.17	0.21	0.10	0.11
2014	0.19	0.12	0.21	0.07	0.05
2015	0.02	0.11	0.20	0.06	0.02
2016	0.25	0.08	0.05	-0.02	0.04

Source: Extracts from the online Published Financial Statements of the selected Firms

Table 5: Paired Data on EPS and ROA

Manufacturing Firms	Years	EPS		ROA	
		Post-IFRS (₦)	**Pre-IFRS (₦)**	**Post-IFRS (₦)**	**Pre-IFRS (₦)**
Dangote Nig. Plc	**2012 Vs 2007**	8.57	23.00	0.23	0.09
Dangote Nig. Plc	**2013 Vs 2008**	12.34	36.00	0.26	0.08
Dangote Nig. Plc	**2014 Vs 2009**	10.90	95.00	0.19	0.19
Dangote Nig. Plc	**2015 Vs 2010**	12.51	6.80	0.02	0.26
Dangote Nig. Plc	**2016 Vs 2011**	21.61	8.10	0.25	0.24
Nig. Breweries Plc	**2012 Vs 2007**	5.03	2.50	0.15	0.21
Nig. Breweries Plc	**2013 Vs 2008**	5.70	3.40	0.17	0.25
Nig. Breweries Plc	**2014 Vs 2009**	5.62	3.69	0.12	0.26
Nig. Breweries Plc	**2015 Vs 2010**	4.82	4.01	0.11	0.27
Nig. Breweries Plc	**2016 Vs 2011**	3.58	5.08	0.08	0.18
Nestle Nig. Plc	**2012 Vs 2007**	26.67	8.79	0.24	0.26
Nestle Nig. Plc	**2013 Vs 2008**	28.08	12.61	0.21	0.29
Nestle Nig. Plc	**2014 Vs 2009**	28.05	14.81	0.21	0.22
Nestle Nig. Plc	**2015 Vs 2010**	29.95	19.08	0.20	0.21
Nestle Nig. Plc	**2016 Vs 2011**	10.00	21.21	0.05	0.22
Guinness Nig. Plc	**2012 Vs 2007**	9.95	7.84	0.14	0.15
Guinness Nig. Plc	**2013 Vs 2008**	7.93	8.04	0.10	0.16
Guinness Nig. Plc	**2014 Vs 2009**	6.36	9.18	0.07	0.18
Guinness Nig. Plc	**2015 Vs 2010**	5.18	9.31	0.06	0.18
Guinness Nig. Plc	**2016 Vs 2011**	1.34	12.16	-0.02	0.19
Unilever Nig. Plc	**2012 Vs 2007**	1.48	0.28	0.15	0.05
Unilever Nig. Plc	**2013 Vs 2008**	1.25	0.69	0.11	0.11
Unilever Nig. Plc	**2014 Vs 2009**	0.64	1.08	0.05	0.17
Unilever Nig. Plc	**2015 Vs 2010**	0.32	1.11	0.02	0.16
Unilever Nig. Plc	**2016 Vs 2011**	0.81	1.46	0.04	0.17

Source: Data from Table 3 & 40

Table 6: Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confid. Interval of the Difference				
					Lower	Upper			
Pair 1	**PostIFRSEPS - PreIFRSEPS**	-2.662	19.3916	3.87833	-10.6661	5.34287	-.686	24	.499
Pair 2	**PostIFRSROA - PreIFRSROA**	-.0616	.10229	.02046	-.10382	-.01938	-3.011	24	.006

Source: SPSS Version 21 Analysis Result, 2018.

The result of the analysis as presented in table 6 reveals that the IFRS adoption in Nigeria exerts a negative effect on each of the two financial performance variables. This is evidenced in the negative values of the mean of the paired variables at -2.66 for pair 1 (post versus pre IFRS EPS of the studied firms) and -0.06 for pair 2 (post versus pre IFRS ROA of the studied firms). Also, the result of the analysis showed that IFRS adoption has shown insignificant effect on the manufacturing firms' earnings per share (EPS) but on the other hand exerts a significant effect on the firms' return on assets (ROA). This is as indicated by the 2-tailed significance values of 0.50 and 0.01 at 5% level of significance respectively.

5. Conclusion and Recommendation

Based on the findings of the analysis, this study holds that the effect of IFRS adoption on the financial performance of manufacturing firms in Nigeria has only warranted a mixed effect; as such, while IFRS adoption shows significant effect on one performance variable of firms (ROA), it on the other hand does not show any significant effect on the other performance variable, EPS. However, Nigerian manufacturing firms seem not to be faring better under IFRS regime than under the Nigeria-GAAP regime; in fact, convergence to IFRS by Nigerian firms generally and manufacturing firms in particular warrants negative effect on their financial performances particularly when performance is measured with return on assets (ROA) and earnings per share (ROA).

It is thus recommended that the Financial Reporting Council of Nigeria (FRCN) should ensure that corporate firms in Nigeria properly and adequately report their financial statements in tandem with the tenets of IFRS. However, the FRCN should consider a review of the tenets of IFRS as specified by the International Accounting Standard Board (IASB) to incorporate local content; thus, instead of full adoption, converge could be the way to go by Nigeria firms. There is also need for future researchers in this area to adopt multiple performance measures to refute or consolidate on the finding of this study.

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