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INTRODUCTION
Financial fraud, generally, involves the act of deceiving others for personal financial gain. Financial fraud is perceived as a social, fraud, and it is a major concern for many governments. Financial fraud involves the misrepresentation of people's financial situations, the misrepresentation of financial information, and the misrepresentation of financial facts. Financial fraud is a serious concern for governments and financial institutions. Financial fraud is a serious concern for governments and financial institutions.
MANDATORY ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND NIGERIAN BANKS’ FINANCIAL NUMBERS

Kyeomo K. A., Ph.D¹, ACA., Eriable, S. O., Ph.D² and Segun A.,³ MSC, ACA

ABSTRACT

The study examined the mandatory adoption of International Financial Reporting Standards (IFRS) on Nigerian banks’ financial figures. IFRSs refer to the new numbered series of pronouncements that the International Accounting Standards Board (IASB) is issuing, as distinct from the International Accounting Standards (IASs) issues by its predecessor. By means of criterion based sampling technique, we chose a sample of 13 banks out of a population of 21 listed Banks on the Nigerian Stock Exchange for the study. The transition (i.e. 2011 and 2012) annual reports of the 13 banks were subjected to analysis. By employing logistic regression technique, we discovered that contrary to the findings of Latridis (2010), IFRS adoption has no significant positive impact on Nigerian Banks’ overall financial figures. By means of Gray’s index of conservatism, we discovered that IFRS financial figures are more prudent than Nigerian hitherto Statement of Accounting Standards (SAS). We recommended that besides International Financial Reporting Standards, the other globally accepted accounting and financial reporting features that are equally imperative to the economic development of Nigeria, must be pursued with the same zest Nigeria is currently pursuing the adoption of IFRS otherwise the promised or anticipated benefits of IFRS will be a mirage.

Keywords: IFRS, SAS, Financial Number, Nigerian Banks

INTRODUCTION

Among the industrial sectors in Nigeria today, one can say that the banking industry arouses the most public interest. It is the most visible and the most dynamic sector in the economy today. The importance of the banking sector in any economy stems from its roles of financial intermediation, provision of an efficient payment system and facilitation of the implementation of monetary policies.

In intermediation, banks mobilize savings from the surplus units of the economy and direct these funds to the deficit units, particularly private business enterprises, for the purpose of expanding their productive capacity (Adeyemo, 2012). In operating the payments mechanism, the banking systems’ liabilities serve as medium of exchange. According to Olisabu (1991:18), the banking sector has become one of the most commanding heights of the economy with wide implications on the level and direction of economic growth and direction of economic growth and transformation and on such sensitive issues as the rate of unemployment and inflation which directly affect the lives of our people” thus, the overall efficiency of the economy is a function of the efficiency of the banking sector. The efficiency of the banking sector is dependent on the financial reporting pattern in the industry.

The necessity for a global set of superior financial reporting standards has long been canvassed by stakeholders in financial reporting. The progression of international convergence towards a global set of 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 agreed to form the International Accounting Standards Committee (IASC), which in 2001 metamorphosed into the International Accounting Standards Board (IASB). The IASB develops global standards and related interpretations that are collectively known as International Financial Reporting Standards (IFRS) (Ogiedu and Okafor, 2013).

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The process gained momentum when the International Organization of Securities Commissions (IOSCO) approved the IASC standards for international listings in 2000. It was further boosted by the regulation approved by the European Union in 2002 demanding all listed companies (over 7,000) within its jurisdiction to adopt the IFRS with effect from January 1st 2005. In December 2010, following the approval of the Federal Executive Council, the Nigerian Accounting Standards Board (NASB) issued an implementation roadmap for Nigerian’s adoption of IFRS which set a January 2012 date for compliance for publicly quoted companies and banks in Nigeria. The Central Bank of Nigeria (CBN) and the Securities and Exchange Commission also adopted this date for compliance and has issued guidance compliance circulars to ensure full implementation of IFRS in Nigeria.

Research questions
The pressing question agitating the minds of researchers as well as other stakeholders in financial reporting at the moment is whether the mandatory adoption of IFRS has given rise to enhanced financial figures in Nigerian banks. Thus this research is directed to addressing the question. The remainder of the paper is therefore organized as follows: Next to the introduction above is a review of the existing literature on Adoption of IFRS, Nigerian banks financial reports. This is followed by hypotheses formulation, and data collection and analytical procedures. Second to the last part discusses the hypotheses tested while the last part concludes the paper.

Objectives of the study
Arising from the above research questions are the following objectives:

i. Is there any significant difference association between the adoption of IFRS and Nigerian Banks’ financial measures?

ii. Are Nigerian banks’ IFRS financial reports more conservative than SAS’ financial reports?

Formulation of hypotheses
Arising from the above specific objectives are the following hypotheses formulation:

H₀₁ There is no significant difference association between the adoption of IFRS and Nigerian Banks’ financial measures.

H₀₂ Nigerian banks’ IFRS financial reports are not more conservative than SAS’ financial reports.

LITERATURE REVIEW
The expression ‘International Financial Reporting Standards’ (IFRSs) has both a constricted and a broad meaning. Narrowly, IFRSs refers to the new numbered series of pronouncements that the IASB is issuing, as distinct from the International Accounting Standards (IAS) series issued by its predecessor. More broadly, IFRSs is defined in paragraph 5 of the preface to IFRS to include “the standards and interpretations approved by the International Accounting Standards Board (IASB), and International Accounting Standards (IAS) and Standing Interpretations Committee (SIC) interpretations issued under previous constitutions”. Thus when financial statements are described as complying with IFRS, this means that they comply with the entire hierarchy of pronouncements sanctioned by the IASB, including International Accounting Standards, International Financial Reporting Standards and interpretations originated by the IFRS Interpretations Committee (formerly the International Financial Reporting Interpretations Committee, IFRIC) or the former Standing Interpretations Committee (Deloitte, 2015).
According to Barrett (2005:12), when IFRS evolves it will assist investors better in their valuation decisions on performance of companies across the countries and the industries. Much more than the benefits of IFRS accruable to investors, the summary of other benefits are:

- IFRS significantly improves the comparability of entities and provide more consistent financial information;
- IFRS is accepted as a financial reporting framework for companies seeking admission to almost all of the world's stock exchanges (including US);
- IFRS eliminates barriers to cross-border trading in securities, by ensuring that financial statements are more transparent;
- Management reporting for internal purposes under IFRS, can improve the quality and consistency of information that management needs in order to make effective, efficient and timely decisions for the business;
- IFRS adoption may be used as a chance to make some strategic improvements to financial systems and processes as well as reduce cost in the long run;
- IFRS financial statements that are universally understood and comparable can both improve and initiate new relationship with customers and suppliers across national borders;
- Because of the positive effect IFRS financial information has on credit ratings, a company's position strengthens in negotiations with credit institutions and cost of borrowing are reduced;
- IFRS also results in more accurate risk evaluations by lenders and to a lower risk premium.
- It also helps companies to take advantage of alternative form of finance;
- In the case of groups it removes the need for individual companies to prepare two sets of financial statements, if all individual companies in the group subscribe to IFRS. It also allows multinational groups to have a common accounting language, thereby improving management reporting decision making; and
- IFRS reporting makes easier to implement cross-border acquisitions, initiate partnerships and cooperation agreements with foreign entities, simplify the sale of the reporting entities and lower the cost of integration in post-acquisition periods.

Conservatism of Accounting Information

Conservatism is a branch of accounting that requires a high degree of verification before making a legal claim to any profit. Accounting conservatism will recognize all probable losses as they are discovered and most expenditure as they are incurred. Revenue will be deferred until it is verified. Having strict revenue-recognition criteria is one of the most common forms of accounting conservatism.

An important benefit of accounting conservatism is that it helps reduce moral hazard problems created by asymmetric payoffs and information by producing accounting numbers that can be used in contracts among different parties. Other benefits of conservative accounting as itemized by Narayana and Burkert (2005) are as follows:

(i). Conservatism in accounting reduces the probability of excess payments to managers at the expense of shareholders, or if the case may be excess distributions to shareholders at the expense of debt holders;
(ii) Conservatism in accounting also leads to deferment of earnings and generation of lower cumulative earnings and lower net assets which are more likely to result in reduced expected litigation costs for the firm than overstatement of net assets;
(iii) Conservatism in accounting results in better monitoring of management;
(iv) Conservatism in accounting reduces the likelihood of litigation costs; and
(v) Conservatism in accounting leads to the production of more timely accounting information and acknowledgement of bad news for the scrutiny of directors along with sufficient reasons for investigating the reasons for investigating the bad news.

The Banking Industry in Nigeria

The history of commercial banking in Nigeria dates back to August 1891 with the opening of a branch of African Banking Corporation (ABC) in that year. It was established essentially as a means to facilitate the shipping business of Elder Dempster and company (Anyanwu , Oyefus, Oaikhenan, & Dimowo, 1997, & Ridwan, 2011). The bank experienced some initial challenges and eventually transferred its interest to Elder Dempster. This consequently led to the formation of the Bank of British West Africa (BBWA) in 1894. The bank later metamorphosed to Standard Bank West Africa (SBWA) and thereafter till date to “First Bank of Nigeria Plc” (Adekanya, 1986). According to Ridwan (2011), other notable institutions in existence at that early days were the Nigerian Mercantile Bank Ltd, Nigerian Farmers and Commercial Banks Ltd, British and French Bank (which then metamorphosed then to UBA Plc, others referred to as Africa’s Global Bank), up to the era of Agbonmagbe Bank in 1945, which more belated became WEMA Bank Plc, now non-operational.

Very many reasons have been adduced for the failure of indigenous efforts at establishing banks. These include poor capitalization and management, imprudent lending, low standard of banking practices and so on (Aikhuomogbe, 2010). Oigbo (1981) notes that the weight of competition from the “powerful expatriate banks” with higher and better quality management rendered the indigenous efforts almost insurmountable task. More so, the absence of regulatory authorities and absence of regulatory framework to check the activities of these banks also contributed to their failure. However, the period from 1952 to 1959, witness the emergence of legislation and banking regulation due to the enactment of banking ordinance of 1952 and the establishment of the Central Bank of Nigeria (CBN).

A Central Bank is a financial institution owned by the government of a nation, run by Board of Directors, chaired by a governor, appointed by government (prior to 1997) and charged with the responsibility of managing the expansion and contraction of the volume, cost and the availability of money in the interest of public welfare (Anyanwu, 1997). According to Ojo and Adewunmi (1982), in spite of the good reasons for the establishment of a Central Bank in Nigeria, it was not established until considerable debates and delays. In the views of Oigbo (1981), the earliest reference to the establishment of a Central Bank in Nigeria was in a passing reference by Dr. J. Mars in a report in 1948. As a result, the colonial government in 1952 commissioned Mr. J. L. Fisher, an adviser to the Bank of England to examine the practicability of setting up a Central Bank in Nigeria. Though he recognized the contribution a Central Bank might make towards improving the Standard of performance of the indigenous Banks he recommended a gradual approach towards the establishment of a Central Bank. According Adekanye (1986), Fisher’s recommendations were supported by a World Bank mission in 1955.
CBN is the main statutory regulator of bank and nonbanking financial institutions under the
The BOFI Act contains stipulations on financial reporting by banks in addition to CAMA 1990
obligations. The BOFI Act necessitates banks to present audited financial statement to the CBN
for approval before being published, within four months of year end. The CBN governor is
authorized to order special examination of a bank’s books for variety of reasons. Banks are
also regulated inter alia by the Nigerian Deposit Insurance Corporation Act (1988) and Failed
banks (Recovery of Debts) and Financial Malpractices in Banks Act (1994).

It is very important to note that the banking industry segment of the Nigerian financial system
which comprises the licensed Deposit Money Banks, Discount Houses, Finance Companies,
Bureaux De Change, Primary Mortgage Institutions and Microfinance Banks has transformed
over the years to assume the level of sophistication comparable to other emerging economies
(Rudwan, 2011). The areas of sophistication include business expansion and product offerings,
innovation in electronic banking especially with the advent of World Wide Web; deployment
of information technology resources, regulation and supervision and recently, the mandatory
adoption of IFRS.

**Effects of Adoption of IFRS on Financial Statement**
The primary objective of financial reporting is to provide high-quality financial reporting
information which are primarily financial in nature to economic entities for useful economic
decision making (FASB, 1999). Here, the study assesses financial statement changes following
the adoption of IFRS and assesses the consequences of adoption on key financial measures,
such as profitability, growth, leverage, liquidity, size and investment performance based on
previous studies (Iatridis, 2010; Leuz, 2003 & Iatridis, 2008).

**RESEARCH METHODS**

**Population of the Study**
The population of this study comprises all the 21 registered commercial banks in Nigeria as at
2014 (CBN, 2014).

**Sample size and sampling techniques**
**(a) The sample size**
Of the 21 registered commercial banks in Nigeria, we made use of the 13 that were listed and
active in the Nigerian stock market as at 2015. The banks are Access Bank Plc, Diamond Bank
Plc, First Bank of Nigeria Plc, First City Monument Bank (FCMB), Fidelity Bank, Guaranty
Bank, Sky Banks, Stanbic IBTC, Sterline Bank, UBA, Union Bank of Nigeria Plc, Unity Bank
of Nigeria, WEMA Bank, and Zenith Bank.

**(b) The sampling techniques**
The sampling technique adopted in selecting the 13 banks is purposive or criterion based
sampling technique. The justifications for the choice are the following:
- The bank is listed and active on the Nigerian Stock Exchange (between January 2010 and
  January 2014). This is very key because value relevance researches lean on data from stock
  market;
- the bank is not going through any litigation during the test period; and
- the financial data is available during the test period;

**Restatement of hypotheses**
The hypotheses tested are restated as follows:
H01 There is no significant difference association between the adoption of IFRS and Nigerian
Banks’ financial measures.
H02 Nigerian banks’ IFRS financial reports are not more conservative than SAS’ financial
reports.

Sources and instrument for data collection
Secondary data were employed in the study. The secondary data were extracted from the
financial statements of the sampled banks. Textbooks, magazines, journals, newspapers,
internet materials and the Nigerian Stock Exchange Fact Book were also relied on.

Methods of data analysis
To test this hypothesis, we employed the relevant financial data as contained in the annual
report of the transition year (2011). The transitional requirements of IFRS1 make such
comparison feasible in the year of the changeover to IFRS. In particular, full financial
statements are available under IFRS and Nigerian SAS for at least one year prior to the year
transition. More importantly, 2011 financial statement for the listed banks that have complied
with IFRS mandates, were prepared twice i.e. under IFRS and under SAS as prescribed
IFRS1. Thus it was this dual financial statement figures of 2011 that we employed in our
analysis. The methods of data analysis we adopted were in the following order.

We analyzed the differences between financial data in the dual transition annual report of 2011
for the listed companies utilized for the comparison. Our study adopted the Gray’s
comparability (or conservative) index for evaluating the impact of IFRSs on Equity, and
Earnings (or Profit after Tax). We were guided by Hellman (1993), Whittington (2000),
Bertoni and DeRosa (2006) in this application. As originally propounded by Gray (1980),
index was employed to find out whether some countries are more “prudent” than others
concerns accounting practices. For over two decades, the index has been used to test
the impact of two or more accounting standards on accounting figures by various authors. Thus,

Gray’s Comparability Index (CI) = 1 - \frac{\text{New GAAP Numbers} - \text{Previous GAAP Numbers}}{\text{New GAAP Numbers}} \quad (1)

Most researches that employed this comparability index applied this type of blueprint. We also
discovered authors that include figures pertaining to previous GAAP numbers in the
denominator (Fifield, 2011; Hellman, 2011). We agree with this latter variant of the result
which comprises the values pertaining to initial GAAP in the denominator. This is because
numbers make up the point of our analysis in the determination of the expanses between IFRS
and SAS and not vice versa. Secondly, the latter formula makes for ease of interpretation
of the result.

Thus, our computation was made, based on equation (2)

Gray’s Comparability Index (CI) = 1 - \frac{\text{New GAAP Numbers} - \text{Previous GAAP Numbers}}{\text{New GAAP Numbers}} \quad (2)

In our contest, we shall apply the formula in this order:
Adoption of International Financial Reporting Standards (IFRS) and Nigerian Banks' Financial Numbers

The study compares the financial numbers of reporting entities (Banks) that have adopted and restated IFRS as basis for the preparation of Financial Statement at a defined year, with those reported under the Nigerian Statement of Accounting Standards (SAS) in the pre-adoption year.

The logistic regression model employed used a dummy variable as the dependent variable, which is dichotomous and took two values, that is, 1 for banks reporting their accounting figures under IFRS in the year of adoption and 0 for the same set of banks reporting their accounting figures under the Nigerian SAS in the year prior to IFRS adoption.

Consequently, the following logistic model was adopted:

\[ R = f(PR, LQ, CR, CA, ME, OPE) \]

This is the functional form of the model.

For the purpose of statistical test, the operational form of (1) is

\[ \log \left( \frac{R}{1-R} \right) = a_0 + a_1PR_{i,t} + a_2LQ_{i,t} + a_3CR_{i,t} + a_4CA_{i,t} + a_5ME_{i,t} + a_6OPE_{i,t} + e_{i,t} \]

where:

- \( R_{i,t} \) is a dummy variable representing the adoption regime.
- \( R_{i,t} = 1 \) for financial statements figures reported under IFRSs and \( R_{i,t} = 0 \) for financial statements figures reported under the Nigerian SAS
- \( PR_{i,t}, LQ_{i,t}, CR_{i,t}, CA_{i,t}, ME_{i,t}, \text{and OPE}_{i,t} \) are proxies used to control for firms' profitability, liquidity, credit risk, capital adequacy, management efficiency and operating Expense respectively, \( e_{i,t} \) is the stochastic error term.

TEST OF HYPOTHESES AND DISCUSSIONS

In testing our hypothesis one, the study compares the financial numbers reported under the Nigerian Statement of Accounting Standards (SAS) in the pre-official adoption period, that is, 2011, with the IFRS-restated financial numbers reported in 2012. The logistic regression that was employed used a dummy variable as the dependent variable, which is dichotomous, that is, 1 for Banks reporting IFRS-restated financial numbers in 2012 and 0 for the same set of organisations reporting their accounting figures under the SAS in 2011. The results of our test are shown in the tables below:

<table>
<thead>
<tr>
<th>Table 1: Classification Table(^{a,b})</th>
</tr>
</thead>
<tbody>
<tr>
<td>Observed</td>
</tr>
<tr>
<td>----------------------------------------</td>
</tr>
<tr>
<td>RR</td>
</tr>
<tr>
<td>RR</td>
</tr>
<tr>
<td>Overall Percentage</td>
</tr>
</tbody>
</table>

\(^{a}\)Constant is included in the model. \(^{b}\) The cut value is .500

Source: SPSS Output 2016
Table 1 gives the result of the analysis without any of our independent variables used in the model. In the classification table, the overall percentage of correctly classified cases is 73.1 percent.

Table 2: Classification Table

<table>
<thead>
<tr>
<th>Observed</th>
<th>Predicted</th>
<th>Percentage Correct</th>
</tr>
</thead>
<tbody>
<tr>
<td>RR</td>
<td>0.000000</td>
<td>9</td>
</tr>
<tr>
<td>RR</td>
<td>1.000000</td>
<td>4</td>
</tr>
<tr>
<td>Overall Percentage</td>
<td>3</td>
<td>10</td>
</tr>
</tbody>
</table>

The cut value is .500
Source: SPSS Output 2016

In Table 2 classification table, we are provided with an indication of how well the model is able to predict the correct category for each case. We can compare this with the Classification table (Table 1), to see how much improvement there is when the predictor variables were included in the model. The model correctly classified 73.1 per cent of cases overall (sometimes referred to as the percentage accuracy in classification).

Table 3: Variables in the Equation

<table>
<thead>
<tr>
<th></th>
<th>B</th>
<th>S.E.</th>
<th>Wald</th>
<th>Df</th>
<th>Sig.</th>
<th>Exp(B)</th>
<th>95% C.I. for EXP(B)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Lower</td>
</tr>
<tr>
<td>PR</td>
<td>-.817</td>
<td>3.139</td>
<td>.068</td>
<td>1</td>
<td>.795</td>
<td>.442</td>
<td>.001</td>
</tr>
<tr>
<td>LQ</td>
<td>1.229</td>
<td>2.762</td>
<td>.198</td>
<td>1</td>
<td>.656</td>
<td>3.419</td>
<td>.015</td>
</tr>
<tr>
<td>CR</td>
<td>-.166</td>
<td>1.177</td>
<td>.463</td>
<td>1</td>
<td>.496</td>
<td>.311</td>
<td>.011</td>
</tr>
<tr>
<td>CA</td>
<td>-.118</td>
<td>1.483</td>
<td>.695</td>
<td>1</td>
<td>.405</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>ME</td>
<td>222.543</td>
<td>144.233</td>
<td>2.381</td>
<td>1</td>
<td>.123</td>
<td>4.459e+096</td>
<td>.000</td>
</tr>
<tr>
<td>OPE</td>
<td>-.139</td>
<td>80.608</td>
<td>.297</td>
<td>1</td>
<td>.085</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Constant</td>
<td>4.101</td>
<td>3.177</td>
<td>1.666</td>
<td>1</td>
<td>.197</td>
<td>60.409</td>
<td></td>
</tr>
</tbody>
</table>

Variable(s) entered on step 1: PR, LQ, CR, CA, ME, OPE.
Source: SPSS Output 2016

The variables in the equation table give us information about the contribution or importance of each of our predictor variables. The tests that are of importance here are known as the Wald test and the values of the statistic for each predictor are found in the columns labeled Wald and Sig. Here we are looking for values less than .05.

Table 4: Summary of Logistic Regression Result

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Wald</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability (PR)</td>
<td>.068</td>
<td>P=.795</td>
</tr>
<tr>
<td>Liquidity (LQ)</td>
<td>.198</td>
<td>P=.656</td>
</tr>
<tr>
<td>Credit Risk (CR)</td>
<td>.463</td>
<td>P=.496</td>
</tr>
<tr>
<td>Capital Adequacy (CA)</td>
<td>.695</td>
<td>P=.405</td>
</tr>
<tr>
<td>Management Efficiency (ME)</td>
<td>2.381</td>
<td>P=.123</td>
</tr>
</tbody>
</table>

Source: AAU JMS Vol. 6, Nos.1 & 2, December 2015
In Table 3, it is obvious that the adoption of IFRS has not had any significant impact on the profitability, liquidity, growth, leverage, investment size, and of Nigerian listed banks.

The full model containing all predictors was statistically insignificant, \( \chi^2 (6, N = 26) = 6.958, p = 0.05 \), (see Table 5.). This indicates that collectively, the six financial measures (Variables) under consideration, tends to be insignificantly impacted upon by mandatory adoption of IFRS.

<table>
<thead>
<tr>
<th>Step</th>
<th>Chi-square</th>
<th>Df</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>6.958</td>
<td>6</td>
<td>0.325</td>
</tr>
</tbody>
</table>

Thus in hypothesis 1, we accept the null hypothesis that states that there is no significant positive association between the adoption of IFRS and Nigerian Banks’ financial measures. and reject the alternative hypothesis which indicates that there is significant positive association between the adoption of IFRS and Nigerian Banks’ financial measures.

Our second hypothesis states that Nigerian banks’ IFRS financial reports are more conservative than SAS financial reports. We relied on Gray’s Index of Conservatism as already defined above, to resolve this. The Values for Equity \( \text{SAS} \), Equity \( \text{IFRS} \), PAT \( \text{SAS} \), and PAT \( \text{IFRS} \) respectively were derived by taking the composite figures (average) of the 13 banks’ Equity after Tax figures as extracted from their 2011 and 2012 annual reports. Details are as contained in the appendix.

\[ \text{CI}_\text{Equity} = 1 - \frac{\text{Equity}_{\text{SAS}} - \text{Equity}_{\text{IFRS}}}{\text{Equity}_{\text{SAS}}} \]

\[ \text{CI}_\text{PAT} = 1 - \frac{\text{PAT}_{\text{SAS}} - \text{PAT}_{\text{IFRS}}}{\text{PAT}_{\text{SAS}}} \]

\[ \text{CI}_\text{Equity} = 1 - \frac{(150,787,573.6 - 148,963,896.8)}{150,787,573.6} = 0.987906 \]

\[ \text{CI}_\text{PAT} = 1 - \frac{(9,795,626 - 7,890,028)}{9,795,626} = 0.805464 \]

As earlier stated, we subjected the financial data in the transition annual reports to Gray’s index of comparability, with a view to finding out the impact of IFRS on the raw financial data in the transition annual reports. As noted by Istrate, (2013:264), “Gray’s index of conservatism is a good instrument to assess differences between two or more sets of accounting standards”.

<table>
<thead>
<tr>
<th>Operating Expenses (OPE)</th>
<th>2.975</th>
<th>( P = 0.085 )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>1.666</td>
<td>.197</td>
</tr>
</tbody>
</table>
The end result analysis was done in the following manner as evinced by Gray (1980):

- **IC = 1**, when the two sets of standards result in the same value
- **IC > 1**, when the IFRS values are higher than those pertaining to SAS
- **IC < 1**, when the IFRS values are lower than those obtained by employing SAS

Gray (1980) further broke down the analysis of the results into a set of conservative degrees which we also adopted in our analysis. Thus,

- Below 0.95— conservatism: (pessimism- here, the IFRS numbers are perceived to be more prudent than SAS numbers);
- Between 0.95 and 1.05— Neutrality: (under this circumstance, the IFRS figures are perceived to be having no significant effect on SAS); and
- Over 1.05— optimism (less conservatism – the IFRS numbers are less cautious (or more conservative) than the SAS figures).

Thus, since IC_Equity = 0.987906, IFRS figures of Equity are neutral (i.e. not having significant effect on SAS Equity figures).

On the other hand, because, IC_PAT = 0.805464, it follows that IFRS figures of Profit After Tax are more prudent (conservative) than SAS Profit After Tax figures.

Summarily, because CI_Equity & PAT = 0.896685, it means overall, the figures of IFRS for Nigerian Banks are more conservative than SAS. Thus, we also accept our null hypothesis which states that Nigerian banks’ IFRS financial reports are more conservative than SAS financial reports. And reject the alternative.

**CONCLUSION AND RECOMMENDATIONS**

The essence of the study was to examine whether the adoption of IFRS by Financial Reporting Council of Nigeria, has any implication on Nigerian Banks’ financial figures. The study attempts to unveil how key financial ratios of Banks changed sequel to the conversion from SAS to IFRS. By means of criterion based sampling technique, we chose a sample of 13 banks out of a population of 21 listed Banks in Nigeria for study. The transition (i.e. 2011 and 2012) annual reports of the 13 banks were subjected to analysis. By means of Logistic Regression technique, we discovered that contrary to the findings of Latridis (2010), IFRS adoption has not significantly positive impact on Nigerian Banks’ overall financial performance. Our study tends to align with the positions of Watts, (2006); Ball et al, (2003); Ball et al. (2000); and Hwang, (2001) who maintained that the quality of a reporting entity’s financial statements depends not only high-quality accounting standards but also firm’s legal and institutional environment and the incentives of managers, investors, and auditors. By means of Gray’s index of conservatism, we discovered that IFRS financial figures are more prudent (Conservative) than Nigerian hitherto SAS. Besides International Financial Reporting Standards, the other global accepted accounting and financial reporting features that are equally imperative to the economic development of Nigeria are:

a. Extraordinary quality auditing standards;
b. Operational Quality Assurance (i.e. audit firms and profession-wide);
c. All-encompassing Corporate Governance; and
d. Full-bodied Regulatory Oversight.

It is recommended that these factors must be pursued with the same zest Nigeria is currently pursuing the adoption of IFRS. Otherwise the promised or anticipated benefits of IFRS will be a mirage.

In this study, we examine the impact of adopting IFRS on financial ratios of Nigerian banks. We find that adoption of IFRS has had a significant effect on the financial performance of banks. Analysts should adopt a cautious approach when examining the transition financial ratios in Nigeria. Comparing ratios based on IFRS figures with those based on Nigerian GAAP will distinguish reported performance change occasioned by the transition to IFRS from those rendered by changes in the business and its environments. Analysts would need to be aware of the main features of IFRS that differ from SAS.

REFERENCES


APPENDIX I: KEY DRIVERS OF IFRS

- Improved transparency and comparability for investors and rating agencies
- Industry perception of market leadership
- More room for management’s judgment and truer reflection of economic reality with principles based GAAP
- Reduced cost of financial reporting for global companies
- More efficient access to capital for global corporations
- Increasing demand for public accountability and transparency by all stakeholders
- Need to attract international investors and to enable easy monitoring of overseas investments.
- Facilitate comparison between public entities (IPSAS)
- Ability to analyze impact on tax-related issues
- Ability to understand interaction with strategic initiatives to generate value from synergies
- Streamlined M&A activity

Source: Adapted from Oyedele, (2011:10)

APPENDIX II: FINANCIAL FIGURES FROM THE TRANSITION ANNUAL REPORTS OF THE 13 BANKS

<table>
<thead>
<tr>
<th>BANK</th>
<th>PAY</th>
<th>EQUITY</th>
<th>NET LOAN</th>
<th>DEPOSIT &amp; SHORT TERM FUNDS</th>
<th>LOAN LOSS PROVISION</th>
<th>NET INTEREST REVIEW</th>
<th>ASSETS</th>
<th>SALARY</th>
<th>NON-INTEREST EXPENSE</th>
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</thead>
<tbody>
<tr>
<td><strong>ACCESS BANKS</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SAS</td>
<td>16708253</td>
<td>197042209</td>
<td>552409105</td>
<td>1256237642</td>
<td>9170616</td>
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<td></td>
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</tr>
<tr>
<td>SAS</td>
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<td>463003229</td>
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<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>SAS</td>
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<td>IFRS</td>
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<td>1951321000</td>
<td>32942000</td>
<td>207019000</td>
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<table>
<thead>
<tr>
<th>Date</th>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
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<td>01/01/20X1</td>
<td>Income</td>
<td>Sales Revenue</td>
<td>$123,456</td>
</tr>
<tr>
<td>01/02/20X1</td>
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<td>Dividends</td>
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<td>01/05/20X1</td>
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<td>Salaries</td>
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<tr>
<td>01/06/20X1</td>
<td>Income</td>
<td>Interest Income</td>
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<td>01/08/20X1</td>
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<td>Taxes</td>
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<td>01/10/20X1</td>
<td>Income</td>
<td>Dividends</td>
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<td>01/11/20X1</td>
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<td>Utilities</td>
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</tr>
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<td>01/12/20X1</td>
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<td>Sales Revenue</td>
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<td>01/13/20X1</td>
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<td>Salaries</td>
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<td>01/14/20X1</td>
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<td>Interest Income</td>
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<td>Income</td>
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<td>$123,456</td>
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<td>01/21/20X1</td>
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<td>Salaries</td>
<td>$5,000</td>
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<td>01/22/20X1</td>
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<td>$2,345</td>
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<td>01/23/20X1</td>
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<td>Repairs</td>
<td>$1,234</td>
</tr>
<tr>
<td>01/24/20X1</td>
<td>Income</td>
<td>Sales Revenue</td>
<td>$14,567</td>
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<tr>
<td>01/25/20X1</td>
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