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TABLE OF CONTENTS

PAGE:

HOPE THEORY APPLIED TO THE EMERGING WORKFORCE	7
Robert H. Buckham, Whitworth University, Spokane, WA, U.S.A. David R. Sloan, Whitworth University, Spokane, WA, U.S.A.	
EMPLOYEES' PREDILECTION FOR SPECIFIC REMUNERATION SYSTEMS AND INCENTIVES: A CROSS-CULTURAL STUDY	19
Kelley M. Duncanson, The University of The Bahamas, Freeport, Grand Bahama, Bahamas Brigitte Major-Donaldson, The University of The Bahamas, Freeport, Grand Bahama, Bahamas Esmond Weekes, The University of The Bahamas, Freeport, Grand Bahama, Bahamas	
THE PLAYERS PERSPECTIVES OF ONLINE EDUCATION	31
Balasundram Maniam, Sam Houston State University, U.S.A. Kathy Massey, Sam Houston State University, U.S.A. Hadley Leavell, Sam Houston State University, U.S.A.	
DIFFERENT BASES AND TYPES OF AUTHENTICATION: HOW TO MINIMIZE SECURITY BREACH IN ONLINE MARKETING TRANSACTIONS	41
S. Altan Erdem, University of Houston-Clear Lake, U.S.A.	
EXTENT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) FOR SMALL AND MEDIUM SCALE ENTERPRISES (SMEs) IN NIGERIA	47
Dorcas Titilayo Adetula, Covenant University, Ota, Nigeria Folashade Owolabi, Covenant University, Ota, Nigeria Saluchi Igbaniho, Nigeria	
WORK ENGAGEMENT AMONG EMPLOYEES OF HIGHER EDUCATION INSTITUTIONS IN THE PHILIPPINES	53
Norma L. Meñez, Lyceum of the Philippines University, Batangas City, Philippines Merwina Lou Bautista, College of Criminal Justice, Lyceum of the Philippines University, Batangas City, Philippines	
FACULTY-STUDENT PARTNERSHIPS: APPLYING A VALUE CO-CREATION METHOD TO IMPROVE LEARNING EFFECTIVENESS AND ACADEMIC OUTCOMES	61
Judith H. Owens, Texas Southern University, U.S.A.	
EXPLORATION AND EXPLOITATION ACTIVITIES AND ORGANISATIONAL COMMITMENT: THE MEDIATING ROLE OF ORGANISATIONAL CULTURE	69
Bekir Emre Kurtulmuş, İstanbul Aydın University, Turkey Alev Katrinli, İzmir Dokuz Eylül University, Turkey Deniz Zaptçioğlu Çelikdemir, İzmir Yaşar University, Turkey	

EXTENT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) FOR SMALL AND MEDIUM SCALE ENTERPRISES (SMEs) IN NIGERIA

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ABSTRACT

This study examines the extent of adoption of International Financial Reporting Standards (IFRS) for SMEs by Nigerian Small and Medium Enterprises by Nigerian (SMEs), the level of awareness and the hindrances preventing the adoption of IFRS for SMEs in Nigeria. The survey research method was adopted in data collection while one sample t-test was used to test the hypotheses formulated for the research study. The analysis of responses from the administered questionnaires showed that although there was awareness of IFRS for SMEs by Nigerian SMEs, the extent of adoption was low, and there were impediments preventing the adoption of the standard by Nigerian SMEs such as complexity of the standard, lack of interest and inadequacy of accountants that were IFRS competent. The study recommends that more awareness of IFRS for SMEs should be created among owners, managers, accountants, auditors and stakeholders of SMEs, and they should also be encouraged to adopt the standard by emphasizing the incentives associated with IFRS adoption. Professional Accounting bodies such as ICAN and ANAN should also provide subsidized training through events such as seminars and workshops, and management teams of SMEs should show interest in the standard, and encourage their employees to do the same by sending them for trainings.

Keywords: *International Financial Reporting Standards (IFRS), awareness, hindrances*

1. INTRODUCTION

Accounting is the legal parlance of business, and financial reporting is the medium through which this parlance is expressed (Ikpefan & Akande, 2012). Over the years, financial reporters have relied on Generally Accepted Accounting Principles (GAAP) of their various countries as the standard for the preparation and interpretation of their various financial statements. However, these GAAP's were highly diverse, and meaningful comparison of financial statements from one country to the next was very difficult. Worse still, in most developing countries, financial disclosure was minimal and there was little that could be called GAAP beyond what they might have inherited from former colonial masters (Zeff, 2012).

Thus, the International Accounting Standards Committee (IASC) was established in 1973 with the sole aim of creating a set of high quality and principle-based financial reporting standards to be used throughout the world's capital markets. The IASC was hence the body responsible for the development of the International Accounting Standards (IAS) which actively championed the uniformity and standardization of accounting principles for over two decades (Gyasi, 2009). On the 1st of April 2001, the IASC was succeeded by the International Accounting Standard Board (IASB) that renamed and developed the International Accounting Standards (IAS) into the International Financial Reporting Standards (IFRS). Presently, IFRS as a widely used financial reporting framework is gaining recognition globally as more than a few number of countries have implemented the reporting standards and converged their Generally Accepted Accounting Policies (GAAP) to IFRS (Ikpefan & Akande, 2012).

In Nigeria, it was required that Small and Medium Scale Enterprises (SMEs) adopt IFRS by 1st January 2014. Thus, this research focuses on discovering the extent of adoption of IFRS for SMEs by Nigerian SMEs, and to ascertain the factors hindering SMEs who are yet to adopt IFRS. A lot of research has been done on the adoption of IFRS by SMEs, however, much of this research work is focused on developed countries while few related research in developing countries are primarily on whether it is necessary for