AMBROSE ALLI UNIVERSITY EKPOMA

AAU JOURNAL OF MANAGEMENT SCIENCES

VOLUME 6 DECEMBER 2015 NUMBER 1 & 2

ISSN: 2251 - 0109

AAU JOURNAL OF MANAGEMENT SCIENCES

VOLUME 6, Numbers 1 and 2

ISSN: 2251-0109

PUBLISHED BY THE
Faculty of Management Sciences
Ambrose Alli University,
Ekpoma.

CONTENTS

MANDATORY ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND NIGERIAN BANKS' FINANCIAL NUMBERS

Adeyemo K. A., Ph.D[1], ACA., Eriabie, S. O., Ph.D[2] 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) series issued 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).

[1] **Covenant University, Ota, Ogun State**

[2] **Benson Idahosa University, Benin City.**

[3] **Niger Delta Exploration and Production Plc, Victoria Island, Lagos.**

The process gained momentum when the International Organization of Securities Commission (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:

H_{O1} There is no significant difference association between the adoption of IFRS and Nigerian Banks' financial measures.

H_{O2} 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 (IASs) 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).

shown in figure 1 in Appendix I, Oyedele , helped to give a somewhat pictorial view of the profits derivable from IFRS adoption, which then serves as motivation (or key drivers) to those who have adopted or contemplating adoption of the new standards.

According to Barrett (2005:12), when IFRS evolves it will assist investors better in their evaluation 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:

a. IFRS significantly improves the comparability of entities and provide more consistent financial information;
b. IFRS is accepted as a financial reporting framework for companies seeking admission to almost all of the world's stock exchanges (including US);
c. IFRS eliminates barriers to cross-border trading in securities, by ensuring that financial statements are more transparent;
d. 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;
e. 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;
f. IFRS financial statements that are universally understood and comparable can both improve and initiate new relationship with customers and suppliers across national borders;
g. 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;
h. 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;
i. 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
j. 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 reduce 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 , Oyefusi , 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 and 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). Okigbo (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. Moreso, 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 Okigbo (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 to 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 expression of the Banks and Other financial Institutions (BOFI) Act No.25 of 20th June 1991. 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 empowered 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 (Ridwan, 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, Stambic 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:

i.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;

ii.the bank is not going through any litigation during the test period; and

iii.the financial data is available during the test period;

Restatement of hypotheses

The hypotheses tested are restated as follows:

H_{O1} There is no significant difference association between the adoption of IFRS and Nigerian Banks' financial measures.

H_{O2} 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 of 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 by 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 Net Earnings (or Profit after Tax). We were guided by Hellman (1993), Whittington (2000), and Bertoni and DeRosa (2006) in this application. As originally propounded by Gray (1980), the index was employed to find out whether some countries are more "prudent" than others as 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,

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

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 recipe which comprises the values pertaining to initial GAAP in the denominator. This is because the numbers make up the point of our analysis in the determination of the expanse between the 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)

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

In our contest, we shall apply the formula in this order:

$$\text{Gray's CI}_{Equity} = 1 - \frac{Equity_{SAS} - Equity_{IFRS}}{Equity_{SAS}} \quad \ldots\ldots (3)$$

$$\text{Gray's CI}_{PAT} = 1 - \frac{PAT_{SAS} - PAT_{IFRS}}{PAT_{SAS}} \quad \ldots\ldots (4)$$

The study compares the financial numbers of reporting entities (Banks) that have adopted and used 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:

$$RR = f(PR, LQ, CR, CA, ME, OPE) \ldots\ldots (1)$$

This is the functional form of the model.
For the purpose of statistical test, the operational form of (1) is

$$RR_{i,t} = a_o + a_1PR_{i,t} + a_2LQ_{i,t} + a_3CR_{i,t} + a_4CA_{i,t} + a_5ME_{i,t} + a_6OPE_{i,t} + e_{i,t} \ldots\ldots (2)$$

where:
$RR_{i,t}$ is a dummy variable representing the adoption regime.
$RR_{i,t} = 1$ for financial statements figures reported under IFRSs and
$RR_{i,t} = 0$ for financial statements figures reported under the Nigerian SAS
$PR_{i,t}$, $LQ_{i,t}$, $CR_{i,t}$, $CA_{i,t}$, $ME_{i,t}$ 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 1: **Classification Table**[a,b]

Observed			Predicted		
			RR		Percentage Correct
			.000000	1.000000	
Step 0	RR	.000000	0	13	.0
		1.000000	0	13	100.0
	Overall Percentage				50.0

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 th model. In the classification table, the overall percentage of correctly classified cases is 5 percent.

Table 2: **Classification Table**[a]

Observed			Predicted		
			RR		Percentage Correct
			.000000	1.000000	
Step 1	RR	.000000	9	4	69.2
		1.000000	3	10	76.9
	Overall Percentage				73.1

The cut value is .500
Source: SPSS Output 2016

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

Table 3: **Variables in the Equation**

		B	S.E.	Wald	Df	Sig.	Exp(B)	95% C.I.for EXP(B)	
								Lower	Upper
Step 1[a]	PR	-.817	3.139	**.068**	1	**.795**	.442	.001	207.720
	LQ	1.229	2.762	**.198**	1	**.656**	3.419	.015	767.603
	CR	-1.168	1.717	**.463**	1	**.496**	.311	.011	9.004
	CA	-11.820	14.183	**.695**	1	**.405**	.000	.000	8694756.722
	ME	222.543	144.233	**2.381**	1	**.123**	4.459E+096	.000	2.632E+219
	OPE	-139.038	80.608	**2.975**	1	**.085**	.000	.000	169979100.200
	Constant	4.101	3.177	**1.666**	1	**.197**	60.409		

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

Independent Variable	**Wald**	**P**
Profitability (PR)	**.068**	**P=.795**
Liquidity (LQ)	**.198**	**P=.656**
Credit Risk (CR)	**.463**	**P=.496**
Capital Adequacy (CA)	**.695**	**P=.405**
Management Efficiency (ME)	**2.381**	**P=.123**

...erating Expenses (OPE)	**2.975**	**P=.085**
...nstant	**1.666**	**.197**

...urce: SPSS Output 2016

...Table 3, it is obvious that the adoption of IFRS has not had any significant impact on the ...ofitability, liquidity, growth, leverage, investment size, and of Nigerian listed banks.

...he full model containing all predictors was statistically insignificant, $\chi 2$ (6, N = 26) = 6.958, p ...005, (see Table 5.). This indicates that collectively, the six financial measures (Variables) ...der consideration, tends to be insignificantly impacted upon by mandatory adoption of IFRS

...ble 5

...mnibus Tests of Model Coefficients

		Chi-square	Df	Sig.
	Step	6.958	6	.325
...tep 1	Block	6.958	6	.325
	Model	6.958	6	.325

...urce: SPSS Output 2016

...hus in **hypothesis 1**, we accept the null hypothesis that states that there is no significant ...ositive association between the adoption of IFRS and Nigerian Banks' financial measures. ...nd reject the alternative hypothesis which indicates that there is significant positive ...sociation between the adoption of IFRS and Nigerian Banks' financial measures.

...ur second hypothesis states that Nigerian banks' IFRS financial reports are more conservative ...han SAS financial reports. We relied on Gray's Index of Conservatism as already defined ...bove, to resolve this. The Values for Equity $_{SAS}$, Equity $_{IFRS}$, PAT $_{SAS}$, and PAT $_{IFRS}$ ...espectively were derived by taking the composite figures (average) of the 13 banks' Equity ...nd Profit after Tax figures as extracted from their 2011 and 2012 annual reports. Details are as ...ontained in the appendix.

...quity $_{SAS}$, = 150,787,573.6, Equity $_{IFRS}$ = 148,963,896.8, PAT $_{SAS}$, = 9,795,626 and PAT $_{IFRS}$ = 7,890,028

$$\text{Gray's CI}_{Equity} = 1 - \frac{Equity_{SAS} - Equity_{IFRS}}{Equity_{SAS}}$$

$$\text{Gray's CI}_{PAT} = 1 - \frac{PAT_{SAS} - PAT_{IFRS}}{PAT_{SAS}}$$

CI_{Equity} = 1 - (150,787,573.6 - 148,963,896.8,) / 150,787,573.6 = 0.987906

CI_{PAT} = 1- (9,795,626 - 7,890,028) / 9,795,626 = 0.805464

...herefore, the mean of $CI_{Equity\ \&\ PAT}$ = 0.896685

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

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 degree scale 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 no significant 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 Hung (2001) who maintained that the quality of a reporting entity's' financial statements depends on 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 globally 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.

...tionally, analyst should adopt a cautious approach when examining the transition financial ...ios in Nigeria. Comparing ratios based on IFRS figures with those based on Nigerian GAAP ...st distinguish reported performance change occasioned by the transition to IFRS from those ...gendered by changes in the business and its environments. Analysts would need to be aware ...the main features of IFRS that differ from SAS.

...EFERENCES

...eyemo, K. A. (2012). Frauds in Nigerian Banks: Nature, Deep-Seated Causes, Aftermaths and Probable Remedies", *Mediterranean Journal of Social Sciences*, 3(2) , pp 279-289.

...kanye, F. (1986). *The Element of bank in Nigeria* . F & A publishers ltd Graham Burn united kingdom Aikhuomogbe, S. (2010). Interest rate risk in financial institutions in emerging market: A case study of the financial institutions in Nigeria. Available at : https://www.google.com.ng/#q=Nigeria+BANKING%2C+FINANCE%2C+AND+OTHER+SERVICES++%2B+Aikhuomogbe+Samuel+Accessed 27,June 2015

...anwu, J.C. (1997). *The Structure of Nigerian Economy (1960-1997).* Benin-City, Joanee Educational Publishers Ltd.

...anwu, J.C, Oyefusi, S.A., Oaikhenan, H, & Dimowo, F.A. (1997). *Structure of the Nigerian Economy (1960 –1997).* Onitsha: JOANEE Educational Publishers Ltd., P. 453

..., R., Robin, A. & Wu, J. (2003). Incentives versus Standards: Properties of Accounting Income in Four East Asian Countries. *Journal of Accounting and Economics*, 36, 235-270.

..., R., Kothari, S. P. & Robin, A. (2000). The Effect of International Institutional Factors on Properties of Accounting Earnings. *Journal of Accounting and Economics*, 29(1),1-51.

...rett, D., (2005). Avoid nasty shocks, *Accountancy Ireland, (37),*12

...toni, M. & De Rosa, B. (2006). "Measuring balance sheet conservatism: empirical evidence ...n Italian first time adopters of IFRS", Emerging Issues in International Accounting and Business, Padua, Italy, July 20-22.

...oitte (2015). Background to International Financial Reporting Standards (IFRSs). Available in http://www.iasplus.com/en/resources/ifrsf/due-process/background-to-ifrs *Accessed on 17th June 2015*

...SB. (1999) *International standards setting: a vision for the future.* Norwalk

...llman, N. (1993). 'A comparative analysis of the impact of accounting differences on profits and return on equity'. European Accounting Review, 2(3):495-530.

...ng, M. (2001). Accounting Standards and Value Relevance of Earnings: An International Analysis. *Journal of Accounting and Economics*, 30, 401-420.

...ridis, G. (2008). Implementation of international financial reporting standards and the quality of financial statement Information: an investment of earning management and value relevance. *Available online at http://www.efmaefm.org/OEFMAMEETINGS/EFMA%ANNUAL%20MEETING/2008-athen/latrdis.pdf. Downloaded 10th July 2014.*

...ridis, G. (2010). International Financial Reporting Standards and the quality of financial statement information. International Review of Financial Analysis, 19, 193–204.

...uz, C. (2003). IAS versus U.S. GAAP: Information Asymmetry-Based Evidence from Germany's New Market. Journal of Accounting Research 41 (2003): 445-27

...lisabu, E. S. (1991). Banking in Nigeria: Sign post in the nineties. First Bank Quarterly Review June 1991 Edition

...giedu, K. O. & Okafor, C. (2013). Adoption of International Financial Accounting Reporting Standards: The challenges of Definition and Implementation. Journal of research in National Development 10(3), 345-356

...yedele, T (2011). An overview of IFRS and challenges posed to professionals. Chartered Institute of taxation of Nigeria (CITN), Seminal on IFRS adoption in Nigeria. *Accessed on 27Th September 2015, from: http://www.citn.org/others/IFRS2.pdf*

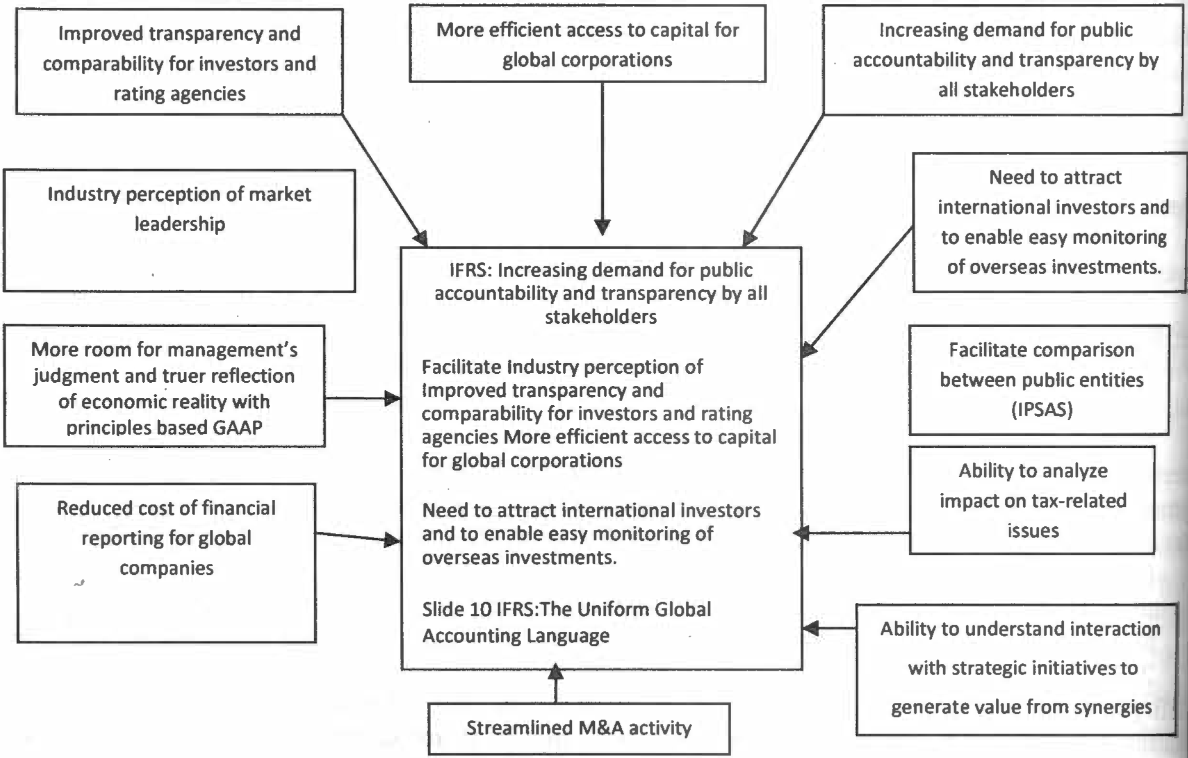
Ojo, A. T. & Adewunmi, O. (1982). *Banking and Finance in Nigeria*. Graham Burn United Kingdom.

Ridwan.K.(2011).The banking industry in the last fifty yaers.http://nigeriacommentarie .blogspot.com/2011/02/banking-industry-in-last- fiftyyears.html

Watts, R. L. (2006). What has the Invisible Hand Achieved? *Accounting & Business Research*, 36, 51-61.

Whittington, M. (2000). 'Problems in comparing financial performance across internationa boundaries: A case study approach'. International Journal of Accounting, 35(3):399-413.

APPENDIX I: KEY DRIVERS OF IFRS



Source: Adapted from Oyedele, (2011:10)

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

BANK		PAT	EQUITY	NET LOAN	DEPOSIT & SHORT TERM FUNDS	LOAN LOSS PROVISION	NET INTEREST REVIEW	ASSETS	SALARY	NON-INTERE EXPENSE
ACCESS BANKS										
	SAS	16708253	197042209	552401605	1256237642	9170616	60577693	1634746754	20990931	741911
	IFRS	17077918	192064748	451798587	1101713334	9063937	69747102	1626190390	21983972	695932
DIAMOND BANK										
	SAS	-11254101	93332827	52471234	601695732	44148499	67935924	803706651	14926680	55579
	IFRS	-13723787	85981016	83360462	603003229	36878356	69888531	796231792	16730642	3974
FIRST BANK										
	SAS	44785000	365485000	1235615000	1947803000	33517000	296329000	2839373000	58961000	1473
	IFRS	18636000	368579000	1252462000	1951321000	32942000	207019000	2860169000	53072000	1366
FCMB										

	SAS	-9915148	117696511	319434207	409231355	32452704	57683316	601780418	14768645	29492517
	IFRS	-9243660	117393528	323363706	410683366	27672337	62467260	601616494	13975711	33625091
DELITY BANK										
	SAS	5361000	137359000	256902000	560365000	17499000	48056000	740941000	19137000	38878000
	IFRS	2581000	146073000	279211000	563666000	16726000	49534000	737894000	17290000	37436000
TBANK										
	SAS	38346623	210825689	593562579	761194792	8088500	112261166	1152001900	17544401	63770331
	IFRS	38608356	220254216	603906669	753088230	10368326	112396831	1168052897	16932927	61264204
KY BANK	SAS	5182000	111246000	490737000	642342000	22540000	71643000	927102000	12959000	44135000
	IFRS	2842000	100106000	486905000	645448000	24262000	74906000	914265000	14408000	36301000
STAMBIC IBTC	SAS	7440000	84719000	230707000	292373000	7990000	40343000	554225000	16570000	40557000
	IFRS	3232000	69724000	256720000	303365000	10997000	,	540922000	15809000	37285000
STERLING BANK	SAS	4644220	40963115	159734616	406515736	8227240	30171154	504427737	6527661	20442336
	IFRS	6908598	41057336	162063156	392049881	12588265	32275773	504048213	6567658	18968112
UBA	SAS	-9647000	170033000	6896255000	144988000	21991000	21422000	1942793000	37153000	107716000
	IFRS	-8665000	150940000	605627000	1445822000	17738000	11359000	1920453000	47874000	95604000
UNITY BANK	SAS	2431740	44480043	113661630	266916621	9190977	30314223	375930237	14184723	32452019
	IFRS	2693859	43821683	117875258	266877426	1323194	31706490	372926748	13038844	29653818
WEMA BANK	SAS	-10928447	6721063	60143452	147387408	42793251	19482295	222238550	7639667	21303605
	IFRS	-4228926	6268131	67236605	147387408	2293646	16979960	221157042	7831273	14180915
ZENITH	SAS	44189000	380335000	832828000	1653570000	37009000	160519000	2309427000	48168000	118262000
	IFRS	45852000	394268000	893834000	1655458000	59768000	163192000	2325695000	473870000	115918000