FACTORS PROMOTING THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS): THE PERCEPTION OF MANAGEMENT IN NIGERIA

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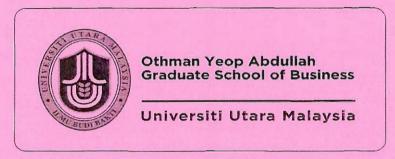
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Dissertation Submitted to the Othman Yeop Abdullah Graduate School of

Business, Universiti Utara Malaysia, in Fulfilment of the Requirement for the

Degree of Master of Science (International Accounting)



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ABSTRACT

This study investigates the factors that promote the adoption of IFRS, via the perception of management among the listed companies in Nigeria. A research model was developed to indicate the relationship among government policy, company size, educational level, capital market, that were argued to have significant positive relationship on the adoption of international financial reporting standards. This study is based on survey design, and the hypotheses have been tested using multiple regression analyses. Results indicated that, government policy, educational level and capital market have a positive significant relationship with the adoption of international financial reporting standards, while company size was found to be insignificant with the adoption of international financial reporting standards. The study recommends that, company size should be properly taken into consideration either in terms of small, medium, and large size in order to ensure smooth transition from Nigerian GAAP to full adoption of IFRS in the country.

Keywords: international financial reporting standards, government policy, company size, educational level, capital market, Nigerian generally accepted accounting principles.

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LIST OF ABBREVIATIONS

BOFIA: Banks and Other Financial Institutions Act.

BVE: Book Value of Equity.

CBN: Central Bank of Nigeria.

FGN: Federal Government of Nigeria

FRCN: Financial Regulation Council of Nigeria.

GAAP: Generally Accepted Accounting Principles.

IAS: International Accounting Standards.

IASC: International Accounting Standards Committee.

IFRS: International Financial Reporting Standards.

NAICOM: Nigerian Insurance Commission.

NASB: Nigeria Accounting Standards Board.

SEC: Securities and Exchange Commission.

UK: United Kingdom.

US: United States.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

Countries world-wide have been pursuing the same purpose when coming to the welfare of their economy, and that is to be part of the increasingly dynamic global market. This is an aim mainly pursued by developing countries more than any other countries. Globalization has played a key role in this by dissolving the boundaries between countries and financial markets. The increase in multinational company activities, economic co-operations and political unifications among developed countries increases the efforts of developing countries to be a part of this global market, which in turn requires transparent financial information (Alp & Ustundag, 2009). Economic and political factors have contributed to the sudden rush of the international community's to converge their national generally accepted accounting principles (GAAP) with the International Financial Reporting Standards (IFRS) (Fontes, Alexandra, Rodrigues, & Russell, 2005). This indicates the power and pervasive nature of globalization (Neu & Ocampo, 2007), and has resulted in the institutionalization of a new regulatory regime. Domestic economies have become increasingly vulnerable to the "external shocks" caused by an "expanding world economy", necessitating the adoption of globalized practices if they are to function effectively (Lehman, 2005).

As indicated earlier, globalization has been considered one of the many factors that have had a considerable influence on many countries world-wide to adopt IFRS, mainly developing countries. But many of the developed countries have either

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