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Adoption of International Financial Reporting Standards (IFRS): Insights from Nigerian Academics and Practitioners

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Abstract:
The fast pace of globalization with integration of national financial markets has stimulated the need for a common financial language (IFRS) because good financial reporting makes investment and financial decisions more efficient. Nigeria adopted the IFRS in January 2012. This exploratory study examines the state of readiness of Nigerian academics (accounting lecturers and students) and practitioners (professional accountants and auditors) to embrace IFRS adoption. The study examined three research questions about: (i) the extent of IFRS familiarity by academics and practitioners; (ii) the state of readiness to embrace IFRS by academics and practitioners; and (iii) their perspectives regarding a proper national transition plan to IFRS adoption. The results showed significant differences between accounting students, lecturers and practitioners with respect to their degree of familiarity with IFRS. Respondents believed that Nigeria was not ready for IFRS adoption and were of the view that 'IFRS Course in Accounting Curriculum' is the best plan to transition Nigerian companies to IFRS, followed by 'IFRS training for management and staff'. An important policy implication of this study is the urgency of accounting curriculum review in our tertiary education institutions to incorporate IFRS and its implementation dimensions.
Keywords:International Financial Reporting Standards, IFRS, international accounting standards, adoption, adaption, convergence, ***harmonization***, Financial Reporting Council, FRC, Nigeria

1. Introduction and Background

The development of a strong international financial reporting architecture has been of longstanding interest to and elicits frequent commentary by academics, professional accountancy bodies, regulators, and men of affairs (businessmen, politicians, labour leaders, and governments). This perspective is reinforced by the fact that accounting is shaped by economic and political forces (Watts 1977; Watts & Zimmerman 1986). That financial reporting plays a key role in economic development nationally and globally is a *prima facie* indication of its impact in ensuring a strong investor confidence which is vital to the optimal functioning of financial markets and, consequently, to economic development. While in some countries, accounting standards are set by legal entities, in others they are set by the accounting profession. Yet, in other countries, it is a joint responsibility with other bodies. In still other countries, there appeared to be no discernible accounting standard setting process. These differences are perceptibly due to environmental and cultural differences.

Since the early 1970s, various attempts have been made and are still being made to eliminate or reduce many of the major differences in accounting standards through a process known as harmonization. Indeed, because of the inherent difficulties at the time, internationalization of accounting standards was deemed as "an endeavour of conflicts" (Choi & Mueller 1984: 470). This conflict is rooted in the process of standard setting which is politically motivated in some countries and, in others, through the private professional accountancy bodies. These national variations (or non-uniformity) in the process of standard setting inevitably gave rise to the prevalence of different standards in different countries, even though they presented a façade of harmony with each other to imply a sense of logical non-conflict. Thus, the consensus among professional accountancy bodies and regulators for the convergence to a single set of international accounting as well as international auditing standards is an acknowledgement of the important role financial reporting plays not just in global marketplace but in a country's economic growth and development.

The need for international accounting standards began its journey in 1966, when the proposal to establish an International Study Group (ISG) was put forward by the Institute of Chartered Accountants of England & Wales (ICAEW), American Institute of Certified Public Accountants (AICPA) and Canadian Institute of Chartered Accountants (CICA). A year later, precisely February 1967, this ISG resulted in the foundation of the Accountants International Study Group (AISG), which began to publish papers on important topics regularly and thus created and wetted the appetite for change. Many of these early papers paved the way for the standards that ensued. Then in March 1973, it was finally agreed to establish an international body to write accounting standards for international use. Thus, in June 1973, the International Accounting Standards Committee (IASC) was established, with the stated intent that the new international standards it released must "be capable of rapid acceptance and implementation world-wide". However, the IASC survived for 27 years, until 2001, when it was restructured and replaced by the International Accounting Standards Board (IASB). (For a comprehensive account of the early history of international accounting standards, the interested reader is referred to Lord Benson's article Benson, Henry (1976), "The story of International Accounting Standards" *Accountancy Magazine*, Vol. 87(995): 34-39. A further source of information is Lord Benson's biography in: Benson, Henry (1989), *Accounting for life,* London: Kogan Page, with the ICAEW. Ostensibly due to the pivotal role played ICAEW in the movement towards harmonization of extant diverse accounting practices, it had been argued that ''a key impetus for the establishment of the IASC was to forestall the imposition [in the EEC] of continental European statutory and state control on the much more discretionary relationship between corporate management and the auditor in the UK" (Hopwood 1994).

The adoption of IFRS across the world, Nigeria inclusive, represents a watershed in the annals of accounting development. The globalization of economic activity has resulted in an increased demand for high quality, internationally comparable financial information. In the globalized world, companies and investors operate beyond borders; they have foreign affiliations in various forms. Banks establish foreign branches and correspondent banking relationships in several countries to service the incremental dimensions of their growing portfolio of international customers. Foreign companies and their nationals, development partners, international donor agencies, civil society organizations (CSOs) and non-governmental organizations (NGOs), all traverse the global space of accounting and finance. All these need to understand each nation's accounting principles upon which resident companies prepare their financial statements.

1.1 IFRS Education and Training

The IFRS represent a unified global commitment to developing a single set of high quality, global accounting standards whose aim is to provide transparent and comparable information that is in the public interest through general purpose financial statements (Herbert 2010). This commitment has led to a growing acceptance of IFRS as a basis for financial reporting across the world. The momentum represents a fundamental change for both national and global accounting systems and professions. Aspects of national systems that are critical to a successful transition to IFRS include the tertiary educational system and the accounting profession. Important components of the former (that is, the tertiary education system) for IFRS implementation are accounting lecturers and students who, in various contexts, complement the accounting profession in the development of accounting practice. Thus, the IFRS have been accepted by over 126 countries around the world, including Nigeria, as a common accounting and financial language (ibid). Indeed, Nigeria had in 2010 signaled its willingness to adopt the IFRS in 2012. This dateline is anchored on the understanding of a progression along the milestones and timelines enunciated in the Country Roadmap. However, as the Financial Reporting Council (FRC), formerly Nigerian Accounting Standards Board (NASB), duly acknowledged, the transition framework for effective and meaningful adoption may be derailed if any of the milestones and timelines is ignored.

The adoption of IFRS reflects a fundamental shift in national accounting systems and professions. Critical constituents of a national system for a successful transition to IFRS include the tertiary educational system and the accounting profession. On this premise, the joining of anecdotal evidence with the paucity of published research about the dimensions of IFRS adoption in Nigeria tends to suggest that not much is known about this new financial language in the Nigerian academic environment and even in the world of work. Two key questions are critical in this conclusion. (a) How prepared are the companies, accounting educators and professionals for IFRS adoption? (b) To what extent is the gap in knowledge bridged by academics through IFRS curriculum development and professional development? To be sure, the transition to IFRS and its implications for preparers and users of financial statements, regulators, professionals, academics, and other stakeholders are yet to be empirically assessed in Nigeria. As the FRC acknowledged in its roadmap, "the implementation of IFRS requires considerable preparation both at the country and entity levels to ensure coherence and provide clarity on the authority that IFRS will have in relation to other existing national laws" (NASB 2010).

Effective implementation of IFRS demands considerable and adequate technical capacity among preparers, users, auditors, regulatory bodies, investors and even the public. Technical capacity therefore 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). The level of preparedness of any programme of knowledge at both macro and micro levels can be gauged through the degree of familiarity of the phenomenon at both the academic and professional levels. Thus, if a given knowledge base is sustained through programmes of academic and professional study, a presumption of systematic effort towards understanding the content and practice of the phenomenon can reasonably be made. Put differently, a comparative analysis of a country's academics and practitioners provides an insight into the state of its readiness for IFRS adoption.

Thus, this study examines whether the Nigerian academics (accounting lecturers and students) as well as practitioners (auditors, accountants, and financial analysts) are ready to embrace adoption of IFRS as a common accounting and financial reporting language. The joint views of academics and practitioners are helpful in reviewing the accounting curriculum to incorporate important emergent changes of the kinds occasioned by the IFRS. Global synthesis of international accounting and financial reporting standards cannot do justice to the peculiar characteristics and circumstances of the various countries covered. As argued by Wallace (1990), only a survey of the specific country studies can provide an in-depth understanding of the accounting situation. This is pursued through a survey and collection of data on the perception of academics and practitioners regarding familiarity, readiness, benefits and challenges, and proper plans to be used in the process of adoption of IFRS. Such a survey is needed because (a) the concerns of these critical stakeholders (financial academics and practitioners) on the relevance of extant IFRS research, and (b) their views on IFRS research agenda might help to suggest new emphasis and new directions for seamless country adoption.

This study is similar to the U.S. studies conducted by Rezaee, Smith & Szendi (2010) and Moqbel & Bakay (2010), except that in the categorization of academics their definition of academics was limited. The main reason for replicating the U.S. study in Nigeria is that IFRS research is important to the future of world economy – far too important to be limited arbitrarily to the findings of one national study. Specifically, we aver that different national contexts (developed and developing countries, for example) of IFRS may help to define the status of education and practice in accounting and financial reporting: they help to identify global IFRS topics of interest and support globalization of IFRS curricula and practice. They also help to build a literature on comparative national issues on IFRS, which are presently scanty although there is a growing literature on international financial reporting.

The principal purpose of this study is, therefore, to evaluate the state of readiness of Nigeria for IFRS transition as a prelude to effective IFRS adoption. This is explored through a comparative assessment of the perspectives of Nigerian academics and practitioners. This objective can be decomposed into specific objectives for micro analysis, as stated in the research questions. Specifically, the study examines four key issues related to this investigation: (a) the extent of IFRS familiarity by Nigerian academics and practitioners; (b) whether Nigerian academics and practitioners have different perspectives about IFRS readiness; and (c) whether Nigerian academics and practitioners have different perspectives regarding a proper national transition plan to IFRS.

The remainder of this paper is organized as follows: section 2 provides a review of the related literature and the research questions and hypotheses; section 3 discusses the research methodology; and section 4 presents the results and discussion. Section 5 wraps up the paper with summary and conclusion.

2. Review of Literature

2.1 Theoretical Framework

International convergence of accounting standards is not a new idea: the concept of convergence first arose in the late 1950s in response to post World War II economic integration and related increases in cross-border capital flows (Nobes 2006). Initial efforts focused on ***harmonization*** which entailed reducing differences among the accounting principles used in major capital markets around the world. By the 1990s, the notion of harmonization was replaced by the concept of **convergence -** the development of a single set of high-quality international accounting standards that would be used in at least all major capital markets (ibid.)

The need to develop a unified set of accounting standards arose from international differences that curtailed investment opportunities (IFAC 2008). Since accounting is affected by its environment, the culture of that environment contains the most basic value that an individual may hold; it also determines the value system of accountants. In using cultural differences to explain international differences in behaviour of accountants and in the nature of accounting practices, Gray (1988) suggests that a country with high uncertainty avoidance and individualism will be more likely to exhibit conservative measure of income and a preference to limit disclosure of those closely involved in a business. Gray's postulation is hinged on the following proposition by Hofstede (1980):

> *The divergence perspective recognizes country and cultural differences. The main hypothesis is that national culture continues to be a dominating influence on individuals' attitudes and behaviors.*

Other factors that precipitated the development of a unified set of accounting standards include inflation, tax method, legal system of a country. Jaggie & Low (2000) find, for example that companies in common law countries have higher level of disclosure. To bridge international differences, the International Accounting Standards Committee (IASC), was formed in 1973 by ten national professional accountancy bodies namely, Australia, Canada, France, Germany, Japan, Mexico, Netherlands, United Kingdom and Ireland, and the United States of America. Its mission was to formulate and publish, in the public interest, basic standards to be observed in the presentation of audited accounts and financial statements and to promote their worldwide acceptance. The meeting of IASC and FASB on April 1, 2001 gave the convergence a new impetus.. Since then, the move towards international standards has progressed rapidly and by 2009, the European Union and over 130 other countries either require or permit the use of IFRS issued by the IASB or a local variant of them.

The unification of the different accounting standards and the evolutionary changes that led to the development of IFRS have been a topical issue in the accounting world. Since the early 1970s, various attempts have been made and are still being made to eliminate or reduce many of the major differences in accounting standards through a process known as harmonization (Herbert 2010). Indeed, because of the inherent difficulties at the time, internationalization of accounting standards was deemed as “an endeavour of conflicts” (Choi & Mueller 1984: 470). This conflict is rooted in the process of standard setting which is politically motivated in some countries and, in others, through the private professional accountancy bodies. These national variations (or non-uniformity) in the process of standard setting inevitably gave rise to the prevalence of different standards in different countries.

2.2 Conceptual Difference between IFRS Adoption, Convergence and Adaptation

Despite the fact that IFRS are increasingly becoming the need of the hour across the world and given aggressive attempts by companies in globalizing their operations, some confusion still prevails over the difference between Adoption, Adaptation (or Adaption) of, and Convergence with, IFRS. Although in common parlance and even in extant literature, the terms are used interchangeably, conceptually there exists a significant difference between the two which all users of IFRS – researchers, regulators, professionals, etc. - should understand and implement. It is important in any IFRS discourse to clarify this distinction.

The term ‘adoption’ implies that national rules are set aside and replaced by IFRS requirement. In simple terms, when a country or jurisdiction adopts IFRS, it means that the country/jurisdiction shall be implementing IFRS in the same manner as issued by the IASB and shall be 100% compliant with the guidelines issued by IASB. Within the European Union, for example, IFRS adoption is obligatory for all listed companies for their consolidated statements. For unlisted EU companies, the EU Regulation of 2002 allows them to adopt IFRS for their consolidated statements if a member state allows or requires this and most have allowed it; and for unconsolidated statements, the Regulation also allows member states to require IFRS (Nobes & Parker 2008: 105). The term ‘adoption’ is also used when a company chooses to use a set of accounting rules other than the national one, that is, the one regulated by its national accounting standards, as for example by Financial Reporting Council (FRC) in Nigeria.

On the other hand, convergence with IFRS means that the country’s Accounting Standard Board (e.g. FRC of Nigeria) in applying IFRS would work together with IASB to develop high quality compatible accounting standards over time. Convergence is then the gradual process of changing a country’s accounting rules towards IFRS. Thus, it is, to all intents and purposes, a particular form of harmonization or standardization. Most countries follow the convergence path towards IFRS. However, with IFRS convergence, a country may deviate to a certain extent from the IFRS as issued by the IASB, in which case some differences may still remain since compliance is partial, rather than total as with adoption.

The argument favouring convergence is forcefully maintained by the U.S. Essentially, the US GAAPs are regarded as the gold standard; thus, abandoning them would be deemed as giving up a competitive advantage. Protagonists of continued convergence over adoption aver that adoption is just not right for the U.S. now. Their position is premised on the notion that the U.S. is the largest capital market in the world and hence unique in critical ways. Therefore, they maintain that giving up significant control of the standard setting process and throwing the U.S. regulatory and litigation system out-of-balance is too risky for the US economy. Other issuers without significant customers or operations outside the United States tend to resist IFRS adoption because they do not see an immediate market incentive to prepare IFRS financial statements. They also believe that the significant costs associated with IFRS adoption outweigh the benefits (AICPA IFRS: FAQs on http://www.ifrs.com/ifrs_faqs.html). Another term that raises confusion in the IFRS lexicon is ‘adaption’. In simple terms, any transition to IFRS that entails the modification of IASB’s standards to suit national/jurisdictional peculiarities or interests even without compromising the accounting standards and disclosure requirements is referred to as adaptation.

A Summing Up

The implementation trajectory of IFRS involves three action words: adopt, adapt, and converge. Put differently, with respect to IFRS, should a country adopt, adapt or converge? In general, although IFRS adoption is the ultimate objective and offers similarities in both challenges and benefits, however, national differences (socio-cultural and political) persist. Thus, every country/jurisdiction will inevitably follow its own path towards achieving adoption. Clearly, many countries face cultural, legal, and/or political obstacles to an immediate adoption of IFRS. As a result of those impediments, countries may decide to follow the path and strategies that will enable them to best achieve the objective. A country may implement strategies of (a) immediate full adoption of IFRS, (b) continuous convergence with IFRSs, or (c) modify the standards to suit their national peculiarities, without compromising the preparation and disclosure requirements of IFRS. Both (b) and (c) approaches provide necessary preparation for eventual adoption of IFRS in the presence of hurdles to full adoption. In both cases too the country decides to gradually bring its national standards to a point where the amounts reported in the financial statements are the same as in IFRS financial statements. In so doing, there is a conscious realisation that the ultimate objective is to make full adoption of IFRS possible because only then will a country avail itself of the full advantages of using the standards. In effect, while convergence or adaptation (or adaption) may be warranted as a desideratum, they are by no means an end, which full adoption presents.

Finally, there is a presumption that the simplest, least costly and most straightforward option for a country is to adopt the complete body of IFRS in a single step rather than opting for piecemeal or long-term gradual process of convergence or adaptation. To be sure, adoption is a significant change, but the alternatives are not easier or cheaper either: in fact, they could be more difficult and of less benefit to a country in the long run. In reality, there are four basic approaches to IFRS implementation in a jurisdiction. These include processes where (a) IFRS are, by definition, fully integrated domestic accounting principles; (b). IFRS are integrated into domestic accounting standards, using the exact words in the IFRS, but with possibility of local jurisdiction restricting accounting provided in the IFRS and provision of additional commentary to assist implementation; (c) IFRS are incorporated into local legislation without amendments after a formal review; and (d) IFRSs are the benchmark towards which domestic accounting standards are moving, through a gradual process of convergence or harmonization. These approaches can be trichotomized into adoption, convergence, and adaptation routes, as espoused above.

2.3 Present Status of IFRS Adoption in Nigeria

In line with developments in other countries and jurisdictions, the FRC (formerly Nigerian Accounting Standards Board) first published in 2010 a roadmap which outlined specific milestones that would lead to the adoption of IFRS. Projected in three distinct milestones and timelines, the roadmap would commence with (i) public (listed) companies and significant public interest entities in Nigeria by 2012, (ii) other public interest entities in 2013 and, (iii) small- and medium-sized entities in 2014.

Second, the report sought the amendment of relevant laws and regulations that had one provision or the other impacting on financial reporting in Nigeria to ensure uniformity and removal of conflicts and ambiguity. The following are specific: the Companies and Allied Matters Act (CAMA) 1990, Banks and Other Financial Institutions Act (BOFIA) 1991, Investments and Securities Act (ISA) 2007, etc. Third, the report recommends the passage and signing into law of the Financial Reporting Council Bill as soon as possible since it has the capacity to bring all financial reporting regulations under one umbrella and thus ensure ease of compliance.

Fourth, the report canvasses for an early countrywide intensive capacity building programme to facilitate and sustain the process of adoption. Fifth, the report recommends the establishment of IFRS Centre of Excellence as an institutional platform for capacity building. Finally, the Report recommends the establishment of the proposed Financial Reporting Council for Nigeria to ensure proper enforcement of IFRS (Herbert 2010). This bill has since been signed into a law, and in 2011 the NASB transited into FRC.

2.4 Review of Prior Studies

With the globalization of capital markets, the need for harmonization of accounting standards heightened in order to help standardize companies' financial statements, especially international investors whose interests span across the globe. 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. According to Turner (1983) "the greatest benefit that would flow from harmonization would be the comparability of international financial information".

Since the evolution of IFRS, several affirmative arguments have been canvassed. For example, Ewert & Wagenhofer (2005) offer strong arguments in support of the need to tighten accounting standards to reduce the level of earnings management and improve reporting quality. Others, such as Armstrong *et al.* (2007) and Covrig, Defond & Hung (2007), aver that IFRS make it less costly for investors to compare firms across markets and countries. They suggest that even if the quality of corporate reporting itself does not improve, it is possible that the financial information provided becomes more useful to investors.

The view of Nobes & Parker (2008) towards harmonization is that even if a number of accountants from different countries or the same country are given the same transactions from which to prepare a financial statement, they will not produce identical statements. Although they follow the same rules, no set of rules covers every eventuality or is prescriptive to the minute details and they offer reasons for obstacles to harmonization (ibid. p. 77). Other researchers, such as Saudagaran (2001), Dunn (2002), and Mednick (1991), have examined the obstacles to harmonization of accounting, including cultural and political barriers. These studies provide affirmative arguments about the benefits of the harmonization process, such as improving the comparability of international accounting information, enabling the flow of international investments, and making consolidation of divergent financial reporting more cost-effective.

However, these studies duly acknowledge that the most severe impediments to harmonization and convergence in global accounting standards are the extent of differences in accounting policies and practices of various countries, lack of vigilant, effective standard-setting bodies in some countries, and diversity in political and economic factors worldwide. Another reason for inter-country differences in accounting principles relates to variations in the countries' levels of socioeconomic development - their legal systems, taxation systems, capital market development, their level of inflation, in their methods of enterprise financing, in their private sector development and sophistication, and in the political and cultural traits. These determine the regulatory aims and philosophy behind them (Beke 2010).

Studies reporting improvements in financial reporting quality following voluntary IFRS adoption include Barth, Landsman & Lang, (2008) and Gassen & Sellborn (2006). Barth (2007) examined accounting quality before and after the introduction of IFRS for a sample of 327 firms (1,896 observations) that voluntarily adopted IFRS between 1994 and 2003. They found evidence of lower earnings management, higher value relevance and more timely recognition of losses after the introduction of IFRS, compared to the pre-transition local GAAP accounting. Their results are consistent with higher accounting quality after the IFRS introduction across countries.

Daske *et al*. (2007) examined the economic consequences of requiring IFRS for financial reporting worldwide, and found increase in market liquidity and equity valuations around the time of the mandatory introduction of IFRS. However, evidence of the effect on firms' cost of capital is mixed. Furthermore, Daske *et al*. (2007) reported that capital market benefits were more pronounced in countries with strict enforcement regimes and for firms that voluntarily switched to IFRS, but less pronounced for countries where local GAAP was closer to IFRS or where IFRS convergence strategy was in place, and in industries with higher voluntary adoption votes. The IFRS are expected to improve the comparability of financial statements, strengthen corporate transparency, and enhance the quality of financial reporting.

Prior studies pertaining to adoption either investigated market reactions to several events regarding the European Union's movement toward mandatory IFRS reporting or examined the impact of mandatory IFRS adoption in financial reporting in different countries. Results of market event studies of mandatory IFRS reporting are mixed and inconclusive. For example, Comprix, Muller & Standford-Harris (2003) find insignificant but negative market reaction to four key events associated with mandatory IFRS reporting for EU firms. Armstrong *et al*. (2007) report a positive (negative) market reaction to 16 events that increase (decrease) the likelihood of IFRS adoption from 2002 to 2005 with more positive effects for firms with high pre-adoption information asymmetry or lower quality pre-adoption information environments and firms that are domiciled in common law countries.

Some studies (e.g., Lang *et al.* 2006; Leuz, 2000) support anecdotal evidence (e.g., KPMG 2006 2007; E&Y 2007a, b) which suggests that IFRS financial reports are not only affected by home-country institutions, but also retain a strong national identity. Application of accounting standards is affected by unique cultural and economic factors of the country in which the standards are applied (Smith, 2008). Daske *et al.* (2007) find that serious IFRS adopters experience significant declines in their cost of capital and substantial improvements in their market liquidity compared to label adopters. Their findings further seemed to suggest that IFRS were designed for large corporations and unfavorable to the reporting needs of smaller firms. Recent studies (Barth 2008, Ball 2006, and Nobes 2006) examined the feasibility of IFRS, including the potential advantages of producing more accurate, timely, and complete financial information, eliminating international differences in accounting standards, and removing barriers to the global capital markets. Barriers to IFRS convergence addressed in these studies are the persistence of international differences under IFRS, the existence of market, legal, and political differences, and IFRS enforcement issues (Smith 2008). Barth (2008) identifies challenges and opportunities created by global financial reporting for the education and research activities of U.S. academics.

2.5 International Financial Reporting Standards (IFRS) and Corporate Governance

Corporate governance has been shown to be a global frontier issue in corporate management, more so in developing economies with weak regulatory systems, weak/opportunistic legal institutions, and corrupt/inept leadership (Herbert & Tsegba 2011). Effective corporate governance requires accurate and reliable financial information (Judge, Li & Pinsker 2010). The provision of accurate and reliable information has historically followed national standards, where each nation has developed and pursued its own financial standards. However, since the 1980s, in particular, the imperatives of globalization and advances in information communications technology (ICT) have increasingly integrated national economies as well as consolidated financial markets into a global market. As a consequence, the need for a common set of financial standards became not only desirable but imminent.

The upshot of the concern for a uniform financial reporting framework gave rise to the movement towards harmonization of IFRS throughout the global economy. An important aspect of IFRS is the obligation of increased comparable disclosure by international companies. Research has found a strong association between the level of disclosure about the transition to IFRS and superior corporate governance (CG). The disclosure of such good CG indices as the frequency of board and audit committee meetings, choice of auditor and board size has been shown to increase with IFRS transition (See for example, Kent & Stewart 2008, and Doyle 2010).

2.6 Research Questions and Hypotheses

While there has been considerable research on the effects of IFRS adoption, there has been relatively little or no systematic study as to the antecedents of IFRS adoption in Nigeria. Nigeria and a host of nations have quickly embraced IFRS. In other words, while Nigeria has undertaken a wholesale transition to IFRS from January 2012, it still remains an issue of empirical concern why Nigeria and over 126 countries have quickly embraced IFRS, while others have partially adopted them and still others continue to resist. Put differently, how and why did Nigeria embrace IFRS without invoking socioeconomic awareness, both from pedagogic and professional development points of view? At least there is no published study addressing or validating the country's state of preparedness nor is there any evidence of Nigerian University System-wide redesign of accounting curriculum to incorporate IFRS.

This survey seeks to offer answers to questions about convergence to IFRS through an evaluation of opinions and insights from a sample of accounting academics (students and lecturers) and practitioners regarding the relevance, benefits, challenges and ways of convergence to uniform global financial reporting framework. Specifically, the study seeks to provide answers to the following research questions (RQ):

RQ 1: To what extent are Nigerian academics and practitioners familiar with IFRS? Put differently, what is the extent of IFRS familiarity between Nigerian academics and practitioners?

RQ2: Do Nigerian academics and practitioners have different perspectives about the state of readiness to embrace IFRS?

RQ 3: Do Nigerian academics and practitioners have different perspectives regarding a proper national transition plan to IFRS?

Research Hypotheses

The above research questions lend themselves to a number of hypotheses, stated in the null form, and associated with each research question. RQ1 yields the following three hypotheses:

H_{01}: There are no significant differences between Nigerian accounting lecturers and students in the level of IFRS familiarity.

H_{02}: There are no significant differences between Nigerian accounting lecturers and practitioners in the level of IFRS familiarity.

H_{03}: There are no significant differences between Nigerian accounting students and practitioners in the level of IFRS familiarity.

Research Question 2 (RQ2) gives rise to the following three hypotheses:

H_{04}: Nigerian accounting lecturers and students do not have significant differences in their perspectives regarding their state of readiness to embrace IFRS.

H_{05}: There are no significant differences between Nigerian accounting lecturers and practitioners on their perspectives on the state of readiness to embrace IFRS.

H_{06}: There are no significant differences between Nigerian accounting students and practitioners on their perspectives on the state of readiness to embrace IFRS.

Research Question 3 (RQ3) gives rise to the following three hypotheses:

H_{07}: Nigerian accounting lecturers and students do not have different perspectives regarding a proper national transition plan to IFRS.

H_{08}: Nigerian accounting lecturers and practitioners do not have different perspectives regarding a proper national transition plan to IFRS.

H_{09}: Nigerian accounting students and practitioners do not have different perspectives regarding a proper national transition plan to IFRS.

3. Methodology

This section describes the methods adopted in this study. It specifies the research design, the source of data, and the procedures adopted in data collection and analysis.

3.1 Research Design

This study is exploratory, being the first known empirical examination of the phenomenon of interest in Nigeria. It adopts a quantitative approach in analysing the research questions. The study adopts a survey approach through a set of questionnaires which were designed to elicit opinions about the perception on the readiness, benefits, challenges, and ways to adopt IFRS. One aim of the survey is to ascertain the attitudes of Nigerian accounting academics (students and lecturers) and practitioners towards effective IFRS adoption.

3.2 Population and Sample

The population for this study comprised mainly academics and practitioners in Abia and Imo States of Nigeria. The choice restriction to these two states was due to reasons of logistics and resources (both in terms of time and money). Interactions with some lecturers and students from the universities located in these two states (Federal, State and Private) as well as with practitioners therein provided anecdotal evidence that was somewhat convincing about the general state of awareness of and readiness to embrace IFRS in Nigeria, despite Federal Government's announcement of IFRS adoption by January 2012. Thus, it is not expected that the conclusions reached in this study will be markedly different from those of a wider population of similar respondents, although this does not foreclose a broader coverage of the phenomenon of interest to enrich our understanding of IFRS issues.

The sample respondents are accounting students and lecturers from the Nigerian University System, principally students and lecturers from Veritas University and Abia State University, accountants and auditors in practice, from the offices of the Accountants-General, Auditors-General, Federal Inland Revenue Service, Union Bank, Fidelity Bank, and Ecobank. For purposes of questionnaire administration and subsequent analyses, there were altogether three sample groups: students, lecturers and practitioners.

In this study, the term 'accounting academics' is used in the inclusive sense to denote accounting lecturers and students. Also, the term 'practitioners' is used inclusively to connote accountants, and auditors in practice (both in the private and public sectors) as listed in the registers of the Institute of Chartered Accountants of Nigeria (ICAN) and the Association of National Accountants of Nigeria (ANAN) as of 2010. This register is an authentic compilation of members of the two recognized accountancy bodies, which means that the practitioner-respondents are all professionally qualified and may hold professional opinions on the issues raised in the questionnaire.

3.3 Sample Size and Sampling Technique

A total of two hundred (200) questionnaires were administered, with each group having twenty (20) questionnaires except for Veritas University and Abia State University which were given forty (40) questionnaires each. The reason for this was to garner as many responses from the large population of students and lecturers in these two universities as would be available from the practitioners in the states. Furthermore, it is expected that the more the sample size of academics from different universities (state and private) the greater the chances of reducing any potential bias in their responses. The random sampling technique was employed in administering the questionnaire to ensure that every unit in the population had a chance of being selected.

3.4 Sources of Data and Instrument of Data Collection

The study's main instrument for data collection is the questionnaire. The questionnaires were adopted, mutatis mutandis, from those of Rezaee, Smith & Szendi (2010) and Moqbel & Bakay (2010) and distributed to both accounting academics (lecturers and students) and practitioners (accountants, auditors, etc). The questionnaires are designed to measure the perception on the readiness, benefits, challenges, and ways to adopt IFRS. The questionnaire consists of closed type questions which are easier to answer, process, and analyze. The questions are made-up of Likert scales: ("strongly agree," to "strongly disagree."), numerical rating scales, etc. They were partitioned into two main sections. The first section, demographics, contains background information, socio-economic status, education, etc. The second section contains ***attitudinal questions***; covering respondents' opinions, attitudes, values and beliefs on their perceptions on familiarity, readiness, benefits, challenges, and ways to facilitate the adoption of IFRS.

It is presumptuous to group the knowledge base and status of junior, senior and graduate level accounting students (or any subject for that matter) with that of PhD students and lecturers, as was done in the study by Moqbel & Bakay (2010) where all were grouped as academics. In this study, we identified this knowledge differential while acknowledging their generic appellation as academics. Thus, we defined academics in an inclusive way to incorporate students and lecturers, as in the US study, but instead of having a two-sample study as in the US, we decomposed academics into lecturers and students. Thus with practitioners we have a three-sample study, occasioning the use of Kruskal-Wallis test.

3.6 Techniques for Data Processing and Analysis

The hypotheses of this study were tested using appropriate statistical tools, such as Frequency analyses, descriptive statistics and Kruskal-Wallis (K-W) and Chi-Square tests. The K-W test is a nonparametric test used to compare three or more samples, as in this study. It is used to test the null hypothesis that all populations have identical distribution functions against the alternative hypothesis that at least two of the samples differ only with respect to location (mean or median), if at all. It is analogous to the F-test used in analysis of variance (ANOVA). While analysis of variance tests depend on the assumption that all populations under comparison are normally distributed, the Kruskal-Wallis test places no such restriction on the comparison (Easton & McColl 2012). While the Chi-Square test of independence was used to test for differences in responses involving categorical dependent variables for the between subject analysis, the K-W test was used to examine differences in responses in the ranked data. The K-W test was also performed to investigate demographic differences in the responses. The SPSS (Statistical Package for Social Science) Version 20 was used to analyze the data and test the hypotheses.

4 Results and Discussion

We present the data, analysis and interpretation of results.

Table 1. Summary of Questionnaire Administration

Nature of Organization	No. of Questions Sent	No. Returned	%
Auditor-General's Office	20	14	70%
Accountant-General's Office	20	9	45%
Federal Inland Revenue service	20	10	50%
Union bank plc	20	5	25%
Eco bank	20	3	15%
Fidelity bank	20	5	25%
Abia State University	40	17	42.5%
Veritas University	40	40	100%
Total	200	103	51.5%

Table 1 shows that 103 responses were received out of 200 questionnaires administered, representing 51.5% response rate. Fifty-seven responses (71.25%) were received from academics (lecturers and students) and 46 (38.3%) from practitioners. The overall response rate (51.5%) as well as the response rates for both academics and practitioners were quite impressive and compares very favourably with most survey studies (see, Rezaee, Smith & Szendi 2010; and Moqbel & Bakay 2010).

Table 2: Characteristics of Sample Respondents (N = 103)

Gender Male: (56) 53.9% Female: (47) 46.1% 1 – Missing	**Occupation:** Students: (43) 41.7% Lecturers: (18) 17.5% Practitioners:(42) 40.8%	
Age (Years): Less than 20:(14) 13.6% 21 -30: (39) 37.9% 31 – 40: (22) 21.4% Over 40: (28) 27.2%	**Work experience (Yrs)**: 1 – 4: 19.35% 5 -10: 30.64% Over 10 yrs: 50.01%	**Industry Classification:** Banking, Finance, Insurance, etc.: 23.5% Professional Services: 32.35% (Accounting, Auditing, Consultancy, etc. Public Aministration: 44.15% (Federal, State, Local Government)

Table 2 presents the characteristics of the respondents. It shows that the respondents are fairly balanced in terms of gender. In terms of industry classification, more than half of the practitioners either work in professional accountancy firms or in banks, etc. Thus, the respondents can be presumed to have a good grasp of the issues and challenges in IFRS adoption.

Research Question 1: To what extent are Nigerian Academics and Practitioners familiar with IFRS?

Table 3: Familiarity with IFRS

	Students		Lecturers		Practitioners		
	Mean Response	Std Dev.	Mean Response	Std Dev	Mean Response	Std Dev.	K-W Chi-Sq
Please indicate the extent of your familiarity with international financial reporting standard by ticking any of the responds ranging from 1- not familiar to 5- very familiar.	3.0233	1.1017	4.2778	.4609	4.000	.9877	.000

Table 3 shows that the accounting lecturers and practitioners are more familiar with IFRS than the students, with a mean of 4.28 for accounting lecturers and 4.00 for practitioners as against students' mean response of 3.02 on a 5-point scale. However, the Kruskal-Wallis test of the null hypothesis of no significant difference between accounting students, lecturers and practitioners with respect to their mean responses regarding the degree of familiarity with IFRS (that is that their mean response are the same) is rejected. The high significance level of the mean responses (.000 or 100.0%) indicates that there is certainly a true difference in the extent of familiarity with IFRS by students, lecturers and practitioners in the population from which the sample was drawn.

A further test was carried out along the line of Moqbel & Bakay (2010). Here, the levels of IFRS familiarity by academics (students and lecturers) were collapsed and dichotomized into: Familiar and Unfamiliar. The reason for this dichotomy was to consolidate and compare the levels of academics' familiarity with practitioners, as was done in the above US study. The chi-square test of no significant difference between academics and practitioners is also rejected. This finding is in line with the US study where the respondents were found not to be familiar with IFRS. Thus, on the bases of the tests above, hypotheses 01 – 03 are rejected.

Table 4A: Awareness of IFRS

	Students		Lecturers		Practitioners		
	Mean Response	**Std Dev**	**Mean Response**	**Std Dev**	**Mean Response**	**Std Dev**	**K-W Chi-Sq**
Have you heard about IFRS?	1.4651	.5047	1.0000	.00000	1.0000	.0000	.000

Tables 4A and 4B are meant to explore this familiarity level more deeply. Obviously, both the lecturers and practitioners have heard of IFRS, while the responses from students were not that definite. However, the differences in their responses were not statistically significant.

Table 4B: Source of Awareness of IFRS

Source/ Respondent	News media	Lectures/Professional Development	Internet/Others	Total
Students	6	13	4	23
Lecturers	2	16	0	18
Practitioners	6	35	1	42
Total	14	64	5	83
Percentage	16.9%	77.1%	6.0%	100%

Respondents who claimed to have heard of IFRS were asked how they came to know about it. Table 4B is an analysis of the results and reveals that an overwhelming majority of them (77.1%) became aware of IFRS from professional lectures, workshops and seminars. The respondents' next source of IFRS awareness – a distant second - was the news media, while other sources such as the internet were surprisingly negligible, given the growing ubiquity of internet as both information and knowledge medium.

Research Question 2: Do Nigerian academics and practitioners have different perspectives about the state of readiness to embrace IFRS adoption?

The disparity between the triad in the IFRS awareness mode may reveal an underlying lacuna in the state of readiness by relevant national institutions and stakeholders. Research question 2 sought to unravel this by enquiring into the perspectives of the three groups of respondents about the country's state of readiness to embrace IFRS adoption. The results are shown in Table 5.

Table 5: Extent of Readiness for IFRS Adoption

	Students		**Lecturers**		**Practitioners**		
	Mean Response	Std Dev.	Mean Response	Std Dev.	Mean Response	Std Dev.	K-W Chi-Sq.
Please indicate the extent to which you think auditors, accountants, and accounting students are ready for the convergence to international reporting standards (IFRS) by ticking any of the responds ranging from 1=- not ready to 5 = very ready.	2.628	1.254	3.611	1.290	3.643	1.144	.000

Research question 2 (RQ2) of this study is designed to ascertain the extent to which respondents' think that accountants, auditors, accounting students and other accounting and finance professionals are ready for the adoption of IFRS. Respondents' answers are anchored on the five-point scale, with 1 = not ready to 5 = very ready. Table 5 shows that most of the respondents are not ready. The differences in responses regarding the extent of readiness for adoption between academics and practitioners are not statistically significant. The results indicate that the three groups of respondents do not have different perspectives about the state of readiness. Precisely, they are not ready to embrace IFRS.

Research Question 3: Do Nigerian academics and practitioners have different perspectives regarding a proper national transition plan to IFRS?

Table 6: Respondents' Perspectives on Plan to Transition Nigerian Companies

	A Proper Plan to Transition Nigerian Companies Requires				
	IFRS Training for Investors	IFRS Training for Auditors	IFRS Training for Management	IFRS Course in Accounting Curriculum	Total
Students	6 (42.8%)	9 (50.0%)	13 (44.8%)	15 (35.7%)	43(41.7%)
Lecturers	4 (28.6)	4 (22.2%)	2 (6.9%)	8 (19.1%)	18(17.5%)
Practitioners	4 (28.6)	5 (27.8%)	14 (48.3%)	19 (45.2%)	42(40.8%)
Total	14 (13.6%)	18 (17.5%)	29 (28.1%)	42 (40.8%)	103 (100%)

Research Question 3 seeks to elicit the perspectives of academics and practitioners regarding a proper plan to transition to IFRS. Precisely, do they (academics and practitioners) have different perspectives about the transition plan by government for Nigerian companies? The results of respondents' perceptions are presented in Table 6. In the order of importance to a proper plan, respondents believe that 'IFRS Course in Accounting Curriculum' is the best plan to transition all Nigerian companies to IFRS. About 41 percent of the respondents rate this as number one priority plan. This is followed by 'IFRS training for management and staff'. The significance of updating accounting curriculum to incorporate IFRS must be underscored on the precept that accounting students are the future accountants whose knowledge of or familiarity with IFRS must invariably be invoked in their work place, sooner or later. Equally important is the need to engage management and staff in systematic IFRS training through workshops, seminars, conferences or other structured approaches. The differences in responses between each of the three dyads – accounting lecturers and students (H_{07}), accounting lecturers and practitioners (H_{08}), and accounting students and practitioners (H_{09}) – were tested and found not to be statistically significant, thus leading to acceptance of the null hypothesis in each case.

5. Summary and Conclusions

This section presents the summary, conclusion and limitations of the study, and the policy implications in the form of recommendations. The section concludes with suggestions for further study.

5.1. Summary

The broad objective of this study was to evaluate the state of readiness of Nigeria for IFRS transition as a prelude to effective IFRS adoption. This was pursued through a comparative assessment of the perspectives of Nigerian academics and practitioners regarding adoption of a set of global accounting standards. This objective was decomposed into specific objectives for micro-analytical examination, as stated in the research questions. The sample respondents were accounting students and lecturers from the Nigerian University System, particularly students and lecturers from Veritas University and Abia State University, accountants and auditors in practice, from the Office of the Accountant-General, Auditor-General, Federal Inland Revenue Service, and banks such as Union Bank, Fidelity Bank, and Eco Bank. Data were collected through questionnaire administration to a sample of accounting students, lecturers and practitioners drawn from the population within the geographic context defined earlier.

Three research questions were examined, the first concerning the extent of familiarity of accounting academics (students and lecturers) and practitioners (accountants in practice in private and public sectors) with IFRS. The second sought to know whether academics and practitioners have different perspectives regarding the state of readiness to embrace IFRS. The third was about their perspectives regarding a proper national transition plan to IFRS adoption. The analyses of responses, using frequency analysis and K-W tests, show a level of disparity as regards IFRS knowledge between lecturers, practitioners and students. The Kl-W test of the null hypothesis shows that there are significant differences between accounting students, lecturers and practitioners with respect to their degree of familiarity with IFRS. The high significance level of the mean responses indicates that there is certainly a true difference in the extent of familiarity with IFRS by students, lecturers and practitioners.

As regards the state of readiness to adopt IFRS, the differences in responses between academics and practitioners were not statistically significant, indicating that both Nigerian academics and practitioners do not have different perspectives about the state of readiness. In essence, they were not ready to embrace IFRS. With respect to transition plan to IFRS, respondents were of the view that 'IFRS Course in Accounting Curriculum' is the best plan to transition all Nigerian companies to IFRS, followed by 'IFRS training for management and staff'. The significance of updating accounting curriculum to incorporate IFRS was underscored on the precept that accounting students are the future accountants whose knowledge of and familiarity with IFRS must invariably be invoked in their work place, sooner or later. Respondents equally felt the need to engage management and staff in systematic IFRS training through workshops, seminars, conferences or other structured approaches. The differences in responses between each of the three dyads - representing hypotheses H_{07} – H_{09} – accounting lecturers and students, accounting lecturers and practitioners, and accounting students and practitioners – were tested and the results showed no discernible difference in perspectives regarding a proper national plan to IFRS.

5.2. Conclusion

International Reporting Standards (IFRS), regarded as principles-based standards, have received global acceptance and have been adopted by many countries, and are being considered by some, such as the USA. Adoption offers companies, especially multinational or prospective ones, the facility and opportunity to demonstrate to the international investment community that their financial statements are IFRS-compliant. Adoption not only makes the compliance representation required by IAS 1, but also presents a bold and valid claim about the complete application of all the standards as issued by the IASB. These are sufficient prospects in themselves which neither convergence nor adaptation offers. Thus, while convergence or adaptation is good, adoption is the ultimate benchmark for maximizing the full benefits of IFRS. The initiative of Federal Government of Nigeria in fully adopting IFRS was a positive step which, however, ought to have been prefaced by a systematic dialogue and interrogation with critical stakeholders in order to establish a proper understanding of the trajectories of adopting IFRS as a global financial reporting language.

5.3. Limitations and Suggestions for Future Research

Every survey research is fraught with limitations. The limitation may stem from the homogeneity of the sample subjects. For example, the sample subjects in this study (accounting staff and students, and accountants in practice), as with many similar surveys, exhibit commonality of traits which may induce systematic biases in their perceptions of the relevance of adoption of IFRS. Second and related, any random sampling of respondents from a homogenous population is bound to induce bias in sampling procedures which may introduce response biases. Third, questionnaire surveys are almost always faced with the possibility of a non-response bias as a consequence of (a) non-return of some questionnaires, (b) incomplete return or non-usable responses, and (c) late respondents (Herbert & Wallace 1996). Thus, the presence of non-respondents to the questionnaire may suggest non-response bias in the results, given that it is not known how non-respondents would have answered. However, a test of non-response bias was undertaken by comparing late responses with early responses, as suggested by Herbert and Wallace (1996), to determine any significant differences in the responses of early and late respondents, and hence any potential bias in the responses, using the late responses as a surrogate for nonresponses (ibid). The results showed no significant differences in the responses of early and late returns.

Fourth, where a survey is constrained by a small-numbers sample size condition, there may be limitations on account thereof. With respect to small-numbers sample size condition and the limitations associated therewith,

two kinds are discernible: *ex ante* and *ex post* small numbers sample sizes. Where a study population is inherently limited, the phenomenon of interest is bounded by natural selection, and there is nothing the researcher can do about the number of possible participants beyond increasing the response rate in order to reduce bias and thus obviate the inferential liability or defect of the results. The researcher will hence be obligated to either study the entire population where this is feasible or ensure a reasonable sample therefrom.
Ex post small numbers sample condition is researcher-induced through his or her research design and research techniques. In effect, a relatively small sample size (of academics and practitioners) would evoke caution in the reader's interpretation of the results. Fifth, the contextual limitation of this study to a relatively homogenous cultural setting – institutions and practices domiciled in Abia State – may pose generalization problem. Further and wider contextual considerations may be a fruitful avenue for further research. Also, future research may be warranted even within other geographic contexts to validate or refute the findings of this study. The pointed limitations notwithstanding, this study provides a useful incipient comparative analysis of the views of academics and practitioners on IFRS adoption in a developing country like Nigeria.

5.4. Recommendations and Policy Implications

This study has thrown up reservations about the progress as well as many unresolved issues of the January 2012 adoption of IFRS by Nigeria. The findings of this study compel policy dialogue with respect to inadequacy of adoption plan/preparation and minimization of perceived obstacles to seamless transition to a unified global financial reporting architecture. An important policy implication is the urgency of accounting curriculum review in Nigeria's tertiary education system to incorporate IFRS and its implementation dimensions. Clearly, government at all levels, financial regulatory agencies, professional accountancy bodies, private and public companies and institutions, and accountancy firms, all need to fast-track IFRS education in order to boost local acquisition of IFRS knowledge and competences.

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