Standards' Compliance and Financial Reporting Quality Among Listed Companies in Nigeria

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Abstract
The study determined the extent of compliance with financial reporting standards and the extent of financial reporting quality among quoted non-financial firms in Nigeria between 2005 and 2020. The study used secondary data sourced from the published annual audited reports and financial statements of 50 non-financial firms listed in the Nigeria Stock Exchange. Descriptive statistics and Beneish Model were used to determine the compliance and the extent of financial reporting quality. The results showed that the level of compliance with financial reporting standard among quoted non-financial firms is significantly high. Also, results showed that since the adoption of International Financial Reporting Standards (IFRS) in 2012, the level of financial reporting quality of quoted non-financial firms has increased as there was no manipulation of any financial statement of the selected firms up to 2020.
Keywords: Financial Reporting Quality, IFRS compliance, Beneish Model.
DOI: 10.7176/RJFA/13-14-08
Publication date: August 31st 2022

1. INTRODUCTION

Investment decision making requires that investors search and obtain all reliable information available for an optimal decision. The regulators of the capital markets understand that to gain confidence of market participants and not to betray already reposed confidence by investors. There is a need for the management of corporate entities to furnish a quality financial statements which will describe not only the financial position of an entity but also a true reflection of performance of the entity. The financial statements released should possess both qualitative and enhancing quality of a financial statement with full compliance with the prescribed International Financial Reporting Standards (IFRS) and conceptual framework. The provision of these information to the users and the public prohibits arbitrage and enhance market efficiency. A market is efficient when all the available information is easily and quickly incorporated into the prices of securities listed on the capital market.

Nigeria Capital market has been established to be information inefficient (Nwosa & Oseni, 2011). The information required in the capital market which price should respond to, is supplied through financial statements of the listed firms. According to the World Bank Report (2004) on the quality of financial reporting in Nigeria. The Institute discovered that lenders, financial advisers, and financial analysts, held the view that the financial statements are not free from bias and errors. Generally, the financial statements are not regarded as credible and there is a perception that multinational companies prepare relatively better-quality financial statements compared to Nigeria. On these bases, the low quality financial statements prepared for consumption in Nigeria Capital Market may be responsible for inefficiency of Capital Market. There is growing evidence that disclosure generally improves transparency and thus reduces information problems (Healy & Palepu, 2001; Schrand & Verrecchia, 2004). However, it is also possible that managers use particular disclosure strategies to reduce transparency and hype their firms' stocks (Lang & Lundholm, 2000). Lang and Lundholm (2000) also note that firms willing to increase the value of their stocks have an incentive to increase disclosure immediately before the offer. Such firms also may have an incentive to manage their earnings. The management of earnings should not even occur as the International Financial Reporting Standards (IFRS) has stipulated a framework and objective for financial Reporting.

Choi (1973) defined financial reporting as a publication of economic information which relates to businesses quantitative or non-quantitative that can help users in making economic decisions. The coverage of the definition was extended by defining it as a process where firms communicate with outside stakeholders (McKinnon,1984). It could be inferred from the definitions that consumers of financial statements are many, especially those that place their confidence and assessment on the reliability of financial statements like financial analysts, equity analysts and tax assessors. The importance of financial statement which is an output of financial reporting cannot be overemphasized. Financial Statement is one of the important information that investors and potential investors need in making an informed decision. Analysts and Stockbrokers analyze these information and they make recommendation to their clients on whether to buy, sell or hold a particular financial instrument. It gives information not only about profitability but also reflects firms' ability to generate cashflow and meet expenditure as at when due. The owners are keenly interested in the feedback from reporting because financial reporting provides an indicator to show the management effectiveness and utilization of the resources of the firms. The information from financial statement is also used to appraise the performance of the management and their rewards in form of bonuses are determined using performance disclosed in financial statement which could be a source of incentive to manipulate financial information disclosed.

Wallace (1988) was the first author to pioneer study on Nigerian Financial Reporting environment. The analyses were based on the perceptions of experts on financial reporting quality of listed firms. The result of the study revealed that the disclosure of items and the quality of Nigeria financial statement is weak. However, the study exhibits some deficiencies which are: usage of primary data while the variables were available in secondary form. Also, the study covered period between 1982 and 1986 which is relatively short. World Bank (2004) did a thorough analyses of financial reporting quality of listed firms in Nigeria with conclusion that financial reporting environment in Nigeria is deficient. Other authors have made an attempt to evaluate the financial reporting environment like Okike (2000), Adeyemi (2006) and Ofoegbu and Okoye (2006). Their findings are quite similar that the Nigerian corporate reporting practices are weak. The approaches adopted by these studies come with shortcomings. The limitation of the studies is hinged on assigning weight to disclosure index which is known to be unscientific and judgmental without statistical basis because of level of discretion involved in assigning the weight. Consequently, evaluating the financial reporting quality after the adoption of IFRS requires both the descriptive and scientific approach.

2.0 LITERATURE REVIEW

The main purpose of financial reporting is to furnish excellent financial reporting data regarding commercial organizations, predominantly financial in features, expedient for commercial verdict construction (IASB, 2008; FASB, 1999). Presenting high quality financial reporting information is primarily important for it will unswervingly impact principal shareholders as well as other interested parties in creating resource allocation and investment decisions improving general market productivity (IASB, 2008; IASB, 2006). However, both the Financial Accounting Standard Board and International Accounting Standard Board emphasize the significance of quality financial reports, the method of operationalizing and quantifying this excellence is one of the major difficulties found in previous studies. Due to its method of specific context, an experimental evaluation of financial reporting quality unavoidably comprises choices amongst a countless number of users (Schipper & Vincent, 2003; Botosan, 2004; Dechow & Dichev, 2002). Also, the users within a user cluster may also see the importance of related information given its context. Because of this context and user-specificity, it becomes difficult to evaluate quality (Botosan, 2004). As a result of this, a lot of scholars evaluate the quality of financial reporting indirectly by concentrating on features that are understood to impact quality of financial reports, such as earnings management, financial restatements, and timeliness (e.g. Schipper & Vincent, 2003; Cohen *et al.*, 2004; Barth *et al.*, 2008).

Financial reporting being one of the most important products of the system of accounting attempts to make available essential information necessary to make economic decisions by the users on the economic enterprise's performance and profitability. Assessing and supplying information that enable possibility of evaluating the previous performance in order to forecast future profitability and predicted activities as a requirement for accomplishing the objective of investment. (Bolo, 2007).

Brooke, Kirsten and Mark (2018) investigated the effect of quality-revealing audit report on the value that investors ascribed to financial reporting quality. The study was carried out in Illinois, United States of America. They concluded that investors placed additional value on financial reporting quality based on high quality commentary on annual reports by the independent auditor. Also, investors perceive greater value in expanded audit reports to the degree that the investors inherently value higher financial reporting quality.

Echobu, Okika and Mailafia (2017) examined the determinant of financial reporting quality in quoted Agriculture & Natural Resources firms in Nigeria. A sample of seven (7) companies was drawn from the population of nine (9) quoted Agriculture & Natural Resources Firms in the Nigeria Stock Exchange (NSE), made up of five (5) Agriculture and four (4) Natural Resources firms using their annual financial report for the period of 2008 to 2015 as the sources of data. Regression was adopted and also ex-post factor research design for the analysis of the data. Findings showed a positive association between financial reporting quality and leverage.

Mahboub (2017) examined the potential determinant that may affect the financial reporting quality of eighty-eight financial reports and accounts of a sample of twenty-two banks from the period 2012 to 2015. Bank especial characteristics of gearing, size, and profitability as well as corporate governance characteristics of independence of the board, ownership structure and size of the board were used as proxies. Multivariate Ordinary Least Square (OLS) model was adopted in analysing the data used in the course of this study. The result found a direct affinity between quality of financial reporting and firms' size.

Bassioun, Soliman and Ragab (2016) assessed the influence of firms' attributes on management of earnings. Using most active 50 firms quoted on Egyptian Stock Exchange, with 300 observations between the period of 2007 and 2011. The study used different forms of firms' characteristics like: leverage, size of a firm, age and audit quality. The study established a positive significant association between leverage and earnings management, while other variables like size, age and audit quality has insignificant association with management of earnings.

Olowokure, Tanko and Nyor (2015) examined the determinant of financial reporting quality and the impact on firm's characteristics such as age, size, and level of leverage on financial reporting quality. Secondary source of data was used and data were taken from the published reports of thirteen (13) quoted deposit money banks in Nigeria for the period 2005-2014. The result found an inverse affinity between financial reporting quality and firms' size.

Uwalomwa, Uwuigbe and Okorie (2015) examined the influence of firms' attributes on earning management of quoted firms in Nigeria. The study selected and analysed twenty quoted companies listed on Nigeria Stock Exchange (NSE) using the judgemental sampling techniques. Financial statements of the companies for the period of 2006 to 2010 were used in the study. Descriptive statistics and inferential statistics were used in examining the research hypothesis. The authors found a direct relationship between quality of financial reporting and firms' size.

Hassan and Bello (2013) examined firms' characteristics from perspective of structure, monitoring and performance elements and the quality of financial reporting of listed companies in Nigeria. Modified Dechew and Dechev (2002) model was used to measure financial reporting quality. Descriptive and Inferential statistics were adopted as statistical tools of analysis applied on a sample of 24 firms drawn using pooled balanced panel data. The study showed that there is a direct relationship between financial reporting quality and leverage.

Jouini (2013) examined the drivers of the quality of financial information disclosed by quoted firms in France. The annual reports of five-years' period from 2004 and 2008 were used. They concluded through their study that the existence of external auditor of the big-4 calibre denotes good quality in the financial information disclosed by the board of directors and also indicates integrity in the information.

3. METHODOLOGY

The study employed secondary data, which were sourced from the audited annual reports of the sampled firms. The population of the study consisted of 176 non-financial firms listed on Nigeria Stock Exchange (2020). The sample size of 50 firms was purposively selected based on the availability of data. The sampling was done in such that each group represented the total population size from 2005 to 2020. The study used descriptive research design and content analysis to determine the level of compliance and extent of quality of financial reporting. The checklist was developed in line with prior research as adopted by Street *et al*, (1999), Street & Gat (2001) and Marfo-Yiadom & Atsunyo (2014). The extent of financial reporting quality was measured by relying on Beneish Model (Beneish, 1999). The model is regarded as being more superior to ratio analyses in determining manipulation of financial statements (Cynthia, 2005; Roxas, 2011).

Beneish model and the percentage of firms that practised manipulation of financial statements was computed using:

$$M - Score_t = -4.84 + 0.92DSRI_t + 0.404AQI_t + 0.115DEP_t + 4.679TATA_t + 0.528GMI_t + 0.892SGI_t + 0.172SGAI_t - 0.327LEVI_t$$

The threshold of -1.78 or above was an indication of manipulation which was ascribed 1 and 0 if otherwise. The total value was described in form of percentage to determine the extent of financial reporting quality.

Table 1: Beneish (1999) and Rationale of the Variables

Variable	Full form	Description	Rationale
DSRI	Days sale in receivable index	Net receivables, / Sales)/ Net Receivables$_{t-1}$, / Sales$_{t-1}$	This variation measures how accounts receivables as a percentage of sales have changed compared to the previous year. This variable is useful to capture distortion in accounts receivables that initiates from an inflated revenue
GMI	Gross margin index	[(Sales$_{t-1}$ – COGS$_{t-1}$) / Sales$_{t-1}$] / [(Sales$_t$ – COGS$_{t-1}$) / Sales$_t$]	This variable compares the gross margin i.e sales to cost of goods sold between the previous year and the current year
AQI	Asset quality index	[1 – (Current Assets$_t$ + PP&E$_t$ + Securities$_t$) / Total assets$_t$] / [1 – (Current Assets$_{t-1}$ + PP&E$_{t-1}$ + Securities$_{t-1}$) / Total assets$_{t-1}$]	This variable indicates the relationship between non-current assets other than PPE and the total assets.
SGI	Sales Growth Index	Sales$_t$ / Sales$_{t-1}$	This variable compares sales between two consecutive years. An increase in sales in the current year compared to previous year indicates that the company in the current year is doing good or not. But growth companies always have chances of manipulation in their earnings
DEPI	Depreciation Index	(Depreciation$_{t-1}$/ (PP&E$_{t-1}$ + Depreciation$_{t-1}$)) / ((Depreciation$_t$ / (PP&E$_t$ + Depreciation$_t$))	This variable indicates that growth in income as a result of declining depreciation could have changes of earnings manipulations.
SGAI	Sales General And Administrative Expenses Index	(SG&A Expense$_t$ / Sales$_t$) / (SG&A Expense$_{t-1}$ / Sales$_{t-1}$)	Higher sales and administrative expenses indicate a decrease in administrative efficiency and influence firms to engage in financial misstatements
LVGI	Leverage Index	[(Current Liabilities$_t$ + Total Long Term Debt$_t$) / Total Assets$_t$] / [(Current Liabilities$_{t-1}$ + Total Long Term Debt$_{t-1}$) / Total Assets$_{t-1}$]	This variable indicates the relationship between long tern debts and current liabilities to total assets. Increase in leverage could make a company prone to earnings manipulation
TATA	Total Accruals to Total Assets	(Income From Continuing Operations$_t$ – Cash Flows From Operations$_t$) / Total Assets$_t$	This variable is useful to capture accounting profits which are not real and are not supported by profits at hand.

Source: Beneish (1999)

4.0 RESULTS AND DISCUSSION

4.1 The Level of Compliance with Financial Reporting Standards of Quoted Non-financial Firms.

IAS 1: Presentation of financial Statement

The minimum requirement for the composition of financial statements as prescribed by International Accounting Standards One (IAS 1) comprises Income Statement and Other Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, Cashflow Statement and Accounting Policies and Notes to the Account. In order to determine the compliance with the afore-mentioned statements, six standards highlighted as presented in are expected to give a better coverage based on the minimum requirement of preparing financial statements.

The International Accounting Standard One (IAS 1) covers the presentations of financial statements. The standard prescribes that information should be prepared and presented so as to provide information to users relating to assets, liabilities, equity, income expenses, contribution to owners in their capacity as owners (additional capital contributed), distributions to owners in their capacity as owners (dividend payment) and cashflows. The content analysis was conducted to examine compliance with the provision of International Financial Reporting Standards (IFRS). Information regarding the disclosure of compliance with IFRS, materiality and aggregation, consistency of presentation, offsetting transactions, use of inappropriate accounting treatment and notes to accounts were analyzed. Where there is full compliance, one is awarded and when there is deviation from the requirement, zero is awarded. According to Figure 4.1.2, it was discovered that over the periods of analysis, the compliance improved across firms ranging from 64% to 88% with average of 79% over the 5year-periods.

IAS 7: Statement of Cash flow

The Statement of Cashflows of the fifty firms was also considered for compliance with the provision of IFRS. The same procedures of awarding one for compliance and zero for non-compliance were followed. According to Figure 4.1.2, the low compliance in 2016 was caused by non-compliance with the definition of cash and cash equivalent as defined by IAS 7, governing the statement of cashflow. The compliance increased across firms over the periods of the study and ranged from 42% to 96% with average compliance of 74%.

IAS 12: Income Tax

The provision of IAS 12 regarding the presentation and recognition of income tax was examined for compliance. Content analysis was based on disclosure, provision for deferred tax and the computation of current tax. Awarding ones and zeroes for compliance and non-compliance was done respectively. The standard was the most compliant of all the standards with average of 70%. It ranged from 40% to 100%. The compliance also improved over the sampled periods.

IAS 16: Property, Plant and Equipment

Property Plant and Equipment used to be guided by Statement of Accounting Standard 9, the provision of the standard is close to IAS 16 that is guiding the same except of different methods of valuation of property plant and Equipment. In terms of provision for the depreciation, the two standards are the same. Low compliance was not observed in year 2016 because of the inability of preparers of financial statement to spot the difference between IAS 16 and SAS 9. The compliance improved over years ranging from 48% in 2016 to 90% in 2020 with an average of 74%.

IAS 18/IFRS 15: Revenue

Revenue recognition is guided by IAS 18 but because of the ambiguity of the standard in application, the International Accounting Standard Board (IASB) established Contract with Customer (IFRS 15) which is supposed to replace Revenue (IAS 18) and Construction Contract (IAS 11) on 1st January, 2018 but was adopted earlier by some firms which the standard encouraged. Therefore, revenue recognition was considered along with these two standards (IAS 18 and IFRS 15). The level of compliance was low and improving over the years. The level of compliance ranged from 40% to 78% with an average of 59%.

IAS 19: Employee Benefit

The Employee benefit is also among commonly reported transactions in the financial statements of firms. It could either be in terms of defined benefit or in terms of defined contributions. The measurement and recognition of employee benefit is guided by IAS 19. The compliance level according to the Figure 4.1.2 showed that firms have been faithful with their disclosure which ranged from 48% to 96% and an average of 82%.

The result of content analyses in Figure 4.1.2 showed that 31 firms out of fifty firms representing 62% of the selected firms complied with all the six standards as recommended by the International Accounting Standard Board (IASB). 14 firms representing 28% of the selected firms complied with 5 out of the 6 standards representing 83% of the selected Standards. 3 firms representing 6% of the selected firms complied with 4 standards amounting to 67% of the selected standards. 2 firms representing 4% of the selected firms complied with 50% of the selected standards.

From Figure 4.1.2, of all the six standards, Income Tax (IAS 12) was the standard that was most complied with, with the compliance rate of 100%. It means that all the selected companies fully complied with the provision of the International Accounting Standard regarding the recognition and disclosures of taxation. Next in terms of compliance are the Cashflow Statement (IAS7) and Employee Benefit (IAS 19), both having compliance level of 96%. The compliance to Statement of Cashflow (IAS 7) is driven by the difference between IAS 7 and defunct Statement of Accounting Standard (SAS 18) that used to regulate the preparation of cashflow statement. The compliance was easy because there was no any significant difference in the IAS 7 and SAS 18 as standards. Employee benefit (IAS 19) compliance was necessitated by the Pension Act which requires firms to make provision of pension for their employees whether in terms of defined contribution or in terms of defined benefit or both. Property, Plant and Equipment (IAS 16) has a compliance level of 90%. This is also largely followed by the sampled firms. The major reason for the deviation from compliance is caused by the inability of the preparers of financial statements to identify the correct model. Most firms specified Cost Model but ended up using Revaluation Model. Presentation of Financial Statement (IAS 1) also is largely complied with as majority of the firms recognized non-current assets based on the provision of IAS 16. The level of compliance is 88%. Finally, Revenue (IAS 18) was the least complied with among the selected standards. However, Contract with Customer (IFRS 15) which is supposed to replace Revenue (IAS 18) and Construction Contract (IAS 11) on 1st January, 2018 was adopted earlier by some firms before 2018. Therefore, revenue recognition was considered along with these two standards (IAS 18 and IFRS 15). The ambiguity of IAS 18 is responsible for the problem of disclosure of revenue and the few firms that adopted IFRS 15 could not disclose properly as it is highlighted in the standard.

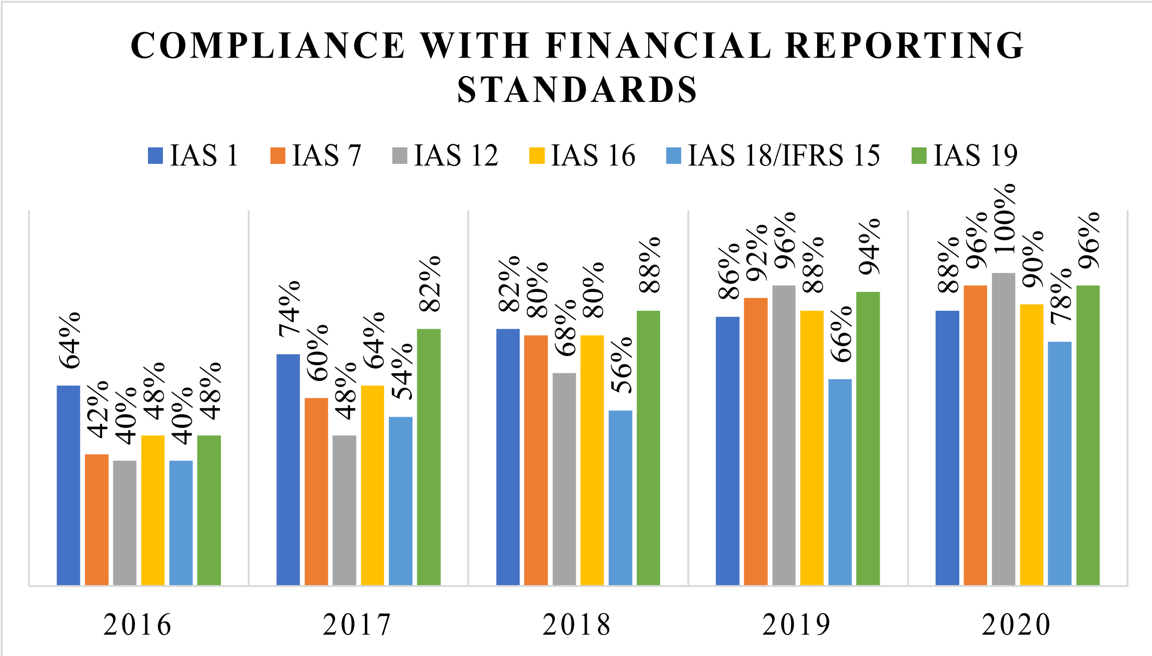

Figure 4.1.1: Compliance with Financial Reporting Standards (Individually)

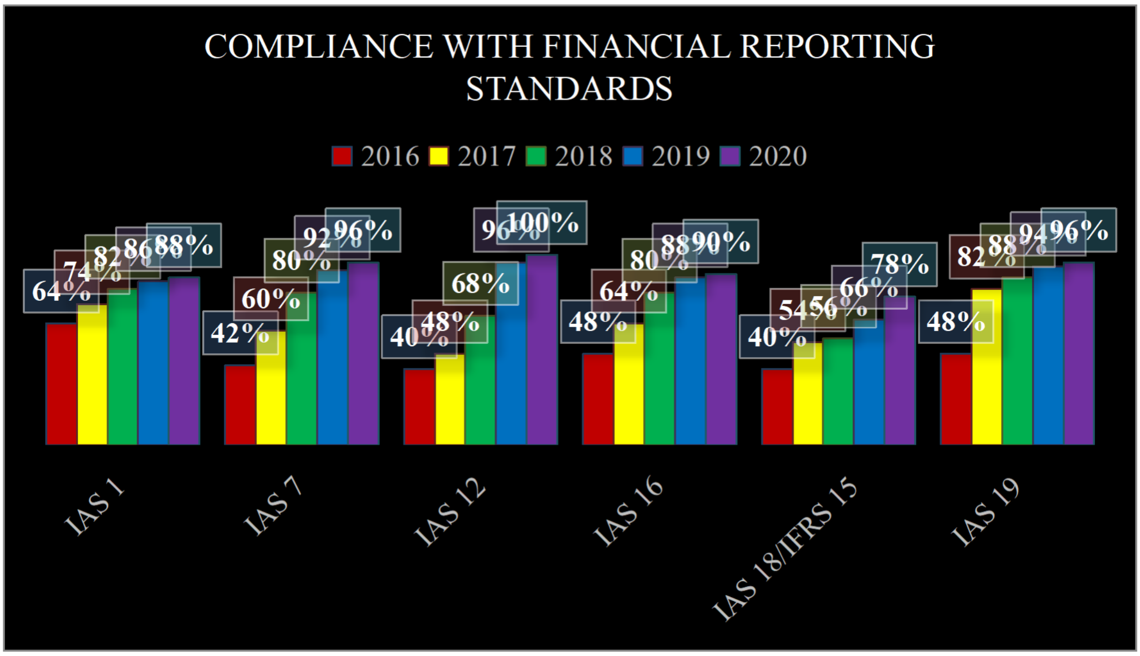

Figure 4.1.2 Compliance with Financial Reporting Standards (2016-2020)

Extent of Financial Reporting Quality among the Quoted Non-financial Firms in Nigeria

Beneish Model (1999) was used to determine the extent of the financial reporting quality of the financial statements of quoted non-financial firms in Nigeria. The equation is as follows

$$M - Score_t = -4.84 + 0.92DSRI_t + 0.404AQI_t + 0.115DEP_t + 4.679TATA_t + 0.528GMI_t + 0.892SGI_t + 0.172SGAI_t - 0.327LEVI_t$$

The financial statements of the fifty selected firms were analyzed and subjected to the Beneish Model over sixteen years from 2005 to 2020. The result of the individual firm was presented and summarized result in the Table 4.2.2. In year 2005, the percentage of the manipulators among the selected fifty firms was 26%. The value increased to 32% and remain unchanged from 2003 till 2005. The high level of manipulation of financial

Research Journal of Finance and Accounting
ISSN 2222-1697 (Paper) ISSN 2222-2847 (Online)
Vol.13, No.14, 2022

statement was reached in 2009 before adoption of IFRS. There was a fluctuation in M-score between 2009 to 2013 but the value increased in 2011 having the same value as 2009. The pattern of the movements in the value of M-score was presented in Figure 4.2. Also, Table 4.2.1 presented the extent of the quality of reporting in Nigeria from 2005 and 2020. Before 2012 which is the year of adoption, it is obvious that the extent of manipulation was very high among the non-financial firms in Nigeria. This is in support of the World Bank Report (2004) that the financial reporting environment in Nigeria was weak. However, after the adoption of the International Financial Reporting Standards (IFRS), Figure 4.2. shows that the manipulation reached the peak in 2017. Thereafter, the financial reporting quality of the non-financial firms has been increasing to the extent that it reached the peak in 2019 and remained unchanged till 2020. The results of 2019 and 2020 showed that of the 50 selected non-financial firms, none manipulated its financial statements.

Table 4.2.1 Beneish Model Result

	COMPANIES	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total	Percentage
1	AG LEVENTIS NL	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	1/16	6.25%
2	BERGER NL	1	1	1	1	1	1	1	1	1	1	0	1	1	0	0	0	12/16	75.00%
3	BETAGLAS NL	1	1	1	0	1	1	1	1	1	1	0	1	0	1	0	0	11/16	68.75%
4	CADBURY NL	1	0	0	1	0	0	0	0	0	0	1	0	0	0	0	0	3/16	18.75%
5	CAP NL	0	1	0	0	0	0	1	0	0	0	1	1	1	0	0	0	5/16	31.25%
6	CAVERTON NL	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	1/16	6.25%
7	CCNN NL	1	1	0	0	0	1	1	0	0	1	0	0	1	0	0	0	6/16	37.50%
8	CHAMPION NL	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	0	2/16	12.50%
9	CILEASIN NL	0	0	0	0	0	1	0	0	0	0	0	1	0	0	0	0	2/16	12.50%
10	CONOIL NL	1	1	1	1	0	0	0	0	1	0	1	0	0	0	0	0	6/16	37.50%
11	CUTIX NL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0/16	0.00%
12	DANGOTE CEMENT NL	0	0	0	0	0	1	0	0	0	0	0	0	1	0	0	0	2/16	12.50%
13	DANGOTE FLOUR NL	0	0	1	0	0	1	0	0	0	0	0	0	0	0	0	0	2/16	12.50%
14	DANGOTE SUGAR NL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0/16	0.00%
15	ETERNA NL	0	1	1	0	1	0	0	1	1	0	0	1	0	0	0	0	6/16	37.50%
16	FIDSON NL	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	1/16	6.25%
17	FLOURMILL NL	0	0	0	1	1	0	0	1	0	1	0	0	1	1	0	0	6/16	37.50%
18	FO NL	1	1	1	0	1	1	0	0	0	0	1	0	0	0	0	0	6/16	37.50%
19	GLAXOSMI NL	1	1	0	0	0	0	0	0	0	0	0	0	1	0	0	0	3/16	18.75%
20	GUINNESS NL	0	0	1	1	0	0	0	1	0	1	1	0	1	0	0	0	6/16	37.50%
21	HONEY FLOUR NL	0	0	0	0	0	0	0	0	0	1	1	0	0	0	0	0	2/16	12.50%
22	IKEJAHOTEL NL	1	1	1	1	1	1	1	0	1	1	1	1	1	0	0	0	12/16	75.00%
23	INTERNBREWERIES NL	0	0	0	1	1	0	0	0	1	0	0	0	0	0	0	0	3/16	18.75%
24	JAPAULOI NL	0	0	0	1	0	0	0	0	0	0	1	0	0	0	0	0	2/16	12.50%
25	JBERGER NL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0/16	0.00%
26	LEARN AFRICA NL	0	0	0	1	1	0	0	0	1	0	0	0	1	0	0	0	4/16	25.00%
27	LIVESTOCK NL	1	1	1	1	1	1	1	1	1	1	1	1	1	0	0	0	13/16	81.25%
28	MAYBAKER NL	0	0	1	1	0	0	0	0	1	0	0	0	0	0	0	0	3/16	18.75%
29	MEDVIEWA NL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0/16	0.00%
30	MOBIL NL	0	1	0	0	0	0	1	0	0	1	0	0	0	0	0	0	3/16	18.75%
31	NAHCO NL	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	1/16	6.25%
32	NASCON NL	0	0	1	1	0	0	0	1	0	1	0	0	0	0	0	0	4/16	25.00%
33	NB NL	1	1	1	0	0	0	1	1	1	0	0	0	1	0	0	0	7/16	43.75%
34	NEIMETH NL	0	0	1	0	1	0	0	0	1	0	0	0	0	0	0	0	3/16	18.75%
35	NESTLE NL	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	2/16	12.50%
36	OANDO NL	1	1	0	1	0	0	0	1	0	0	1	1	1	0	0	0	7/16	43.75%
37	OKOMUOIL NL	0	0	1	0	0	1	0	0	0	0	1	0	1	0	0	0	4/16	25.00%
38	PRESCO NL	1	0	1	0	1	0	0	0	0	0	0	1	1	0	0	0	5/16	31.25%
39	PZ NL	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0	2/16	12.50%
40	REDSTARE NL	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	1/16	6.25%
41	RTBRISCO NL	0	0	0	0	1	0	1	1	0	1	0	0	0	0	0	0	4/16	25.00%
42	SEPLAT NL	0	0	0	0	0	0	0	0	1	0	1	0	1	0	0	0	3/16	18.75%
43	TOTAL NL	0	0	0	1	0	0	0	0	1	0	0	0	1	0	0	0	3/16	18.75%
44	TRANSCOH NL	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	1/16	6.25%
45	UACPROP NL	0	1	0	0	0	0	1	1	1	1	1	0	1	0	0	0	7/16	43.75%
46	UACN NL	0	1	0	0	0	0	0	0	0	1	0	0	0	0	0	0	2/16	12.50%
47	UNILEVER NL	0	1	0	0	1	0	0	0	0	1	1	0	0	0	0	0	4/16	25.00%
48	UNIONDAC NL	0	0	0	1	1	0	0	0	0	1	1	0	0	0	0	0	4/16	25.00%
49	UPL NL	0	0	0	0	0	1	0	0	0	1	1	1	0	0	0	0	4/16	25.00%
50	WAPCO NL	0	0	0	0	0	0	1	0	0	1	0	0	1	0	0	0	3/16	18.75%

Source: Author's Computation (2020)

YEARS	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
TOTAL	13	16	16	16	17	11	12	11	17	17	16	10	19	3	0	0
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
TOTAL	13/50	16/50	16/50	16/50	17/50	11/50	12/50	11/50	17/50	17/50	16/50	10/50	19/50	3/50	0/50	0/50
PERCENTAGE	26.00 %	32.00 %	32.00 %	32.00 %	34.00 %	22.00 %	24.00 %	22.00 %	34.00 %	34.00 %	32.00 %	20.00 %	38.00 %	6.00 %	0.00 %	0.00 %

Source: Author's Computation (2020)

Table 4.2.2 Result of Beneish Model

	COMPANIES	Total	Fraction	Percentage
1	AG LEVENTIS NL	1	1/16	6.25%
2	BERGER NL	12	12/16	75.00%
3	BETAGLAS NL	11	11/16	68.75%
4	CADBURY NL	3	3/16	18.75%
5	CAP NL	5	5/16	31.25%
6	CAVERTON NL	1	1/16	6.25%
7	CCNN NL	6	6/16	37.50%
8	CHAMPION NL	2	2/16	12.50%
9	CILEASIN NL	2	2/16	12.50%
10	CONOIL NL	6	6/16	37.50%
11	CUTIX NL	0	0/16	0.00%
12	DANGOTE CEMENT NL	2	2/16	12.50%
13	DANGOTE FLOUR NL	2	2/16	12.50%
14	DANGOTE SUGAR NL	0	0/16	0.00%
15	ETERNA NL	6	6/16	37.50%
16	FIDSON NL	1	1/16	6.25%
17	FLOURMILL NL	6	6/16	37.50%
18	FO NL	6	6/16	37.50%
19	GLAXOSMI NL	3	3/16	18.75%
20	GUINNESS NL	6	6/16	37.50%
21	HONEY FLOUR NL	2	2/16	12.50%
22	IKEJAHOTEL NL	12	12/16	75.00%
23	INTERNBREWERIES NL	3	3/16	18.75%
24	JAPAULOI NL	2	2/16	12.50%
25	JBERGER NL	0	0/16	0.00%
26	LEARN AFRICA NL	4	4/16	25.00%
27	LIVESTOCK NL	13	13/16	81.25%
28	MAYBAKER NL	3	3/16	18.75%
29	MEDVIEWA NL	0	0/16	0.00%
30	MOBIL NL	3	3/16	18.75%
31	NAHCO NL	1	1/16	6.25%
32	NASCON NL	4	4/16	25.00%
33	NB NL	7	7/16	43.75%
34	NEIMETH NL	3	3/16	18.75%
35	NESTLE NL	2	2/16	12.50%
36	OANDO NL	7	7/16	43.75%
37	OKOMUOIL NL	4	4/16	25.00%
38	PRESCO NL	5	5/16	31.25%
39	PZ NL	2	2/16	12.50%
40	REDSTARE NL	1	1/16	6.25%
41	RTBRISCO NL	4	4/16	25.00%
42	SEPLAT NL	3	3/16	18.75%
43	TOTAL NL	3	3/16	18.75%
44	TRANSCOH NL	1	1/16	6.25%
45	UACPROP NL	7	7/16	43.75%
46	UACN NL	2	2/16	12.50%
47	UNILEVER NL	4	4/16	25.00%
48	UNIONDAC NL	4	4/16	25.00%
49	UPL NL	4	4/16	25.00%
50	WAPCO NL	3	3/16	18.75%

Source: Author’s Computation (2020)

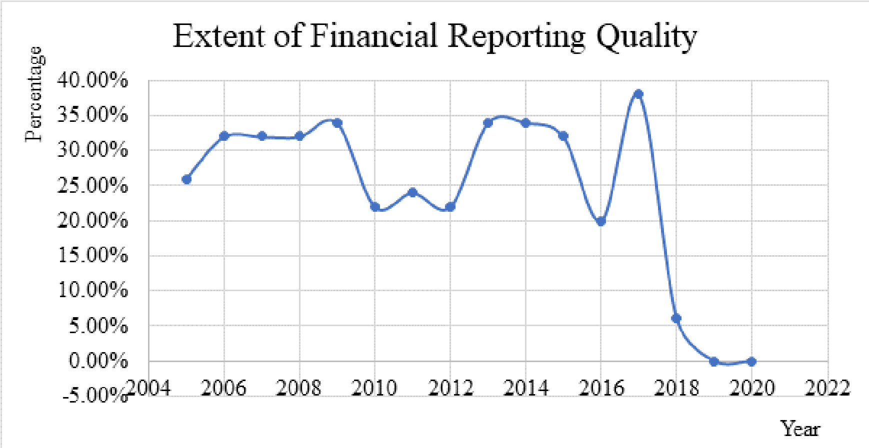

Figure 4.2 Extent of Financial Reporting Quality

5.0 CONCLUSION AND RECOMMENDATIONS

The study found that the level of compliance with financial reporting standard among quoted non-financial firms is significantly high. The descriptive analysis using Beneish Model to study the financial reporting environment by assessing the extent of financial statement manipulations of the selected quoted firms over the years 2005-2020 showed that since the adoption of International Financial Reporting Standards (IFRS) in 2012, the financial reporting quality has increased as there was no manipulation of any financial statement as at 2016 and 2017 as evidenced by Beneish Model on the financial statements of quoted non-financial firms in Nigeria. In conclusion, the adoption of International Financial Reporting Standards with application of the standards as recommended has impacted positively on the financial reporting quality of the sector. It could be concluded based on the results of Beneish Model Application that the financial reporting quality of non-financial firms in Nigeria has improved. The study made the following recommendations:

The management of quoted non-financial firms whose responsibility is to prepare the financial statements of the firms should ensure that financial reporting quality of the financial statement is of utmost importance.

Investors and potential investors should be very observant while analyzing the financial statements of firms. They should analyze financial statement in the context of financial reporting quality.

The stiffer penalties should be imposed on any firm that releases the financial statements late by both the Security and Exchange Commission and Nigeria Stock Exchange.

Financial Reporting Council of Nigeria (FRCN) should elongate their effort in enforcing compliance of firms with International Financial Reporting Standards (IFRS) as recommended by the standards in their disclosure requirements.

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Appendix 1: International Financial Reporting Standards

IAS 1	Presentation of Financial Statements The objective of IAS 1 is to prescribe the basis for presentation of general purpose financial statements, to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. IAS 1 sets out the overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.
IAS 7	Statement of Cashflows The objective of IAS 7 is to require the presentation of information about the historical changes in cash and cash equivalents of an entity by means of a statement of cash flows, which classifies cash flows during the period according to operating, investing, and financing activities.
IAS 16	Property, Plant and Equipment The objective of IAS 16 is to prescribe the accounting treatment for property, plant, and equipment. The principal issues are the recognition of assets, the determination of their carrying amounts, and the depreciation charges and impairment losses to be recognized in relation to them.
IAS 18	Revenues The objective of IAS 18 is to prescribe the accounting treatment for revenue arising from certain types of transactions and events.
IAS 19	Employee Benefits The objective of IAS 19 is to prescribe the accounting and disclosure for employee benefits (that is, all forms of consideration given by an entity in exchange for service rendered by employees). The principle underlying all of the detailed requirements of the Standard is that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable.
IAS 12	Income Taxes The objective of IAS 12 is to prescribe the accounting treatment for income taxes.

Source: Marfo-Yiadom and Atsunyo (2014).