EFFECT OF INTERNATIONAL FINANCIAL REPORTING STANDARDS DISCLOSURES ON FINANCIAL REPORTING QUALITY OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

AME, Jacob
&
AGOH, Victor Egemba
Department of Accounting
Faculty of Administration
Nasarawa State University, Keffi

Abstract

This study examines the effect of international financial reporting standards disclosures on financial reporting quality of listed deposit money banks in Nigeria. The study utilizes ex-post facto research design as panel data for the period of eight (8) years spanning 2012 through 2019 were used. The population of the study is the quoted DMBs in Nigeria. Census sampling method was used to select the 15 quoted DMBs in Nigeria. Panel regression analysis was used and it was found that, financial position disclosure is significant and positively related to financial reporting quality of quoted DMBs in Nigeria. However, insignificant positive effect of comprehensive income disclosure on financial reporting quality was found. It is concluded that, financial reports quality is a function of strict adherence to the IFRS. It is therefore recommended among others that, quoted DMBs in Nigeria should ensure that all financial reports adhere to the international financial reporting standards.

Keywords: *IFRS, Financial Position Disclosure, Comprehensive Income Disclosure, Financial Reports Quality, DMBs, Nigeria*

1. Introduction

The application of IFRS is deemed to be able to improve the relevance of principle based accounting information to decrease the options available when deciding which accounting policies to adopt. A reduction in the flexibility when selecting policies or accounting methods, reduces the availability of residual values and estimates that can be used by managers to manipulate financial statements (Capkun et al., 2016). There is relationship between IFRS disclosure and financial reporting quality. This is evident in the crops of literature that have analysis. Many of these analyses have been completed, either in an aggregate analysis of firms (Leuz et al. 2003; Barth et al. 2005; Ball 2006) or for a specific country (George 2008; Elbannan 2010; Zhou et al. 2009; Morais and Curto 2008). Even though there is evidence of large literature, we cannot just rely on them for generalization or conclusion because of inconsistency in their results. For instance; A study by Krismiaji et al. (2016) indicate that in the period after the convergence of IFRS in Indonesia, there was an increase in the relevance and faithful representation of the quality of accounting information.

Ismail et al. (2013) also indicates that the adoption of the IFRS in Malaysia also improved the quality of earnings. Similar research conducted by Ebaid (2016) suggests that the adoption of the IFRS improves the quality of accounting by decreasing the instance of financial reporting quality in sample firms in Egypt. The results of these studies conclude that the adoption of the IFRS may

improve the quality of earnings, by decreasing the discretionary accrual rate compared to the period prior to the adoption of earnings. In contrast, the results of research conducted by Jeanjean and Stolowy (2008) examine the impact of IFRS in Australia, France and the United Kingdom on accrual financial reporting quality; the results show no decrease in accrual financial reporting quality in the period following IFRS implementation. Even accrual financial reporting quality tends to increase after the adoption of IFRS in France. Xu (2014) also demonstrates that the IFRS do not reduce financial reporting quality in private companies in the United Kingdom. The inconsistency in the previous studies could be as a result of the methodology or variables used. It is therefore importance to conduct similar study since most of these countries had their individual reporting standards before the adoption international financial reporting standards. Also, while most of the studies that have investigated IFRS disclosure and financial reporting quality have been in developed economies in Europe (Callao, Jarne & Lainez, 2007; Ernstberger & Vogler, 2008; Paananen & Lin, 2009), Australia (Goodwin, Ahmed & Heaney, 2008; Jeanjean & Stolowy, 2008), there is a dearth of literature from Nigeria and when the differences between both sets of markets in terms of institutional, organisational and regulatory frameworks are taking into consideration it thus provides a void that needs to be filled. It is on this note that this study will examine the effect IFRS disclosure and financial reporting quality of listed deposit money banks in Nigeria. The study examines the effect of IFRS disclosures on financial reporting quality in relation to financial position disclosure and comprehensive income disclosure.

2. Literature Review

Ivana, Sanja and Ivana (2016) examine the impact of accounting estimates on financial position and business performance case of non-current intangible and tangible assets. In order to determine the impact of the accounting estimates on the financial position and business performance the model was defined. The methodology used in the empirical analysis comprises the design of balance sheet with the significant portion of non-current intangible and tangible assets and accompanied by income statement. Management judgment depends on the information base which is given at the time of judgement. Each judgement is by its nature subjective, so the results of the estimation can differ. Non-current tangible and intangible assets represent a significant proportion of assets of many companies. There is a plenty of space for applying accounting estimates in order to recognise and measure such assets. The research model confirmed the volatility of financial condition and performance of a company as a result of different accounting estimates.

Martínez-Ferrero (2014) examined the consequences of financial reporting quality on Corporate Performance, using three proxies of financial reporting quality; reporting quality; conservatism; and accruals quality. The hypotheses were tested on 1, 960 international non-financial listed companies from 25 countries and the special administrative region of Hong-Kong for the period 2002-2010. The use of simultaneous equations for the panel data, via the GMM estimator proposed by Arellano and Bond (1991), highlights the positive effect of financial reporting quality on financial performance. The result of the study was robust according to the different measurements of financial reporting quality (reporting quality, accruals quality and accounting conservatism) and for an aggregated measure for the previous three proxies of financial reporting quality. The empirical evidence showed that the relationship was moderated by the level of corruption perception in some of the countries that those companies are located with the adoption of IFRS, the accounting system used in these countries and the influence of the economic cycle.

Ojeka, Mukoro and Kanu (2015) investigates empirically, the relationship between financial reporting disclosures in annual reports and the performance of listed manufacturing companies in Nigeria between 2005 and 2009. The disclosure variables include: Timeliness, Board size, type of Auditors Report and the percentage of value added retained for expansion were used as the measures of financial reporting disclosure while Return on Equity (ROE) was used as the measures of financial performance. Size and age were used as the control variables. The study used secondary data and Panel Least Square Regression for the data analysis. The results showed that there is a significant relationship between financial reporting disclosures and financial performance except in the case of percentage of value added retained for expansion size where there was no significant relationship found. It is, therefore, recommended that the Nigerian Federal Government, through her various regulatory agencies, ensure more disclosures is made in the financial report as this is an important means of addressing liquidity problem in the manufacturing sector for financial performance.

Ofoegbu and Odoemelam (2018) investigated disclosure practices under IFRS on the performance of firms listed on the Nigerian Stock Exchange for a period of six years, from 2012 to 2017. Data were pooled from 384 firm-year observations across 64 sampled companies listed in the Nigeria Stock Exchange (NSE). We developed disclosure index of both IFRSs mandatory and voluntary by applying content analysis and multiple regression techniques and analyze the association of disclosure and performance of the firms expressed return on capital employed (ROCE) as a performance index. The study also examined the relationship between market based performance, company attributes, and overall disclosure. The result indicates that the extent of overall disclosure does not associate with the financial performance of the listed Nigerian firms. The result suggests that share price, size, and audit firm size significantly and positively related to the overall disclosure of firms. The association between leverage, company age and overall disclosure index.

Shehu and Ahmad (2013) investigated firms' characteristics from perspective of structure, monitoring and performance elements and the quality of financial reporting measured by modified model of Dechew and Dechev (2002) of listed manufacturing firms in Nigeria. The study adopted correlational research design with pooled balanced panel data of 24 firms and multiple regression as a tool of analysis. The result revealed that larger and more leveraged firms in Nigerian manufacturing sector are less likely to manage earnings and increase in sales as well as institutional investors serve as a monitoring tool of preventing managers from opportunistic behaviour in managing earnings. In addition, profitability and independent directors are positively associated with reporting quality while liquidity is inversely related with quality of financial reporting despite significant at 1% level of significance. In some cases, firm characteristics of listed manufacturing firms in Nigeria have impacted significantly on their financial reporting quality.

Ghosh and Moon (2010) investigated the relationship between corporate debt financing and reporting quality. The result of their research suggests a negative relationship between debt and reporting quality when debt is sufficiently high and a positive relationship for firms whose debt is low. In other words, the level of debt has a positive effect on the reporting quality at a low level and after that the impact is negative, promoting a reduction on reporting quality and a positive incentive of description decisions by managers.

Li and Yun (2003) investigated the cross-sectional association between reporting quality and firm-specific return volatility for a large sample of Japanese manufacturing firms for the period 2003-2012. Using idiosyncratic volatility estimated as the variance of residual from the market model

and asynchronicity estimated as the inverse R2 from the market model as two seemingly comparable proxies for firm-specific return volatility, I find contradictory results. This contradiction is related to another debate in accounting and finance literature about whether firm-specific return volatility captures firm-specific information or noise. Initially I obtain conflicting results because the systematic risk, one of the components of asynchronicity, is highly correlated with reporting quality. After controlling for the systematic risk, I find that higher reporting quality is associated with lower firm-specific return volatility. My finding is consistent with noise based explanation of firm-specific return volatility. I also disentangle reporting quality into innate component driven by economic fundamentals and discretionary component driven by managerial discretionary behavior. I find that both components have significant impact on firm-specific return volatility but innate component has significantly stronger effect than discretionary component.

Umeh (2014) examined the influence of Firm Attributes on Financial Information Quality of listed Deposit Money Bank in Nigeria. Firm Attributes were proxied with Economic Profit, Firm Size, Dividend, Leverage and Firm Growth, while Financial Information Quality was proxied with Discretionary Loan Loss Provision Model (Chang et al. 2008). The study employed the use of criteria to arrive at the sample size consisting of thirteen (13) listed Deposit Money Banks (DMB's) in Nigeria out of twenty (20) listed DMB's as contained in Nigeria Deposit Insurance Corporation's Annual Report at 31st December 2012. Secondary data was extracted from the Audited annual reports of the sampled firms from 2006–2012. Both normality test and Multicolinearity test were conducted to diagnose the result. The findings revealed in the regression results that, all the firm attributes used in the study has positive and significant influence on the Financial Information Quality of listed Deposit Money Banks in Nigeria.

Edirin and Okoro (2016) on the effect of IFRS on the financial statement of banks in Nigeria and looking into before and after IFRS adoption, found out among others that IFRS adoption significantly and positively affected the financial position of the sample banks in Nigeria and recommend as a matter of urgency to comply with the provision of IFRS and continuous training and retraining of Bankers, accountants and the preparer of financial statement.

Yahaya, Fagbemi and Oyeniyi (2015) looked into the effect of IFRS on the financial statement of Nigerian banks and transition to new standard was fairly disruptive for users of financial statements. Comparability and trend analyses was impaired as the differences between IFRS and local Generally Accepted Accounting Principles (GAAP) figure presented in the financial statement leads to variances in financial ratios computed under the two regimes. The finding revealed that there is a significant effect of the adoption of IFRS on the financial statement of banks in Nigeria. It was suggested that attention should be accord to the trend analysis when comparing pre and post adoption of IFRS.

Abata (2015) strongly argued for the internationalization of the adoption of IFRS as a panacea for curbing or mitigating these financial reporting infraction. The study revealed that the quantitative differences in the financial reports prepared under GAAP and IFRS are statistically significant and the study concludes that IFRS have impacted on the financial reporting in the banking sector. Fashina and Adegbite (2014) are of the opinion that adoption of IFRS in Nigeria would be in the interest of Nigerian economy for reporting entities in Nigeria on global accepted, high quality Accounting Standard by fully adopting the IFRS in phased transition with effect from 2013. The Central bank of Nigeria (CBN) and Securities and exchange commission (SEC) also adopted this date for compliance. Zaiyol, Egwu and Benjamin (2017) examine whether the adoption of

International Financial Reporting Standards (IFRS) improves accountability and quality of accounting information of companies in Nigeria. The study specifically investigates whether the quantitative differences in the financial reports prepared by Nigerian listed companies under SAS and IFRS are statistically significant or not. Secondary data were employed from annual reports of companies in Nigeria using key financial statement content in terms of earning per share, profit for the year and number of disclosure as a means for comparison. Two hypotheses were developed and tested at five (5) per cent level of significance. Findings revealed that the quantitative differences in the financial reports prepared under SAS and IFRS are statistically significant. The study therefore concludes that IFRS have impacted on accountability and quality of information from financial statement of Nigerian organization.

Hui-Sung and Tzu-Han (2014) investigate the relationship between the information asymmetry, the ownership structure, the pledge of directors-supervisor, respectively, and the quality of accounting information under different accounting standards. By considering A and B stock market of China, which apply China GAAP and IFRS, we discuss whether IFRS can reduce negative effects of the information asymmetry, the ownership structure, the pledge of directors, and furthermore promote the quality of accounting information effectively. The findings provide other countries will use IFRS as a reference. First, we find that IFRS improves the predictive value and timeliness, and it can't influence representational faithfulness significantly. Second, the information asymmetry degrades the quality of accounting information. Nevertheless, IFRS can improve the information asymmetry but promote the quality of accounting information is non significantly. Third, state ownership, manager ownership, blockholder and directors-supervisor ownership would affect the quality of accounting information. IFRS would restrain negative effect of state ownership, manager ownership, blockholder and directors-supervisor ownership and could enhance predictive value and timeliness. Finally, the pledge of directors-supervisor would reduce the quality of accounting information. However, IFRS can confine negative effects of the pledge of directors-supervisor but can't promote the quality of accounting information significantly. As a result, adopting IFRS could enhance the quality of accounting information significantly. Nevertheless, IFRS need to reduce information asymmetry and use corporate governance mechanism to promote the quality of accounting information.

Akinyemi (2012) in his work: the impact of international financial reporting standard adoption on financial statements, found out that many of the accounting standards relied upon in preparing financial statements had actually been outdated in relation to their International Accounting Standards (lASs) and International Financial Reporting Standards equivalents. The use of accounting information cuts across borders when common yardsticks are used in preparing the financial statements.

Nyor (2012) in his own work 'challenges of converging to IFRS in Nigeria" postulated that Nigerian companies should converge to IFRS in view of the fact that it will enhance better accountability and transparency and improve quality of reporting. Because of cumbersomeness and the initial anticipated problems of the IFRS, the study carried out by him recommended that Nigeria should adopt IFRS for group accounts of listed companies only while Nigerian GAAP should still be mandatory for individual company's accounts of listed companies and optional for group accounts of non-listed companies as it is the practice with Germany.

Ikpefan and Akande (2012) highlighted the initial inconsistencies of IFRS with local laws indifferent countries. In Nigeria, the legal frameworks for preparing financial statements are spelt

by Companies and Allied Matters Act Cap C20, Laws of the Federation of Nigeria, 2004. Businesses in banking and insurance are subjected to Banks and Other Financial Institutions Act (BOFIA) and Insurance Act respectively. The IFRS provisions do not recognize these local laws. There is a need to amend these laws if IFRS is to be fully applied in Nigeria. To be addressed also is the issues of cultural setting. Provisions have to be made in respect of Islamic banking which eliminates interest in all banking operations and requirement to contribute a certain amount of their wealth yearly by way of an alms tax for the less privileged members of the society.

Auwalu (2019) examines the role of International Financial Reporting Standards on financial reporting quality and the global convergence. The IFRS adoption is already an issue of global relevance across countries of the world due to the quest for uniformity, reliability and comparability of financial statements of companies. The adoption of IFRS in Europe is an example of accounting quality across-borders with different institutional frameworks and enforcement rules. This allows investigating whether, and to what extent accounting regulation per se can affect the quality of financial reporting and leads to convergence in financial reporting. Specifically, the study review how the change in the recognition and measurement of firms operating accrual item, the loan loss provision, affects income smoothing behaviour and timely loss recognition. The study found that the IFRS convergence reduces the scope for earnings management, is related to more timely loss recognition and leads to more value relevant accounting measures. Thus, the study reviews background and guidance on the change in financial reporting quality following extensive IFRS adoption around the world countries. The study found that a difference in accounting quality is related to country's overall infrastructure setting. The study also highlights the importance of investor protection for financial reporting quality and the need for regulators to design mechanisms that limit managers' earnings management practice. The study found from different literatures that the adoption of IFRS leads to higher quality of accounting numbers and improve foreign direct investment across countries.

Adewale and Ibukun-Falayi (2017) examine the impact of IFRSs on the quality of financial statements of banks in Nigeria with emphasis on the comparability, relevancy and clarity of objectives of Nigerian banks. A case study approach was used to arrive at conclusion drawn from the study. This involves a survey of both internal and external stakeholders using a questionnaire. Data obtained were analysed using the ChiSquare technique. Results show that there is a significant relationship between IFRS adoption and the comparability objectives of Nigerian banks as X2 -calculated of 14.96 is greater than the X2 -critical/ table value of 5.99 at 0.05 LOS. It was further discovered that IFRS adoption has a substantial influenced on the relevancy quality as X2-calculated of 14.0 is greater than the X2-critical/ table value of 5.99 at 0.05 LOS. It was also found that IFRS adoption has significantly influence the clarity objectives of Nigerian banks as X2-calculated of 25.4 is greater than the X2-critical/ table value of 5.99 at 0.05 LOS.

Doddy, Fauziah, Lian-Kee and Hong-Kok (2019) examine the effect of IFRS disclosure on financial reporting quality and also investigates the effect of independent commissioners on the relationship between IFRS disclosure and financial reporting quality. The sample of this study consists of non-financial firms with 1,127 firm-years observations during 2007 – 2010 from the Indonesian Stock Exchange. The result of the study shows that accrual financial reporting quality decreases after the adoption of IFRS. Further test on the effect of IFRS disclosure on real financial reporting quality shows that discretionary expenses have decreased. However, real financial reporting quality: production costs and cash flows increased after the adoption. The interaction of independent commissioners and IFRS was found to be positively affecting discretionary expense

and negatively affecting production costs. The result of the study shows that companies switch to real financial reporting quality after IFRS disclosure. Since the study was conducted Indonesia, the policy implication can only be applicable to countries or region where they share similar type of regulation and local accounting standards. It is therefore necessary to have the same study in Nigeria to validate the study or invalidate it.

Said (2019) examines the impact of the adoption of IFRS on the practice of financial reporting quality. It provides empirical results using panel data from 2000 to 2018 of the 19,869 firm-year observations of available data from 791 Canadian firms based on the Modified Jones model. The result of the study shows that there is the existence of financial reporting quality practice. The overall result was negative but not significant suggesting adopting IFRS has no direct influence on financial reporting quality used among publicly listed firms. Also the results indicate that the interaction variable of IFRS disclosure is positively related with financial reporting quality, but not significant, suggesting that adopting IFRS has no direct influence on financial reporting quality used among publicly listed firms. The study was carried out on all the firms in Canadian, that shows are large representation. And the period of the study covered pre and post adoption of IFRS and was reasonably captured but for the fact some countries especially were yet to adopt it make it necessary to have similar study conducted in Nigeria.

Marco, Carlo, Giorgia, Niccolò and Marco (2019) examine the impact of IFRS adoption on financial reporting quality derived from the adoption of International Financial Reporting Standards (IFRS) 15 as well as detecting whether the impact will be similar in different industries. To provide empirical evidence that financial reporting quality is more frequent in some industries and less frequent in others by means of a statistical analysis, a sample of Italian listed companies in the period 2001-2017 was observed. Specifically, companies belonging to two sectors were selected: “Telecommunications” and “Utilities”. The Jones Model was applied. The statistical analysis brought to light that financial reporting quality practices are “commonly adopted” in the “Telecommunications” industry, which is consequently highly impacted by the introduction of IFRS 15. That being said, the lesson learned from this study is that the implementation of the new principle, written to discipline the accountancy of revenues, and its consequences, must be carefully analyzed and monitored by the regulators, as well as correctly adopted by managers, as the determined revenues could have an impact on the pre-existing earning management practices. The scientific contribution of the present research also concerns the predictions on the behavior of managers that can be foreseen considering the agency theory; therefore, knowing ex-ante in which industries financial reporting quality has a high impact, provides the option to foresee the hypothetical moves of the managers in the implementation of IFRS 15.

3. Methodology

This study adopted ex-post facto research design because the study relied heavily on secondary data which were extracted from the annual reports of the proposed sample banks on the basis of IFRS disclosures from all the sampled banks listed on the Nigerian Stock Exchange. The population of the study is the fourteen (14) listed deposit money banks in Nigeria. The population of listed deposit money banks in Nigeria is small, thus census sampling method was used to study all the listed banks for the period (i.e. 2012 to 2019). The study used secondary source of data collection. Thus, content analyses was used for a comprehensive assessment of the selected banks’ disclosure practices during the years covered using the IFRS Disclosures checklist as a guideline. To this end, a content analysis score chart comprising seventy-seven (77) key disclosure items

with 4-point rating scores as Very Strong Disclosure (VSD) scored as 4, Strong Disclosure (SD) scored as 3, Fair Disclosure (FD) scored as 2, and Weak Disclosure (WD) scored as 1, was used to careful assess and score the disclosure quality of the selected banks' financial reports (2012–2019). The extracted data based on scores made from the financial reports of the banks was tested with aid of the multiple regression analytical tool. The various hypotheses and variables are combined into a functional equation to explain the relationship between financial reporting quality and explanatory variables.

FRQ = f(FPD, CID) ---------- i

$FRQ_{it} = \beta_0 + \beta_1 FPD_{it} + \beta_2 CID_{it} + \varepsilon_{it}$ ---------- ii

Where:

FRQ = Financial Reporting Quality of bank i in time t

FPDit = Financial position disclosure of bank i in time t

CIDit = Comprehensive Income Disclosure bank i in time t

β =constant

β0= coefficient of the parameter estimate.

εt= Error term of company i in time t

i = Cross Sectional Dimension

t = time series Dimensions

Financial Reporting Quality

The study adopted the accrual quality model of Dechow and Dechev (2002) as modified by McNichols (2002) and used by Francis, LaFond, Olsson, Schipper, (2005) and Chen et al (2007) based on the unexplained accruals or residuals of the model, to estimate earnings quality of quoted building material firms in Nigeria. The model adopted is mathematically presented as follows:

$TCA_{it} = \alpha + \beta 1CFO_{it-1} + \beta 2CFO_{it} + \beta 3CFO_{it+1} + \beta 4\Delta Rev_{it} + \beta 5PPE_{it} + \varepsilon t$ i

Where:

α = is the intercept

β1-β5 = are the parameters estimate in equation

TCA = Total Current Accruals at time t (which equals change in current assets - change in current liabilities - change in cash + change in debt in current liabilities), scaled by total assets

CFOit-1 = Last year Cash flow from operation of firm I at time t, scaled by total assets

CFOit = Current year Cash flow from operation of firm I at time t, scaled by total assets

CFOit+1 = A year ahead Cash flow from operation of firm I at time t, scaled by total assets

ΔREVit = Change in revenue of firm I at time t, scaled by total assets

PPEit = Natural log of Gross property, plant and equipment of firm i at time t

εt = error term/residual

4. Results and Discussions

Descriptive Statistics

	FRQ	FPD	CID
Mean	0.650950	2.583333	2.516667
Median	0.588500	3.000000	3.000000
Maximum	5.413000	4.000000	4.000000
Minimum	0.041000	1.000000	1.000000
Std. Dev.	0.500635	1.170960	1.159421
Skewness	7.374922	-0.091248	-0.024359
Kurtosis	69.78815	1.539171	1.559400
Jarque-Bera	23391.08	10.83662	10.38852
Probability	0.000000	0.004435	0.005548
Sum	78.11400	310.0000	302.0000
Sum Sq. Dev.	29.82560	163.1667	159.9667
Observations	120	120	120

Source: Researcher's Computation using Eviews version 9

The above table described the features/characteristics of the study's variables in terms of Financial Reporting Quality (FRQ), Financial Position Disclosure (FPD), and Comprehensive Income Disclosure (CID). The average scored for the respective variables are 0.65, 2.58, & 2.51.

Correlation Matrix

Covariance Analysis: Ordinary
Date: 06/15/21 Time: 11:18
Sample: 2012 2019
Included observations: 120

Correlation / Observations	FRQ	FPD	CID
FRQ	1.000000		
FPD	0.272726	1.000000	
CID	0.281963	0.970751	1.000000

Source: Researcher's Computation using Eviews version 9

The above table is a correlation matrix that explains the association between the dependent and the independent variable. This table clearly depicts positive correlation/association between the explained and the explanatory variables. These are given by the respective coefficients of 0.27, & 0.28 for FPD, & CID respectively.

Hausman Specification Test

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	5.868093	2	0.0079

The Hausman specification test helps guide to choose between the fixed and the random effects model. Fixed effect model is only chosen when the probability value is less than or equal to the t-value of 0.05 (5%). However, given the P-value of 0.0079 which is less than the t-value of 0.05, the fixed effect model is chosen against the random effect model.

Panel Regression

Dependent Variable: FRQ
Method: Panel Least Squares
Date: 06/15/21 Time: 11:14
Sample: 2012 2019
Periods included: 8
Cross-sections included: 15
Total panel (balanced) observations: 120

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.362056	0.100542	3.601055	0.0005
FPD	0.166621	0.066763	2.495708	0.0004
CID	0.046407	0.166763	0.278280	0.7814

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.535521	Mean dependent var	0.650950
Adjusted R-squared	0.522301	S.D. dependent var	0.500635
S.E. of regression	0.438649	Akaike info criterion	1.320334
Sum squared resid	19.81849	Schwarz criterion	1.715229
Log likelihood	-62.22005	Hannan-Quinn criter.	1.480703
F-statistic	3.250536	Durbin-Watson stat	1.844010
Prob(F-statistic)	0.000148		

Source: Researcher's Computation using Eviews version 9

[[[

The regression line of FRQ = 0.36 + 0.16FPD + 0.04CID indicates that, FRQ of quoted DMBs in Nigeria increases as FPD increases, and increases as CID increases. The p-value of 0.0004 indicates significant positive effect of FPD on FRQ at 5% level of significance. However, insignificant positive effect of CID on FRQ was found. The R-Squared of 0.535 indicates that about 54% of variation in FRQ of quoted DMBs in Nigeria can be explained by IFRS Disclosure (FPD and CID). The remaining 46% is captured by the disturbance or error term. The F-statistics of 3.250 with its corresponding p-value of 0.0001 indicate fitness of the model.

Test of Multicollinearity

Variance Inflation Factors
Date: 06/15/21 Time: 11:22
Sample: 1 120
Included observations: 120

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.011581	5.922767	NA
FPD	0.024949	4.024955	1.34839
CID	0.025448	9.277402	1.34839

Source: Researcher's Computation using Eviews version 9

The Multicollinearity table tests whether the explanatory or independent variables are highly correlated. These variables can only be highly correlated if the Variance Inflation Factor (VIF) is greater than 10. However, since the respective VIFs are less than 10 (i.e. 1.34, & 1.34), this means that there is absence of autocorrelation.

Test of Heteroskedasticity

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	1.013024	Prob. F(2,117)	0.3663
Obs*R-squared	2.042626	Prob. Chi-Square(2)	0.3601
Scaled explained SS	67.41981	Prob. Chi-Square(2)	0.0000

Source: Researcher's Computation using Eviews version 9

The heteroskedasticity table explains the homokedasticity of the study. The Observed R-Squared of 2.04 with the Probability value of 0.3601 is greater than the t-value of 5% which indicates Homokesdasticity of the residuals. This however, reveals absence of heteroskedasticity in the residuals, since the null hypothesis says that the residuals are Homokesdasticity, and the alternative hypothesis says the residuals are heteroskedasticity.

Discussion of Findings

It is evident from the above results and analyses that, financial position disclosure by quoted DMBs in Nigeria is positively related to financial reporting quality with statistical significance. This implies that financial reporting quality of quoted DMBs in Nigeria increases with increase in financial position disclosure by quoted DMBs. This finding agrees with the findings in the previous studies such as Yahaya, Fagbemi and Oyeniyi (2015); and more recently, Marco, Carlo, Giorgia, Niccolò and Marco (2019).

In the case of comprehensive income disclosure and financial reporting quality, insignificant positive effect was revealed. This means that, financial reporting quality of quoted DMBs in Nigeria increases insignificantly with increase in comprehensive income disclosure. This finding is supported by the findings in the previous studies such as Edirin and Okoro (2016); Adewale and Ibukun-Falayi (2017); Auwalu (2019); and Doddy, Fauziah, Lian-Kee and Hong-Kok, (2019) more recently.

5. Conclusion and Recommendations

Based on the above findings, the study concludes that, international financial reporting standards disclosure by quoted deposit money banks in Nigeria in terms of financial position disclosure enhances the quality of financial reporting by the banks. This is to say that, when banks disclosed their statement of financial position in line with the IFRS, the banks are said to have more quality financial reports. It is also concluded that, comprehensive income disclosure by quoted DMBs in Nigeria, is not the major disclosure item that enhances the quality of financial reports of banks.

It is recommended therefore that, quoted DMBs in Nigeria should tried as much as they can to ensure strict adherence to the international financial reporting standards, especially in the area of statement of financial position disclosure with a view to improving the quality of the financial reports of the banks. Furthermore, the study recommends that, more attention should be given disclosure of comprehensive income statement to guide the banks in reporting quality financial reports.

References

Abata, A. M. (2015). The impact of International Financial Reporting Standards (IFRS) on financial reporting practice in the Nigerian banking sector. *Journal of Policy and Development Studies*, *9*(2), 169-184.

Abdullah, D. (2014). The impact of IAS vs. IFRS (voluntary) and IFRS (voluntary) vs. IFRS (mandatory) on accounting quality over time: *Inferences from Jordan, European Journal of Business Management*, *6*(22), 194-208.

Abdullah, W. R. W., Maruhun, E. N. S., Tarmizi, M. A., & Rahman, L. A. (2018). Mitigating Financial reporting quality: Adoption of IFRS and Corporate Governance Practices in Malaysia. *International Journal of Academic Research in Business and Social Sciences*, *8*(2), 760–772.

Ball, R. & Foster, G. (1982). Corporate financial reporting: A methodological review of empirical research, *Journal of Accounting Research*, 20, 161-234.

Ball, R. (2006). International Financial Reporting Standards (IFRS): Pros and Cons for Investors." Accounting and Business Research. Brookings-Wharton Papers on Financial Service: 127–69.

Balsam, S., Bartov, E. dan Marquardt, C. (2002). Accruals Management, Investor Sophistication, and Equity Valuation: Evidence from 10-Q Fillings. *Journal of Accounting Research* 40(4), 987-1012.

Barth, M. E., Landsman, W. R., & Lang, M. (2008). International Accounting Standards and Accounting Quality. *Journal of Accounting Research*, 46(3), 467-498.

Barth, M. E., Landsman, W.R. and Lang, M.H. 2007. International accounting standards and accounting quality. *Journal of Accounting Research*, 46(3), 467–498.

Craswell, A. T.& Taylor, S. L. (1992). Discretionary disclosure of reserves by oil and gas companies: an economic analysis. *Journal of Business, Finance and Accounting*, 19(2), 295-308.

Dante, B. C. V.jr., Marília, P. O., Isabel, M. E. C. L., & Gerlando, A. S. F. L. (2018). Mandatory adoption of IFRS and financial reporting quality in emerging countries: The role of national culture. *International conference in accounting*, 25(27), 1-16.

Dye, R. (1985). Financial reporting quality in an Overlapping Generations Model. *Journal of Accounting Research*, 26, 195-235.

Easterbrook, F. H. & Fischel, D. R. (1984). Mandatory disclosure and the protection of investors. *Virginia Law Review*, 70(4), 669-715.

Ebaid, I. E. (2016). International Accounting Standards and Accounting Quality in Code-Law Countries. The Case of Egypt. *Journal of Financial Regulation and Compliance*, 24 (1), 41-59.

Francis, J., Nanda, K., & Olsson, P. (2007). *Reporting quality*. Foundations and Trends in Accounting 1(4): 259-340.

Ghosh, A. and Moon, D., (2010), "Corporate Debt Financing and Reporting quality", *Journal of Business Finance and Accounting*, 37: 538-559.

Helbok, G.& Wagner, C. (2006). Determinants of operational Risk Reporting in the Banking Industry, Working paper, Available at: http://www.papers.ssrn.com/ on 01 November 2019

Ho, L. C. J., Liao, Q., & Taylor, M. (2015). Real and accrual based financial reporting quality in the preand post IFRS periods: evidence from China. *Journal of International Financial Management & Accounting*, 26(3), 294-335.

Houqe, M. N., van Zijl, T., Dunstan, K., & Karim, A. K. M. W. (2010). The effect of IFRS disclosure and investor protection on reporting quality around the world. *The International Journal of Accounting, Elsevier*, 47, 333-355.

Lantto, A. M. & Sahlström, P. P. (2009). Impact of International Financial Reporting Standard Adoption on Key Financial Ratios. *Accounting and Finance* 49: 341-361.

Leuz, C. (2003). IAS Versus U.S. GAAP: Information Asymmetry-Based Evidence from Germany's New Market. *Journal of Accounting Research*, 41, 445-472.

Leuz, C., Nanda, D. & Wysocki, P. (2003). Financial reporting quality and investor protection: an international comparison. *Journal of Financial Economics* 69: 505-527.

Linsley, P.& Shrives, P. (2006). Risk management and reporting risk in the UK. *Journal of Risk*, 3(1), 115-129.

Martinez, J. A., Martinez, D. A., & Lin, H. (2014). The value relevance of accounting numbers under international financial reporting standards. *Australian Accounting Review*, 24(3), 237254.

Meek, G. K., Roberts, C. B.& Gray, S. J. (1995). Factors influencing voluntary annual report disclosures by US, UK and Continental European multinational corporations, *Journal of International Business Studies*, 26(3), 555-572.

Mercedes, P. M., & Isabel, M. C. (2014). Assessing the Impact of IFRS Adaptation on Financial reporting quality: An Emerging Market Perspective", *Transformations in Business & Economics*, 13(1), 21-40.

Mohammed, K., & Rabindra, K. S. (2018). Financial reporting quality and IFRS disclosure. A study on selected UK and Indian pharmaceuticals companies.

Morais, A. I., & Curto, J. D. 2008. Accounting Quality and the Adoption of IASB Standards – Portuguese Evidence. *R. Cont. Fin.*, 19(48), 103-111.

Morris, R.D. (1987). Signalling, agency theory and accounting policy choice. *Accounting &*

Neri, L. (2010). The informative Capacity of risk disclosure: Evidence from Italian Stock market, Available at: http://www.ssrn.com/ on 01 November 2019.

Oorschot, L. V. (2009). Risk reporting: An analysis of the German banking industry, Unpublished Master thesis, Erasmus University Rotterdam, *Journal of Finance and Accounting*, 5(2), 222-234.

Owolabi, A. & Iyoha, F.O. (2012). Adopting International Financial Reporting Standards (IFRS) in Africa: benefits, prospects and challenges. *African Journal of Accounting, Auditing and Finance*, 1(1), 77–86.

Paulina, S., & Indra, A. D. (2017). The Effect of IFRS Convergence on Reporting quality: Empirical Evidence from Indonesia. *Accounting and Finance Review*, 2(4), 21-31.

Peasnell, K., Pope PF, & Young, S. (2005). Board monitoring and financial reporting quality: Do outside directors influence abnormal accruals? *Journal of Business Finance & Accounting*, 32(7&8), 1311-1346.

Prima, S. T., & Grace, T. P. (2016). The impact of IFRS disclosure on financial reporting quality in banking companies in Indonesia Stock Exchange. *Journal Akuntansi & Auditing* 13(2), 176-190.

PWC. (2011). IFRS disclosure by country. Retrieved from http:// www.pwc.com/us/en/issues/ifrs-reporting/publications/assets/ pwc-ifrs-by-country-2014.pdf.

Raffournier, B. (1995). The determinants of voluntary financial disclosure by Swiss listed companies. *The European Accounting Review*, 4(2), 261-280.

Renata, N. B. (2017). Effects of IFRS disclosure on tax avoidance. *International Conference in Accounting*, 28(75), 407-424.

Siregar, S. (2006). Effect of Ownership Structure, Corporate Size and Corporate Governance Practices to Manage Earnings (Financial reporting quality). *Journal of Accounting Research Indonesia*, 9(3), 307-326.

Son, D. D., Marriot, N. & Marriot, P. (2006). Users' perceptions and uses of financial reports of small and medium companies in transitional economies: Qualitative evidence from Vietnam. *Qualitative Research in Accounting & Management*, 3(30), 218 – 235.

Uwalomwa, U., Francis, K. E., Uwuigbe, O. R., & Ataiwrehe, C. M. (2016). International financial reporting standards adoption and Accounting Quality: Evidence from the Nigerian Banking Sector. *Corporate Ownership & Control*, 14(1), 287-294.

Uwuigbe, U. U., Olubukunola, R., & Okorie, B. (2015). Assessment of the effects of firms' characteristics on financial reporting quality of listed firms in Nigeria. *Asian Economic and Financial Review*, 5(2), 218-228

Watts, R.L., and Zimmerman, J.L. (1986) Positive Accounting Theory, Englewood Cliffs, N.J, Prentice Hall.

Xiong Y. (2006). Financial reporting quality and its measurement: A theoretical perspective. *Journal of American Academy of Business*, 214-219.

Xu, W. (2014). The Effect of IFRS disclosure on Financial reporting quality: Evidence from the UK Private Firms. Working Paper Tilburg University, School of Economics and Management.

Yosra, M. S., & Imen, S. (2016). The effect of the mandatory adoption of IAS/IFRS on financial reporting quality: Empirical evidence from South Africa. *International Journal of Accounting and Economics Studies*, 4(2), 87-95.

Zeghal, D., Chtourou, S., & Sellami, Y. M. (2011). An analysis of the effect of mandatory adoption ´ of IAS/IFRS on financial reporting quality. *Journal of International Accounting, Auditing, and Taxation*, 20(2), 61-72.

Zhou, H., Xiong, Y., & Ganguli, G. (2009). Does The Adoption of International Financial Reporting Standards Restrain Financial reporting quality? Evidence from an Emerging Market. *Academy of Accounting and Financial Studies Journal*, 13, 43-56.