IFRS ADOPTION AND PERFORMANCE OF PUBLIC LISTED ENTITIES IN NIGERIA: EMPIRICAL EVIDENCE FROM PETROLEUM MARKETING ENTITIES

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Abstract

The study examines the effect of IFRS adoption on the performance of Petroleum Marketing Entities in Nigeria. In this study IFRS does not have any proxies because the study is a comparative analysis that assesses corporate performance pre- and post-IFRS adoption in the petroleum marketing sector of Nigeria. The Logistic Regression is used in analyzing categorical data, where the criterion variable is dichotomous and takes only two valves – 0 and 1. The Statistical Package for Social Sciences (SPSS) version 20 is used in the analysis. The finding reveals that Post-IFRS adoption has not significantly impacted corporate performance than Pre-IFRS adoption using Return on Capital Employed and Earnings per Share. It is recommended that Petroleum marketing entities should reduce their short term borrowing (current liabilities) so has to improve on Return on Capital Employed.

Keywords: International Financial Reporting Standards (IFRS), Earnings per share, Return on capital employed, adoption, Petroleum, marketing

Introduction

The adoption of International Financial Reporting Standards (IFRS) in Europe and around the world including Nigeria represents perhaps the most important accounting regulatory change in recent years (Odia & Ogieda, 2013). Expected benefits of IFRS adoption include reporting consistency, enhanced global competition and improved financial reporting, transparency, better performance of corporate entities, comparability, etc. many developed and developing countries have adopted IFRS as the basis of their reporting. All European Union countries were mandatorily required to converge to IFRS since 2005. In China, all listed firms are compulsorily reporting under IFRS since 2007.

In Nigeria, adoption of IFRS was launched in September, 2010, by the then Honourable Minister, Federal Ministry of Commerce and Industry, Senator Jubril Martins – Kuye (OFR). The adoption was organized such that all stakeholders use the IFRS by January 2014 (Madawaki, 2011). The adoption was scheduled to start with public listed entities and significant public

interest entities who were expected to adopt the IFRS by January, 2012. All other public interest entities are expected to mandatorily adopt the IFRS for statutory purposes by January, 2013 and Small and Medium sized entities started reporting IFRS by January, 2014.

IFRS adoption in Nigeria was confronted with the challenge of complexity of adoption. This is because IFRSs are more complex to adopt since they are principle-based standard requiring interpretation, as such, organizations have to make changes in their reporting standards as to be able to operate IFRS (Ahmed, 2010). Lessons from already adopters of IFRS revealed that for effective IFRS adoption, there must be an enabling institutional framework, accounting education and training, efficient capacity building programmes to prepare the various stakeholders for the imminent transition and challenges (Odia & Ogiedu, 2013).

Having overcome all these challenges to adopt IFRS as a basis for reporting in Nigeria, corporate performance is expected to be better compared to pre-IFRS era. The outcome of management processes, from strategic planning to implementation of the plan, underpins the measurement of corporate performance. Thus, corporate performance refers to the end result of management processes in relation to corporate goals (Hasan, Goran & Rahman, 2010). Daft (1991) defined corporate performance as the organization's ability to attain its goals by using resources in an efficient and effective manner. There are different perspectives on the measurement of corporate performance in strategic management literature. For example, Ventrakaman and Ramanujam (1986) divide corporate performance into operational and financial performances. Operational performance includes: (i) market share, (ii) product quality, and (iii) marketing effectiveness. Financial performance is broken down into two subcategories: (i) market-based performance (e.g., stock price, dividend payout and earnings per share) and (ii) accounting-based performance (e.g., return on assets and return on equity).

Available studies revealed conflicting results of corporate performance following the adoption of IFRS. Abdul-Baki, Ahmad & Sanni (2014) concluded that the disclosure of IFRS compliant set of financial statements was not attributable to higher performance evaluation through ratios, of the case firm. Umobong & Akani (2015) stated that there is a decline in accounting quality using earning management, value relevance and timely loss recognitions as basis. Yahaya, Musa & Isah (2015) stated that IFRS adoption has positively impacted some variables in the financial statement of bank; however, the study reveals that given the fair value perspective of IFRS, the transition to IFRS brings instability in income statement figures. Umoren & Enang (2015) indicated that earnings per share is incrementally value relevant during post-IFRS period while book value of equity per share is incrementally less value relevant during the post-IFRS period. This may imply that earnings reported by Nigerian Commercial banks have become more informative to equity investors in determining the value of banks following IFRS adoption. Other studies like (Abata (2015), Okoye, Jane & Raymond (2014),) also provide conflicting results. Given these conflicting results following the adoption IFRS, the question that may arise is "are local standards – SAS better than international standards – IFRS? It is against this backdrop that this study aims at examining the effect of IFRS adoption in the performance of Public Listed Entities in Nigeria. The study is a comparative analysis that assesses corporate performance pre- and post-IFRS adoption in the petroleum marketing sector of Nigeria.

Literature Review

This study shall be hinged on two related theories as discussed below:

New Institutional Theory (NIS)

Institutional theory is "a widely accepted theoretical posture that emphasizes rational myths, isomorphism and legitimacy" (Scott, 2008). Scott (1995) indicates that, in order to survive, organizations must conform to the rules and belief systems prevailing in the environment (DiMaggio & Powell, 1983, Meyer & Rowan, 1977).

In the context of IFRS convergence initiatives, institutionalization can be viewed as a social process through which a country accepts that national accounting standards are absorbed in the interests of international accounting harmonization (Rodrigues and Crag, 2007, in Wahyunic, 2012). In the field of international accounting research, especially research on IFRS adoption/convergence, NIS has been used both in quantitative and qualitative research in Europe. Rodrigues and Crag, (2007), suggested that NIS is useful in explaining development in international accounting over a period of time. One widely held myth is that a formally announced practice of an organization (e.g. total compliance with IFRS) does not differ from its actual or informal practice (e.g. less than total compliance to IFRS).

Wahyunic (2012) added that when a country decides to adopt IFRS and abandons her previous accounting standard, the main reason should be economical such as IFRS will bring economic benefit to the country. The economic benefit can be a reduction in the cost of capital or an increase significantly in foreign investors to the country's capital market. Some studies suggest that the reason of a country adopting IFRS is not economical but more on achieving institutional legitimization (Lasmin, 2011, Judge et al, 2011 all in Wahyunic, 2012). Touron (2005) stated that companies in European Union faced a strong coercive pressure in adopting IFRS in 2003 when European Commission approved the proposal to adopt IFRS in 2005 (Whittington, 2005 in Wahyunic, 2012). These institutional factors include National Accounting Standard Board, government, financial reporting council, IFRS oversight body.

The researcher therefore concludes that the success of country adopting IFRS mainly comes from the structural isomorphism rather than coercive isomorphism. Therefore, structural changes should be determinant factors for IFRS convergence by countries (Wahyunic, 2012).

Value Maximization Theory

The value maximization theory holds that the single objective of a firm's existence is to maximize profits in the short run and maximize shareholders wealth in the long run (Friedman, 1970; Jensen, 2001). The theory therefore explains that all the activities of organization, even when they seem eleemosynary, are profit-seeking. The theory explains further that the long run wealth maximization does not portend the maximization of shareholders' wealth alone but also the maximization of other financial claimants like debt and warrant holders (Abdul-Baki, el at 2014). Therefore, the research believes that the essence of the firm's disclosure of IFRS compliant financial statements is to maximize firm's value of profit making and ultimately shareholders wealth maximization.

Conceptual Framework

The Financial Reporting Council of Nigeria (FRCN), formerly the Nigerian Accounting Standards Board (NASB), is an organization charged with setting accounting standards in Nigeria.

NASB was established in 1982 as a private sector initiative closely associated with the ICAN. NASB became a government agency in 1992, reporting to the Federal minister of

Commerce (Obazee, 2003). The NASB Act of 2003 provided the legal framework under which NASB set accounting standards. Membership includes representatives of government and other interest groups. Both ICAN and ANAN nominate two members to the board. The primary function as defined in the Act of 10 July, 2003 were to develop, publish and update statements of accounting standards to be followed by Companies when they prepare their financial statement and to promote and enforce compliance with the standards (Ali & Nwang, 2000). On 18 May, 2011, the Senate passed the Financial Reporting Council of Nigeria Bill, which repealed the NASB Act and replaced it with a new set of rules.

The adoption of IFRS in many countries since 2005 requires standards-setters to understand the different regulatory and commercial environment in various countries (Madawaki, 2012). The roadmap on the adoption of IFRS (issued by the IASB) was used as guidance for the preparation of statutory financial statements in Nigeria. The roadmap also outlines specific milestones that if realized, could lead to the adoption of IFRS in three phases as follows;

Public Listed Entities and Significant Public Interest Entities in Nigeria by 2012,

Other Public Interest Entities by 2013, Small and Medium-sized Entities by 2014.

Table 2.1: The key differences between IFRS and SAS

Topic	*SAS*	*IFRS*
Financial statement presentation	*Income statement, balance sheet, cash flow statement, value added statement, accounting policies, notes*	*-statement of comprehensive income, -statement of financial position, -statement of charges in equity, -statement of cash flows, -notes, -significant management estimates and judgment*
Property, plant and equipment	*Measured using cost model*	*Measured using cost model with detail guidance regarding; -componentization –useful lives –residual valves –impairment calculation –and identifying cash generating units*
Related parties	*Limited disclosure but expected*	*Detailed guidance on identification of related parties and detailed disclosure of related parties and transactions*
Segment reporting	*More on geography*	*-operation segments based on management's view – threshold for reportable segments in results or assets of an individual*

		segment should be 10% or more of all segments. –if the aggregate revenue of all reported segments on this basis less than 75% of total, then more segment required until 75% threshold is reached.
IFRS-first time adoption of IFRS	*Not applicable*	*Provides guidance and requirements on the transition of IFRS. Also, provides relief for certain items in the preparation of the opening balance sheet.*
Financial guarantees	*Disclosed as contingent liabilities*	*Requires financial guarantees to be recognized at their fair value*
Scope of consolidation	*General principles*	*Investment under control are consolidated*
Employee benefits	*General expenses and disclosures on pensions*	*-complex criteria of accounting –recognize the undiscounted amount of short-term employee benefits*
Risk management disclosures	*Limited disclosure of foreign exchange and credit risk*	*Disclosure required for:* *-credit risk and* *-liquidity risk* *-price risk* *-capital risk management* *-risk management*
Leases	*Based on general guidelines, operating and finance leases*	*-currently similar but updates to IFRSs e.g. IFRIC 4 will lead to only finance leases hence more items coming into balance sheet* *-fair value and amortized costs used in valuations* *-certain transactions/contract containing hidden leases which needed to be accounted for*
Impairment	*No specific standard*	*-carry out impairment test based on trigger vent*

		-IFRS 36 – impairment on non-financial assets *IAS 39-impairment on financial assets*
Financial asst classification and valuation	*Classification include* *-cost* *-amortized*	*Classification include:* *-amortized cost* *-fair value*
		This is driven by the business model and nature of the instrument

Source: Oyedele, (2011), an overview of IFRS and challenges posed to Professionals. Seminar paper – the Chartered Institute of Taxation of Nigeria (CITN)

Ifrs and Corporate Performance of Entities in Nigeria

The performance of Public Listed Companies in Nigeria is expected to improve as a result of IFRS adoption. As business responds to the demands and opportunities of IFRS conversion, revisiting its fundamental business performance management (BPM) processes will likely prove worthwhile (Rusnak, 2009). Corporate performance can be measured in various ways. For example, Ventrakaman and Ramanujam in Hasan et al (2010) divide corporate performance into operational and financial performances. Operational performance includes: (i) market share, (ii) product quality, and (iii) marketing effectiveness. Financial performance is broken down into two subcategories: (i) market-based performance (e.g., stock price, dividend payout and earnings per share) and (ii) accounting-based performance (e.g., return on assets and return on equity).

The concept of corporate performance in accounting literatures refers normally to financial aspects such as profit, return on assets (ROA) and economic value added (EVA), using the nick name of —the bottom line (Hasan et al, 2010). Kaplan & Norton (1992) coined the extended measurement of corporate performance as balanced scorecard, where the core idea is to balance the domination of financial and non-financial aspects in corporate performance. Kaplan and Norton's extended corporate performance is in line with the measurement of corporate performance by Ventakraman & Ramanujam.

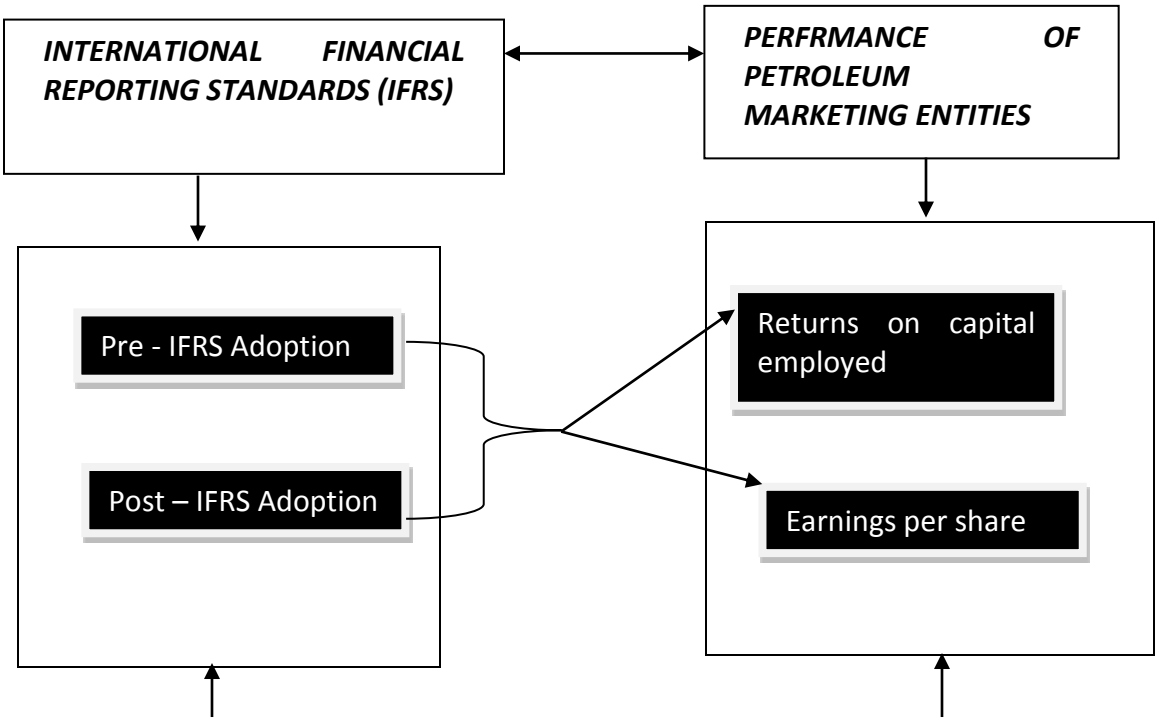
Simons [2000] defines corporate performance using an approach of market mechanism by which the company actively interacts with the financial, factor and customer product markets. In the financial market, the corporate performance strives to satisfy shareholders and creditors in the form of financial indicators. In the factor market, such as suppliers and other production owners, the corporate ability to pay in time and in agreed amount are important in evaluating corporate performance. Finally, from the perspective of customer product market, corporate performance will be evaluated by parties in the market based on the ability of the corporation to deliver value to customers with affordable price which is the net effect, in turn, will be indicated in the corporate revenue.

In the context of the market-based approach, Hasan et al (2010) added that the market value of a company is derived from the stock price, all of which is used to measure CFP. This approach reflects the notion that the primary stakeholders of the company are shareholders. In the context of the accounting-based approach, it is derived from a company's competitive

effectiveness and a competitive internal efficiency as well as optimal utilization of assets, for some certain measures. The market-based measurement is characterized by its forward-looking aspect and its reflection of the expectations of the shareholders concerning the firm's future performance, which has its basis on previous or current performance (Wahla, ShahSyed & Hussain, 2012; Shan & McIver Ron, 2011; & Ganguli & Agrawal, 2009). (e.g., stock price, dividend payout and earnings per share).

Accounting-based measurement is generally considered as an effective indicator of the Company's profitability and the business when compared to benchmark rate of return equal to the risk adjusted weighted average cost of capital. The accounting based measurement indicators to the profitability of firms on the short term in the past years such as (ROA), (ROE), (ROI), (ROCE), (Al-Matari et al 2014). The profit measure is criticized for its backward-looking element and its partial estimation of future events in terms of depreciation and amortization. The rate of profit is measured by the accountant, limited by standards established by the profession and is hence impacted by the accounting practices like the various methods employed for the assessment of tangible and intangible assets (Kapopoulos & Lazaretou, 2007).

Operational conceptual framework



Hypothesis

H_{01}: Pre- IFRS adoption does not significantly impact on corporate performance of petroleum marketing entities than Post-IFRS adoption in Nigeria

Empirical Review

Abdul-Baki, Ahmad & Sanni (2014) examined the effect of IFRS adoption on the performance evaluation of a case firm using some financial ratios selected from four major categories of financial ratios. The study was conducted through comparison of the ratios that were computed from IFRS based financial statements and Nigerian GAAP based financial statements. A One-Sample Kolmogorov-Smirnov Test was conducted to test for data normality.

Mann-Whitney U test was employed in testing whether significant difference exists between the pair of ratios when the normality test showed a non-normal distribution of the data set. The result of the Mann- Whitney U test showed that there is no significant difference between the pair of ratios at 5% level of significance. It was concluded that the disclosure of IFRS compliant set of financial statements was not attributable to higher performance evaluation through ratios of the case firm.

Umoren & Enang (2015) empirically examines whether the mandatory adoption of IFRS has improved the value relevance of financial information in the financial statements of commercial banks in Nigeria. The sample comprises of twelve listed banks in Nigeria. Specifically, financial statement figures of 2010 and 2011 (pre-adoption period) and 2012 and 2013 (post-adoption) were utilized. Descriptive statistics and least square regression were conducted to analyse the effect of IFRS adoption on the accounting quality. The result indicates that the equity value and earnings of banks are relatively value relevant to share prices under IFRS than under the previous Nigerian SAS. Results also indicate that earnings per share is incrementally value relevant during post-IFRS period while book value of equity per share is incrementally less value relevant during the post-IFRS period.

Umobong & Akani (2015) investigated the differences in the quality of accounting information Pre and post IFRS adoption by manufacturing firms in Nigeria over a five year period. Multiple regression analysis was performed on accounting quality variables and t-test was carried out for equality of mean to compare pre and post IFRS. Results indicate a decline in accounting quality using earnings management, value relevance, and timely loss recognition as independent variables. Earnings and book value of equity are less value relevant and timely loss recognition is less in post-IFRS compared to pre-IFRS period.

Umobong (2015) studied on IFRS adoption and firm's performance: a comparative analysis of quoted food and beverage manufacturing firms in Nigeria. Earnings per share, price earnings ratio and dividend yield were selected as performance criteria. Data were collected and divided into pre and post IFRS- comparative analysis and t- test was done to ascertain influence of pre and post IFRS adoption on market performance of the firms. Findings indicate that differences on market performance between pre and post IFRS periods are not significant suggesting a weak correlation between adoption of IFRS and market performance of quoted food and beverage manufacturing firms in Nigeria stock exchange.

From the above empirical review, findings revealed mixed results. However, to the best our knowledge none of these studies was conducted in the petroleum marketing sector. This study therefore aims at filling this gap.

Methodology

The study adopts the cross-sectional field survey of the quasi-experimental research design. A quasi-experiment is an empirical study used to estimate the causal impact of an intervention on its target population (Dinardo, 2008). A sample size of Nine (9) listed petroleum marketing companies in which their data are available on the Nigerian stock Exchange is chosen. As such, the census approach is used. Secondary data forms the source of data collection.

Descriptive Statistics in the form of tables will be used to present the Pre and Post IFRS adoption performance.

The Logistic Regression is useful in analyzing categorical data, where the criterion variable is dichotomous and takes only two values – 0 and 1. The Statistical Package for Social Sciences (SPSS) version 20 will be used in the analysis.

Model specification

The econometric model that will be tested to determined effect of IFRS adoption in the performance of corporate entities in Nigeria is given below;

$Y = F(X_1, X_2)$

Where, Y represents the dependent variables (EPS, ROCE) and X_1, X_2 represent the independent variables (Pre-IFRS and Post-IFRS)

$RR = \alpha_0 + \alpha_1 EPS + \alpha_2 ROCE + e$…….. …… (I)

Where;

α_o = Constant or intercept

α_1 = Coefficient or slope

ROCE = Returns on capital employed

EPS = Earnings Per Share

$e_=$ error term.

RR = A dummy variable representing the regulatory regime.

Presentation of Data

The data obtained from the Nigeria stock exchange for Earning per share and return on capital employed from 2008 – 2011 pre – IFRS and 2012 – 2015 post-IFRS are presented at the appendix.

Data Analysis

Table 1: Summary of Descriptive Statistics of Financials' Pre-IFRS Adoption(2008-2011)

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
earnings per share	36	.02	52.13	7.4242	9.11481	3.488	.393	16.542	.768
return on capital employed	36	-41.03	52.10	11.2575	19.97747	.152	.393	.260	.768
Valid N (listwise)	36								

Table 1 presents detail descriptive statistics of EPS & ROCE over 4-year pre- IFRS adoption Periods (2008-2011). The average EPS is ₦7.42 with standard deviation of approximately ₦9.12 this means that EPS can deviate from mean to both sides by ₦9.12. The maximum EPS recorded is ₦52.13 and the minimum EPS ₦.02. Similarly, the average ROCE is 11.26% with standard deviation of approximately 19.98%. This means that the ROCE can deviate from mean to both sides by 19.97%. The maximum ROCE is 52.10% and the minimum is -41.03%.

Table 2: Summary of Descriptive Statistics of Financials' Post-IFRS Adoption (2012-2015)

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis

	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
earnings per share	36	.01	20.76	4.9258	6.19868	1.276	.393	.243	.768
return on capital employed	36	-301.20	50.29	-2.8022	57.10038	-4.496	.393	22.583	.768
Valid N (listwise)	36								

Table 2 presents detail descriptive statistics of EPS & ROCE over 4-year post- IFRS adoption periods (2012-2015). The average EPS is ₦4.93 with standard deviation of approximately ₦6.19. This means that EPS can deviate from mean to both sides by ₦6.19. The maximum EPS recorded is ₦20.76 and the minimum EPS ₦.01. Similarly, the average ROCE is -2.80% with standard deviation of approximately 57.10%. This means that the ROCE can deviate from mean to both sides by 57.10%. The maximum ROCE is 50.29% and the minimum is -301.20%

Table 3. From the descriptive statistics for Pre-IFRS and Post-IFRS, the comparative analysis table revealed

Variables	Pre-IFRS	Post-IFRS	RESULT
EPS – mean	₦7.4242	₦4.9258	₦2.4984
ROCE – mean	11.2575%	-2.8022%	14.0597%

From the table above, mean statistics for EPS in Pre-IFRS was higher (₦7.4242) than post-IFRS (₦4.9258), indicating that Pre-IFRS EPS was better than Post-IFRS. Similarly, mean statistics for ROCE Pre-IFRS was higher (11.2575%) than Post-IFRS (-2.8022%).

H_{01}: Pre-IFRS adoption has significantly impacted corporate performance than Post-IFRS adoption

Table 4

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square	Chi-square	Sig
1	95.780[a]	.054	.073	4.033	.133

a. Estimation terminated at iteration number 4 because parameter estimates changed by less than .001.

Table 4.Contains the Cox & Snell R Square and Nagelkerke R Square values, which are both methods of calculating the explained variation. The table shows that the Cox & Snell R Square (R2) = .054 while that of Nagelkerke R Square (R2) .073. Similarly, the table shows a chi2 = 4.033 and sig value = .133. Since the sig value is greater than 0.05, the study concludes that there is no statistical significant difference between pre- and post-IFRS adoption. In addition, Nagelkerke R Square (R2) of .073 indicates that the model is good but not great.

Table 5 Result of Binary Logistic Regression Analysis

		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 1[a]	EPS	-.042	.036	1.384	1	.239	.959
	ROCE	-.011	.010	1.323	1	.250	.989

Constant	.326	.325	1.005	1	.316	1.386

a. Variable(s) entered on step 1: EPS, ROCE.

Table 5 provides the regression coefficient (B), the Wald statistics (to test the statistical significance) and the all important Odd ratio (Exp (B)) for each variable category. All the explanatory variables were entered/removed from the binary logistic regression using a step-wise procedure with a p-value of 0.05 to enter and a p-value of 0.10 to remove. The Wald statistic was used to test the null hypothesis that each coefficient is zero. Table 4.7 compares the pre-IFRS based financial numbers reported during 2008-2011 and the post-IFRS financial numbers reported during 2012-2015. The result reveals that EPS (B = -.042, W = 1.384, Sig. = .239) was not improved after the adoption of IFRS and was not statistically significance at 5% level. Similarly, Return On capital Employed (B = -.011, W = 1.323, Sig. = .250) was not statistically significantly to the model and was not better after the adoption of IFRS.

Discussion of Findings

The findings revealed that Post-IFRS adoption has not significantly impacted corporate performance than Pre-IFRS adoption using Return on Capital Employed and Earnings per Share. Studies with similar results but in other sectors include Abdul-Baki, Ahmad & Sanni (2014), Umobong & Akani, (2015). However, studies with dissimilar results include Umoren & Enang, (2015), Yahaya, et al (2015), Umobong, (2015). The dissimilarity in findings could be as a result of different sectors and time period under considerations.

Conclusion

The aim of this study was to examine the effect of IFRS adoption on the performance of Petroleum Marketing Entities in Nigeria. In this study IFRS does not have any proxies because the study is a comparative analysis that assesses corporate performance pre- and post-IFRS adoption in the petroleum marketing sector of Nigeria.,However, a dummy variable has been developed to distinguish pre and post IFRS periods in the data analysis as shown below: Post-adoption = 1,Pre-adoption = 0. Based on the finding of this study, it was concluded that the adoption of IFRS is a move made in appropriate direction. Although This study findings indicate a decline in EPS & ROCE following IFRS adoption in the financial performance of Petroleum marketing entities, mixed feelings and findings from other researchers, the adoption of IFRS in Nigeria has improved performance and will continue to enhance the credibility of financial statements and will serves as a basis for assessing the strength of a corporate entity globally and a lot of foreign investors will be attracted. the decline was due to losses made by Oando oil for 2014 and 2015, Capita Oil for 2013 and 2014 and Japual Oil for 2014 and 2015 respectively as well as high current liability level.

Recommendations

In the light of the findings and the conclusion drawn there from, it is quite imperative to make the following recommendations with a view to improving the adoption of IFRS which will in turn positively affect the performance of corporate entities in Nigeria. The researcher therefore recommends the following; Financial Reporting Council of Nigeria (FRCN) and other accounting standards setters should incorporate measures that will enhance the quality of financial reporting in order to increase investors return especially EPS, thereby increasing investors' confidence. Petroleum marketing entities should reduce their short term borrowing (current liabilities) so, has to improve on Return on Capital Employed.

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Appendix

EARNING PER SHARES OF 9 PETROLEUM FIRMS 2008 - 2015

S/N	PMC	2008	2009	2010	2011	2012	2013	2014	2015
1	OANDO PLC	7.01	5.15	8.29	11.32	8.29	1.26	0.23	20.76
2	CONOIL PLC	0.00	3.33	4.02	4.32	1.03	4.42	1.20	1.33
3	FORTE OIL								

	PLC	0.00	8.78	2.54	14.46	0.61	4.25	2.42	4.39
4	MRS OIL PLC	0.00	0.00	0.00	4.08	0.81	2.50	2.94	3.68
5	TOTAL NIG. PLC	12.94	11.69	16.01	11.23	13.76	15.71	15.89	16.24
6	MOBIL NIG. PLC	0.00	9.46	12.93	12.14	8.56	9.65	17.73	13.51
7	CAPITAL OIL PLC	0.00	0.00	0.00	0.02	0.01	0.09	0.16	0.28
8	ETERNA OIL & GAS	52.13	1.32	0.55	0.93	0.84	0.98	0.90	1.04
9	JAPAUL Maritime	11.67	12.66	0.13	0.14	0.92	0.10	0.38	0.46

Source: computed from Firms Annual Report & Accounts

Earnings per share are calculated by dividing the company's profit attributable to ordinary equity holders by the number of ordinary shares held.

$$EPS = \frac{\text{profit attributable to ordinary equity holders}}{\text{Number of ordinary shares held.}}$$

Returns on Capital Employed of 9 Petroleum Firms 2008 - 2015

S/N	PMC	2008	2009	2010	2011	2012	2013	2014	2015
1	OANDO PLC	25.84%	15.03%	11.28%	1.28%	4.43%	2.33%	-301.2%	-115.48%
2	CONOIL PLC	0.00	23.99%	23.15%	23.07%	6.39%	16.28	8.95	3.11
3	FORTE OIL PLC	0.00	-13.42%	-14.01%	0.00%	8.54%	29.19	25.05	35.56
4	MRS OIL PLC	0.00	0.00	0.00	5.45%	1.49%	5.49%	4.98%	5.55%
5	TOTAL NIG. PLC	52.1%	40.3%	45.6%	35.8%	50.29%	23.22%	5.82%	4.86%
6	MOBIL NIG. PLC	0.00	41.8%	46.61%	30.15%	11.79%	19.44%	25.68%	17.35%
7	CAPITAL OIL PLC	0.00	0.00	0.00	0.27%	1.98%	-28.65%	-7.36%	3.76%
8	ETERNA OIL & GAS	-8.18%	-41.03%	18.42%	27.80%	16.16%	10.58%	18.92%	12.07%
9	JaPaul Maritime	3.37%	4.98%	0.00%	5.62%	3.94%	0.44%	-8.15%	-23.68%

Source: computed from Firms Annual Report & Accounts

Return on capital employed is obtained by dividing profit before interest and tax by the difference between total assets and current liabilities.

$$ROCE = \frac{\text{profit before interest and tax}}{\text{total assets - current liabilities.}} \times 100$$