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INTERNATIONAL FINANCIAL REPORTING STANDARDS AND FINANCIAL PERFORMANCE OF LISTED CONSUMERS' GOODS FIRMS IN NIGERIA

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K E Y W O R D S

International Financial Reporting Standards, Financial Performance, Pre and Post period, Financial Performance, Regulatory Agencies and consumers' goods firms.

A B S T R A C T

The study examines international financial reporting standards and performance of quoted manufacturing consumers' goods firms in Nigeria. Data for the study was obtained mainly from secondary sources of the sampled consumers' goods firms. The data were subjected to statistically analysis using T-test statistical tool. Multiple regression analysis and Pearson Product Moment correlation were used to test the difference in the financial performance between the pre and post IFRS periods of the listed consumers' goods firms in Nigeria. The study revealed that there is a significant difference between return on assets, return on equity and earning per share of the listed quoted consumers' goods firm in Nigeria during the pre and post IFRS periods. It was therefore recommended that the post IFRS standards should be retained and regulatory financial agencies, internal and external auditor should ensure strict compliance to IFRS standards in Nigeria.

Introduction

One of the accounting standards practices or method used for preparing, presenting and reporting financial information of firms is by the use of international financial reporting standards (IFRS). The international financial reporting standards practices is an international accounting standards practices that allowed every companies or firms operating anywhere in the world to use or applied the same accounting standards in preparing and reporting their financial statements. This however is in accordance with international best accounting practices. The international financial reporting standards (IFRS) is a set of international accounting principles, guidelines used in preparing and reporting financial information of firms throughout the whole world. Thus, the financial reporting quality of financial statements of firms and the performances can now be compared, assessed and faithfully represented anywhere in the world. International business transactions will begin to wear a new look and the financial performance of firms can now be determined or ascertained easily without any stressed. Apart from that, business partners in other countries can now be sure that the information they

received on their businesses or investments are accurate, accessible, comparable and of course dependable at all times.

Adekoya (2011) argued that the financial information from the adoption of international financial reporting standards are now more accessible and easily comparable than ever, thereby enhancing the financial reporting quality of firms financial statements and the profitability raising therefrom. Thus, to increase the quality of financial statements comparability, uniformity, relevancy, dependability and firms' financial performance in the global markets participation, there is need for the adoption of a common and unified acceptable accounting standards called the international financial reporting standards (IFRS). The international financial reporting standards are set of unified accounting standards developed by the International Accounting standard Board (IASB) to oversees and regulate the accounting standard practices and reporting of financial information of firms or companies all over the world. It is also the board charged with the responsibility of defining how financial statement of firms are to be prepared, presented, reported financial performance ascertained or determined. Thus, the body is responsible for the development of international financial reporting standard practices in the whole world today.

Kunle, Omoruji and Hamed (2011) argued that just like every other system, the international financial reporting standard (IFRS) is a systematic approach that promotes understandability, faithfully representation, relevance and comparability of financial statement of firms across the globe, thereby increasing the financial performance or revenue of firms. Companies or firms benefited a lot from the adoption process of the international financial reporting standards (IFRS), such that capital can be raised internationally by any country without any stressed.

Karampinis and Hevas. (2009) pointed out that companies gained so much from using the common and unified acceptable international financial reporting standards (IFRS) by raising capital and other market incentives to boost their international business operations. In Nigeria, the internationalization of business activities, reported cases of corporate failure of some blue chip firms and the inability of companies to raise fund internationally beyond their local boundaries has called for the full adoption or implementation of the international financial reporting standards (IFRS). Thus, prior to the adoption of international financial reporting standards, Nigeria was still using its own local accounting standards called the Statement of Accounting Standards (SAS). This accounting standards practices as at then was developed and regulated by the Nigerian Accounting Standards Board (NASB). The Board was charged with the responsibility of overseeing the preparation, presentation and reporting of accounting information of firms in Nigeria only. Subsequent to the adoption of international financial reporting standards (IFRS) in Nigeria, the Nigerian Accounting Standards Board (NASB) was renamed Financial Reporting Council of Nigeria (FRCN) as a regulatory body that

will now be responsible with the overseeing the adoption and implementation of international financial reporting standards practices in Nigeria (Kenneth, 2012). It implies therefore that the accounting standard practices in Nigeria is no more done locally or reported the way we like rather with international financial reporting standards (IFRS). Firms operating or doing businesses in Nigeria with multiple business in other countries can now prepare, present and report their businesses with the same international financial reporting standards. Firms can now know whether or not they are doing well in their business. Anthony and Young (2010) opined that multiple accounting standards will lead to differences of financial figures of firms even when the same financial data are used which of course gives way to differences in their business communication and reporting of their financial performance, hence the introduction and adoption of the international financial reporting standards (IFRS) with so many benefits such as comparability, reliability, uniformity, dependability and qualitative of financial information of firms across the globe. To determine the qualitative nature of the financial statements of firms, such financial statement must be prepared, presented and reported in accordance with the international financial reporting standards best practices. Thus, the primary theoretical benefit of an international set of accounting standards is to enhance comparability of financial information to enable users of financial information to make informed decisions on capital allocation (Ames, 2013). The financial statements prepared under the adoption of international financial reporting standards (IFRS) now confers much integrity and also produces a set of financial statement that is reliable and dependable by numerous users of accounting information within and outside the organisation. The globalization of accounting standards has numerous advantages such as access to foreign direct investment, low cost and easy comparison of financial statement globally. Another important role played by adopting international financial reporting standards (IFRS) is the easy understandability of financial report of firms financial statement. This is because, financial statement of firms can now be reported through a single set of accounting standards which make it easier for users of financial statements to understand or know their return on investments.

Akinmutimi (2011) argued that the adoption of international financial reporting standards(IFRS) has brought a lot of benefits to corporate and public entities in terms of high quality, transparency, comparable financial statements, easy consolidation of financial statements, better understanding and management control of internal consistencies of reporting accounting information, improved access to global financial or capital markets operations, ability to attract internal investors, promotion of trade within regional economic groups as well as the ability to make meaningful comparison of investments portfolios in different countries.

Try and Evita (2015) also pointed out that the adoption of international financial reporting standards have provided so many benefits to the participating

countries such as reducing the distinctive reporting regulation between different countries, reducing the cost of multinational company financial reporting requirements as well as presenting a very high quality financial reports among others. Meeks and Swann (2005) opined that the adoption of international financial reporting standards (IFRS) had exhibited a very high quality of financial statements around the globe than ever before, financial performance of firms cannot be over emphasized. The none access to global financial or capital markets, inability to attract international investors, none promotion of trade within regional economic groups, inconsistencies of financial reporting and uneasy consolidation of financial statement among firms in different countries were the problem that led to the adoption of international financial reporting standards (IFRS). Secondly, the reported cases of so many corporate failure of some blue chip firms, the internationalization of so many businesses activities, high cost of multinational companies financial statement requirements, low quality of financial statement, different distinctive reporting regulations between different countries and none transparency, non-comparable of companies financial statement among others were also the problems confronting firms in Nigeria which have led to the adoption of international financial reporting standards in Nigeria.

Okunbor and Arowoshegbe (2012) opined that the collapse of multinational like Enron drew the whole world attention to the need of a better, qualitative, credible, comparable and reliable financial reports. Thus, the need for the adoption of a unified international financial reporting standards (IFRS) cannot be overemphasized. The activities of capital market exert strong positive signals or impact on economic growth of a country, hence the adoption of international financial reporting standards and quality financial statements reporting around the globe (Oyedele, 2011).Although a good number of extant studies have been carried on the international financial reporting standards and financial performance of listed manufacturing firms in Nigeria, but not much has been done or how the international financial reporting standards affect the financial performance of listed consumers goods firms in Nigeria. Again, few studies conducted by Madawaki and Okpala (2012), Isenmilia and Adeyemo (2013), Cai& Wong, (2007) and Oyewo (2015) all revealed mixed and conflicting results, hence creating a research gap in their studies. This study, however, intends to look at international financial reporting standards and financial performance of listed consumers goods firms in Nigeria. It is against this backdrop that this study aims to examine, how international financial reporting standards affects the financial performance of listed consumers goods firms in Nigeria.

The study is therefore guided by the following specific objectives

i. There is no significant difference in the return on assets between the pre and post IFRS periods.

ii. Return on equity does not significantly differ before and after IFRS adoption.
iii. No significant difference exists in the earnings per share between the pre and post IFRS regimes.

Literature Review

The Concept of International Financial Reporting Standards (IFRS)

The practice of accounting all over the world is guided by a set of guidelines, principles or rules. These rules and guidelines are compiled into accounting standards upon which the accounting practices are based. They are statements of principles that discusses the accounting treatments and disclosure of a particular item or group of items (Adebimpo & Ekwere, 2015).International Financial Reporting Standards (IFRS) is a body of prescriptive rules and guidelines with global reach and appeal which provide direction and guidance on how business enterprises in a globalised world could achieve the goal of proper record keeping, transparency, uniformity, comparability and enhancing public confidence in financial reporting (Tendeloo &Vanstraelen, 2005).

Modugu and Eragbhe (2013) posit that the generally acceptable accounting principles (GAAP) had allowed firms to report their financial statements in accordance with what is applicable to their regions alone. Thus, did not allow convergence, quality and comparability of financial reports across different entities and countries across the globe. The adoption of International financial reporting standards (IFRS) by the international Accounting Standards Board (IASB) encourages the shaping of accounting framework of different nationals, thereby providing recognition, measurement and reporting of quality financial information. Adebiyi (2012) argued that accounting framework has been shaped by International Accounting Standards Boards (IASB) to provide for recognition, measurement, presentation and reporting financial information relating to transactions and events that are reflected in the financial statements of companies across different boarders or national boundaries. The adoption of International financial accounting standards (IFRS) across the globe help to streamline the financial reporting, minimize reporting costs from common reporting system and consistency in statutory reporting which enable the comparison of financial information and benchmarking with foreign competitors. Apart from that, the adoption of International Reporting Standards (IFRS) has offer companies or firms an edge over competitors in the eyes of users of financial information. Ikedi (2010) argued that the adoption of International Financial Reporting Standards (IFRS) has transcend through national boundaries, acquisitions of joint ventures and easy access to foreign capital as well as trading with Companies shares and securities on stock exchange table all over the world.

Macias and Muino (2011) suggested the problem of financial reporting quality in the accounting information of some European countries that operate two

different national and international accounting systems. Atwood, Drakes, Myers and Myers (2011) found that accounting information presented according to generally accepted accounting principles was more successful in the predictability dimension than information presented according to the International Financial Reporting Standards (IFRS) system.

Jones and Higgins (2006) concluded that International Financial Reporting Standards (IFRS) harmonization caused an important development in the organizational functions and responsibilities in the departments of businesses. Callao, Jarne and Lainez (2007) examined the quantitative effect of International Financial Reporting Standards (IFRS) harmonization in financial offices and ratios and the difference between the market value and book value of the business was analyzed to determine the effects of International Financial Reporting Standards (IFRS) harmonization.

CortesjMontani and Tettamanz (2009) examine the International Accounting Standards and International Financial Reporting Standards (IAS&IFRS) harmonization to the financial statements of furniture and decoration sector companies registered on the Mali Stock Exchange in 2005.The application of international accounting standards resulted in basic differences and effects in tangible and intangible assets according to IAS 38 and IAS 36.

Iatridis (2010) opined that the effect of the harmonization of in measuring the financial performance of businesses across the globe cannot be overemphasized. The study stated that the existence of loan power and credibility of business could decrease potential business risk and increase financial reporting quality with International Financial Reporting Standards (IFRS). In another study Iatridis (2010) argued that the International Financial Reporting Standards (IFRS) harmonization have increased the quality of accounting information and the financial reporting quality. In the IFRS-based financial statements information in most companies also increased drastically the reporting quality thereby produce the type of financial statement needed for financial decision. Navarro-Garcia and Bastida (2010) analyzed the consequences of International Financial Reporting Standards (IFRS) adoption in a code-law country in Spain. This study indicates that financial statement prepared under the code – law and adoption of International Financial Reporting Standards (IFRS) could lead to less International Financial Standards compliance and therefore, lower quality financial reports than could be reached under strict International Financial Reporting Standards (IFRS) application. Thus, it was better to adopt the International Financial Reporting Standards (IFRS) with strict compliance rather than the code – law approach.

Dumont (2012) argued that there are many countries standards in the world with each country using a version of their own called the General Accepted Accounting Principles (GAAP) which allows firms or companies in their localities to report their financial statements in accordance to their local Generally Accepted

Accounting Principle (GAAP) and to the country where they operate. The problem with the generally accepted accounting principles (GAAP) is that firms or companies that operate or do business in multiple countries need multiple local accounting standards in the preparation, presentation and reporting of financial statement. The weakness of the generally accepted accounting principles otherwise known as (GAAP) as postulated in Umoren and Nwobu (2010) is the increasing complexity of financial reporting requirements in the world economy today. Therefore, the increasing globalization of businesses, alongside the improvement in technology had led to globalization of capital markets which has resulted to an increase in accounting practices (Umobong 2015). Thus, this career necessitated the quick respond to the adoption of a common and unified accounting language that can be accessed compared and understand, even form the comfort of their homes. The International financial accounting standards are set of accounting standards that states how a particular types of business transactions should be treated, prepared or reported in the financial statements of companies or firms. The aim of this is to promote comparability, reliability and even timely information that would enhance good quality of financial information needed by interested parties or groups across the globe. International Financial Reporting Standard (IFRS) is a statement of accounting standard issued by the International Accounting Standard Board (IASB), specifically on how financial information are to be prepared and reported by public listed companies across the globe. Rehana (2017) opined that International Accounting Standards Board (IASB's) mission is to develop the International Financial Reporting Standards (IFRS) and bringing financial markets transparency, accountability, and efficiency throughout the whole world. The goal of the international financial reporting standard (IFRS) is to provide a global framework on how public companies should prepare and disclose their financial statements.

Alistair (2010) the international financial reporting standards (IFRS) is a series of accounting pronouncements published by the International Accounting Standards Board (IASB) to help in preparing a common financial statements throughout the whole world and to provide a high quality, transparent and comparable financial information. Thus, Fasoranti, Adelakun and Joshua (2014) opined that international financial reporting standards (IFRS) is a combination of the international accounting standards (IASs), International Financial Reporting Standards (IFRSs), Standing Interpretation Committees (SICs) pronouncement and the international financial reporting interpretations committee (IFRICS) guidelines. Therefore, international financial reporting standards (IFRS) are robust principle based sets of global accounting standards that has detailed disclosure requirements that are useful for the preparation, presentation and reporting of financial information for economic decisions making purposes.

Herbert, Ene and Tsegba (2014) in Akpaka (2015) argued that since financial information is a medium of communicating business or financial transactions, it

became important or imperative that different countries accounting standards should be harmonized to form a single set of accounting standards that can be used to improve the rate at which investments and credit decisions are taken to aid international comparability of financial information of companies or firms financial information of firms or companies operating within and outside the reporting countries. Ikpefan and Akande (2012) opined that international financial reporting standards (IFRS) has shapes accounting framework all over the world to provide for recognition, measurement presentation and disclosure requirements relating to transactions and events that are reflected in the financial statements of companies or firms. Thus, the international financial reporting standards (IFRS) was developed in the year 2001 by the International Accounting Standard Board (IASB) in the public interest to provide a single set of high quality, understandable and uniform accounting standards. Therefore, international financial reporting standard (IFRS) are standards, interpretation and framework adopted by the international accounting standards Board; which is also a product of private sector initiatives charged with responsibilities of harmonization and internationalization of financial reporting standards of business organisation and regional convergence (Abata, 2015). Companies or firms are always encouraged to prepare, present and reports their financial statements on the basis of cross-border comparison, so that the objectivity and reliability of financial information cannot be undermined. Thus, if firm's financial statement is prepared, presented and reported on the basis that does not allow cross-border comparison, it will be bereft of objectivity, reliability, credibility and comparability of financial information and thus will results to fraudulent business practices which subsequently will lead to business failure and becomes devastating on the national economy (Atu & Atu, 2014).

International financial reporting standards therefore are designed to encourage professional judgment and discourage over reliance on detailed rules from local and regional accounting standards (Donubris, Pere, Dobija, Klime& Zak, 2010). According to Saad (2006) the increasing internationalization and standardization of accounting rules has helped to reduce wide judgmental intuition and discretion, which has reduced the work of the external auditor considerably. Therefore, the goal for the adoption of international financial reporting standards (IFRS) is to provide a global accounting framework on how public companies are to prepare, present and reports their financial statements globally. The provision of these general guidelines for financial reporting of international businesses is very important to global communities or markets. Hence, adopting a single set of world-wide acceptable accounting standards simplify accounting treatments and procedures by allowing companies to use one reporting language throughout their financial reporting activities. The adoption of international financial reporting standards (IFRS) would call for a very high financial reporting quality and less subjectivity of financial information. A very high accounting quality in financial

reporting would be accompanied by higher conservatism and less information asymmetry (Ball & Shivakumar, 2005). The provision of a true information through financial statements is deemed as accounting quality. In other words, if the financial statements are prepared for the favor or anticipation of any of the user of financial information, true information is hidden through legal or illegal methods or wrong information is inserted, then financial information and the intended quality will be altered and manipulated at the long run. The manipulation of financial statement will be done through illegal insertion of information, hence, producing low accounting quality of information.

Financial Performance

Financial performance of a firm or company is usually associated with the degree of how well being a firm or company is in terms of its level of profitability. Return on Assets and Returns on equity are measure used in measuring the financial performance of a firm. These measures are used to verify the extent to which resources of the firm are adequately utilized to create an acceptable financial stand. Financial performance principally reflects business sector outcomes and results that shows overall financial health of the sector over a specific period of time. It indicates that how well an entity is utilizing its resources to maximize the shareholders' wealth and profitability. Financial performance is the measure of the financial health of the organizations and shows the performance of the executive leadership of the company. The higher the financial performance of the company the more effective and efficient the company is using the resources and later contributes at the macro level of the country's economy (Barth, Landsman & Lang, 2008). The financial performance of a firm is of vital importance for investors, stakeholders and economy at large. For investors the return on their investments is highly valuable, and a well performing business can bring high and long-term returns for their investors (Ikedi, 2010). Furthermore, financial profitability of a firm will boost the income of its employees, bring better quality products for its customers, and have better environment friendly production units. Also, more profits will mean more future investments, which will generate employment opportunities and enhance the income of people.

Hasan and Ahmed (2012) also asserts that financial performance is categorized into market base performance simply means, the stock price, earnings per share and dividend payout of the company or firm during a period, while, accounting-based performance is the return on assets, return on equity and earnings per share etc of a company. Both market-based performance and accounting-based performance is what is known or referred to as financial performance of a company. A company or firm cannot be financially viable in terms of its performance without considering or talking of the stock price, return on assets

(ROA) as well as return on equity (ROE) of the firms or companies over a given period of time.

Return on Asset (ROA)

Return on asset is simply a measure used to determine firms' performance. It is usually a measure used in measuring firm's performance in using its assets to generate earnings independent of the financing of those assets. It specifically relates to the results of operating performance to the investment that a firm has made without regard to how the acquisition of this investment was financed. Return on assets basically measures firm's performance by using its assets independently to finance these assets. The ratio of return on assets is calculated as follows:-

Return on assets (ROA) $= \frac{\text{Profitbefortax}}{\text{Average totalassets}} \times \frac{100}{1}$

Return on assets (ROA) is an indicator of how profitable a firm or company is, relative to its total assets. It gives an idea of how efficient; management is using its assets to generate earnings for the company or firm. Return on assets ratio is usually called return on total assets because, it is the profitability ratio used to measure the net, income produced by the total assets of the company or firm. Thus, the higher return on assets is an indication that the company or firm is doing well. However, if the rate of return on assets is low, it is an indication that the management of the company or firm is inefficient or that, the management is not making enough use of the existing assets to generate or produced the expected or needed earnings.Therefore, return on assets is considered an effective means of measuring the financial performance of a company or firm, when the expected rate of returns on assets is very high.

Return on Equity (ROE)

Return on equity is a measure used for financial performance. It reveals the proportion of profit earned by the core capital invested in the firm. This reflects management's ability to utilize shareholders' funds in generating profits. This also reveals the returns that are accruable to the investors of the firm. Return on equity is one of the most important ratios used in assessing a company's financial performance. It is simply the company's profit expressed as a percentage of shareholders' funds. Return on equity is an indicator used to assess the profitability index of a company over a given period of time. Thus, in calculating the financial performance of a company, using return on equity, the profit figure is obtained from the profit and loss account of the firm or company and the capital that was employed from the balance sheet. It is very important to note that, in using return on equity, two major problems may likely occur:

Firstly, the ability to compare the figures for different companies or for different periods must be ascertained in order to arrive at a consistent basis, such that assets values will be up to date. Secondly, comparing the like with like, when

looking at the performance of a company or firm for a given period, using return on equity. Equity means or symbolizes share holders' fund that should be compared with the profit. Therefore, return on equity is calculated by dividing the profit after tax by shareholders equity as follows:

$$\frac{\text{Profit after tax}}{\text{Equity / shareholders fund}} \times 100$$

But where there is preference share capital, the numerator should be profit after tax (PAT) – preference share dividend. However, the denominator should be shareholders fund – preference share capital. or

Return on equity (ROE) $\frac{\text{Operatingprofit}}{\text{Average shareholders equity}} \times \frac{100}{1}$

From the above formula, return on equity is simply the percentage of return generated by the total funds of shareholders employed to finance the operations of a company or firm during an accounting year.

Earnings Per Share (EPS)

Earnings per share (EPS) is the portion of a company's profit allocation to each outstanding shareholder of a common stock. It is one of the indicators of a company's profitability during a period. Earnings per share (EPS) refer to earnings per ordinary share. Basically, earning per share is a performance indicator that is primarily used by potential shareholders to know the profit that is attributable to equity share based on consolidated profit of the year, after tax, minority interest as well as preference dividend. Earnings per share (EPS) offer the basis of comparability of after-tax profit attributable to each shareholder from one year to another.

Earnings per share means the profit that is available to the equity shareholders on a per share basis i.e the amount that they can get on every share held. It is calculated by dividing the profit available to the shareholders by the numbers of the outstanding shares. The profit available to the ordinary shareholder are represented by the net profit after taxes and preference dividend, thus

$$\text{Earnings per share} = \frac{\text{Net profit available to equity holders}}{\text{Numbers of ordinary shares outstanding}}$$

Earnings per share (EPS) is normally equal to the earnings available to common stock holders divided by the weighted average number of shares of common stock outstanding. Earnings per share may be fairly simple or highly complex, depending on the company's or firm's capital structure. A company or firm has a simple capital structure, if, it has no outstanding securities such as convertible bonds, convertible preferred stocks, warrants or options that can be exchanged for common stock. But, if the company of firm has such securities outstanding, it has a complex capital structure, unless the potential dilution is less than 3% (percent). Therefore, a

company or firm with a simple capital structure reports single earnings per share (EPS) as earnings per share of common stock

$$= \frac{Net\ income\ available\ to\ common\ stockholder}{weighted - average\ number\ of\ common\ shares\ outstanding}$$

Statement of accounting standards (SAS) No. 21 stated that earnings per share (EPS) should be calculated by dividing the operating profit after tax of the company for the period under review. It also requires that listed companies to publish earnings per share (EPS) statistics on the face of the profit and loss account. Thus, the basis for calculating earnings per share should be disclosed in a note to the account. In certain cases, companies or firms are required to display their diluted earnings per share in addition to the basis earning per share. International accounting standard (IAS) 33 states that all companies or entities whose ordinary shares or potential ordinary shares are publicly traded, should calculate their earnings per share based on basic principle of earnings per share (EPS) in order to obtain a consistent and comparable ratio for measuring earnings.

Theoretical Review

This study is anchored on the following theories, viz, capital needs theory and stakeholder's theory. These theories are relevant to the study in one way or the other.

Capital Needs Theory

The theory was propounded by both Core in 2001 and Alberti – Alhtaybat, Hutaibat and Al-Htaybat in 2012. The theory states that companies that have some growth opportunities in the capital market seek external financing from the capital market. This, they achieve by issuing more share or borrowing from external parties. Such financing requires the financial disclosure of firm's financial information for different regimes in order for the outside investors to know more information about the financial positions of the firms to enable them take an informal decision about future cash flow. The theory also explains the reason for a particular firm to compare its financial statement disclosure under a regime and compared it with the financial statements disclosure of another regime. Thus, the relevant of this theory lies within the fact that financial statement disclosure under the pre-IFRS regime is compared with the financial statement disclosure under the post-IFRS regime in order to know the financial performance.

Stakeholder Theory

The theory upon which this study is based is stakeholder's theory. The justification for this is that since there are more than one or two parties that affect and are affected by the operation of a company, then considering their interest is worthwhile. More so, the IFRS has been developed in the post-IFRS regime to improve the reporting quality and performance of the financial statement to

different stakeholders such as share as shareholders, investors, government, lenders etc.

Stakeholder theory was postulated by freeman in 1984. The principle of stakeholder theory was gradually dragged into management theory since the 80s. Freeman, (1984), argued that corporate bodies have a wide coverage of accountability than the parochial representation of agency theory. Wheeler Colbert and Freeman (2003), support this argument by saying that stakeholder's theory is a product of sociology and organizational disciplines that identify a good array of other stakeholders in an organization.

Stakeholder theory postulated that a stakeholder is any group or individual who can affect or is affected by the achievement of the organization's objective. In other words, whoever is affected by failure or success of the enterprise is a stakeholder. Unlike the agency theory, stakeholder theory demonstrated the there are chains of parties who are affected by the management decisions such as suppliers, employees and business partners. Also, Clarkson (1995) argued that a firm is a system where there are stakeholders and the purpose of the organization is to create wealth for its stakeholders. In harmony with the Clarkson's submission of 1995, Donaldson and Preston (1995) affirmed that this theory focuses on managerial decision making and the interest of all stakeholders have intrinsic value, and no sets of interests is assumed to dominate others. Therefore, this study relied on stakeholder theory because all companies preparing financial statement in Nigeria are stakeholders aiming at maximization of corporate wealth through the adoption of IFRS in Nigeria towards successful quality of financial statement. As a result, adoption of stakeholder theory aligned with the objective and scope of this study.

Empirical Review

Researchers have put forward so many empirical studies to explain the need for adoption of International Financial Reporting Standards (IFRS) and the financial reporting quality in manufacturing firms. Extant literature present mixed evidence on the kind of financial reporting quality expected from manufacturing firms in Nigeria. Zaiyol, Andrew and Udende (2017) examined the impact of IFRS implementation financial reporting quality for accountability of Nigerian organizations. The study specifically investigates whether there is qualitative difference in the financial reports prepared by Nigeria listed companies under the statement of accounting standards (SAS) and international financial reporting standards (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. Pearson correlation coefficient was used to analyze the relationship between the international financial reporting standards and Nigeria,

general accepted accounting practices (IFRS) and (NGAAP). Findings from the analysis revealed that there is quantitative differences in the financial reports prepared understatement of accounting standards and international financial reporting standards (SAS) and (IFRS) are statistically significant. The study therefore concludes that the international financial reporting standard (IFRS) have impacted on accountability and quality of information from financial statement of Nigeria organisation.

Nwakaeze (2010) analyzed the financial reporting quality for accountability in public companies in Nigeria. The study sought to correlate the non-compliance with the financial standards and governance code in 20 selected public quoted companies on the Nigeria Stock Exchange (NSE) in the Delta State of Nigeria. Primary data were generated with the aid of questionnaire from the population of 20 public companies quoted on Nigeria Stock Exchange (NSE). Data collected were analysed using percentages and chi-square. The study revealed that there is an accurate financial reporting quality of accounts of public companies during the adoption of international financial reporting standards which resulted that prospective investors and the general public should have confidence on the financial period of international financial reporting standards (IFRS).

Onipe, Musa and Isah (2015) examine the effects of the adoption of the International Financial Reporting Standards on the financial statements quality of banks. A regression model was employed using pooled data and fitted with dependent variables. The results show that international financial reporting standards (IFRS) adoption has positively impacted some variables in the financial statement of banks, for example, profitability and growth potential. The study therefore concludes that the banks experienced a quality financial statement under the period of adoption of international financial reporting standard than any other period. Financial statement of banks were qualitative than ever.

Abata (2015) examined the impact of International Financial Reporting Standard (IFRS) on the financial reporting quality of corporate establishments in Nigeria. The mean scores, standard deviation, Pearson correlation coefficient and chi-square analysis was used as basic statistical tools, he found that international financial reporting standards (IFRS) provides quality information for regulators than the Generally Accepted Accounting Practice (GAAP) and that international financial reporting standards (IFRS) directly affects quality earnings and other key aspect of the business are accounted and reported for. In another study, Abata (2015) evaluates the impact of international financial reporting standards (IFRS) adoption on financial reporting practice in the Nigerian banking sector. He employed Gray’s Comparability index in his analysis and utilizes inferential statistics of one sample t-test in testing the studies hypothesis. The result of the study shows significantly that the adoption of international financial reporting

standard improves on the financial reporting quality and practice in the banking sector.

Ironkwe and Ogiekwu (2016) examined the effect of International Financial Reporting Standard (IFRS) on financial reporting quality in Nigeria with special reference to the banks. Data for this study were generated through the annual reports of firms studied. The study used questionnaires to elicit information from respondents. Data was analysed using the chi-square statistical tool. Findings indicate that the drive towards convergence is very high during the period of adoption of international financial reporting standards, despite little compliance by some number of banks with the standards.

Umoren & Enang (2015) investigated on international financial reporting standards (IFRS) adoption and value relevance of financial statements quality of Nigeria listed banks. The sample comprises of twelve listed banks in Nigeria. Specifically, financial statement figure of 2010 and 2011 (pre-adoption period) and 2012 and 2013 (post-adoption) were utilized. Descriptive statistics and least square regression were conducted to analyze the effect of international financial reporting standards (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 international financial reporting standards (IFRS) than under the previous Nigeria 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. Thus, the adoption of international financial reporting standards (IFRS) provide a high and quality financial statements than the period of national accounts standards called GAAP.

Ezeani and Oladele (2012) carried out a research on the adoption of international financial reporting standards (IFRS) to enhance quality financial reporting in Nigeria. The fundamental reason for accepting these uniform standards in preparing and presenting the financial statements is, for the Nigerian economy, fitting into international best practice of the world in terms of quality financial reporting. They found out that there is a great deal of accounting and financial quality of the financial information during the adoption of international financial reporting standards (IFRS). One of their recommendations among many others is the quality nature of financial reports emanated from the adoption of international financial reporting standards. Quality financial statements were prepared in line with the international financial reporting standards and guidelines.

Yahaya, Yusuf and Dania (2015) examined International Financial Reporting Standards adoption and quality financial statement of listed deposit money banks in Nigeria. The empirical analysis used the binary logistic regression analysis to study the effect of the adoption of international financial reporting standards on the quality of financial statements of banks. The results show that IFRS adoption has positively impacted on the quality of financial statement of the banks, for example,

profitability and growth potential. The paper also reveals that, given the fair value perspective of IFRS, the transition to IFRS brings stability in income statement figures.

Stakeholders round the globe had contributed on the emerging issues in respect of the adoption of International Financial Reporting Standards. Edirin & Okoro (2016) on the effect of IFRS on the financial statement quality 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 reporting quality of banks in Nigeria. Primary data were collected and analyzed using chi-square. It was therefore recommended that as a matter of urgency to comply with the provision of IFRS so as a produce a very high quality financial statements in the banking industry.

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 quality, accountability, transparency and improve financial quality of reporting. Multiple regression analysis was used to analyze the variables. The findings shows that the adoption of international financial reporting standards produces a quality financial statement.

Muhammad (2012) examined the effect of International Financial Reporting Standards (IFRS) adoption on the financial reporting quality of firms in Nigeria. The study utilizes secondary data to tests the effects of the adoption of IFRS on the performance of the selected firms in Nigeria. Logit regression and t-test were used in the analysis. The study finds out that quality financial reports were produced during the time or period of the adoption of international financial reporting standards (IFRS) than any other period.

The study therefore concludes that accounting quality was improves after the adoption of IFRS than the pre-adoption period. Quality financial report was reported under the international financial reporting standards adoption. Furthermore, under IFRS firms tend to exhibit higher values on a number of profitability measures, such as earrings per share (EPS).

Rehana (2017) investigated an overview of the adoption of international financial reporting standards (IFRS) of firms in Bangladesh. Data were obtained from Securities and Exchange Commission of Bangladesh. Empirical results showed that the adoption of IFRs brought a quality financial statements.

Cetin and Ugur (2015) investigated the impacts of international financial reporting standards and Accounting quality: A comprehensive trend analysis of firms in Turkey was employed. Financial statements of nineteen (19) largest companies listed in Bosnia Istanbul was also used, using Accounting Quality Metrics and Trend Analysis as tools. The findings showed that the implementation of international financial reporting standards (IFRs) helps to improve accounting quality of Turkey firms over the years of adoption of IFRs.

Methodology

This study adopts the ex-post facto research design as it deals with event that had taken place and secondary data were readily available for collection.

Data for this study are elicited from websites of Nigeria Stock Exchange and the Nestle Nigeria Plc from the pre IFRS period of 2000 to 2010 and Post IFRS of 2012 to 2022.

This study adopted a t-test method which is use by many authors because it emphasis onspecifying more than two different variables for estimation.

The study tested the null hypotheses using T-test statistical tool at .05 significance level.

Data Analysis

This section of the study presented data, analyzed it and discussed the findings of the study.

Research Question 1: What is the difference in return on assets between the pie and post IFRS periods of Nestle Plc.?

Pre-IFRS		Post-IFRS		
		Year	Return on Assets (N - Billion)	Difference in (N-Billion) in Positive
2000	9,764.311	2012	196,284,996	‘196,275,232
2001	6,764.241	2013	110,238,504	110,231,740
2002	8,829,843	2014	312,123,402	303,293,559
2003	11,910.001	2015	316,174,996	316,163,086
2004	13,399.870	2016	312,238,504	312,225,104
2005	16,875,084	2017	336,194,996	319,319,912
2006	19,089,989	2018	298,138,204	279,048,215
2007	16,893,909	2019	422,123,402	405,229,493
2008	12,897,789	2020	316,184,996	303,287,207
2009	13,532,981	2021	320,038,504	306,505,523
2010	22,609,001	2022	322,123,402	299,514,401
Total (pre- IFRS)	110,770,434.42	Total (Post IFRS)	3,261,863,906.00	3,151,093,471.58

Source: https://doelib.ngxgroup.eorn/Financial News/document/Nestle Nigeria Plc 2022 AFS .pdf

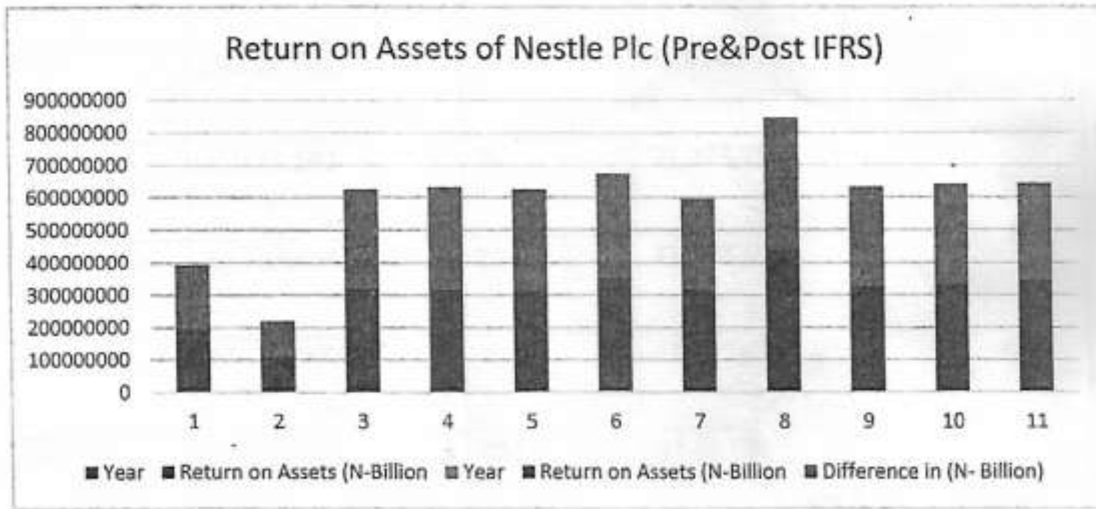


Table 1 and chart 1 above showed that Nestle NigeriaPlc had a gross Return on Asset Value of 3,151,093,471.58 from the period of effective IFRS in Nigeria being 2012 in favour of post IFRS era. The table shows that the company had better Return on Asset within the post IFRS era.

Research Question 2: What difference exists in return on equity (ROE) before and after IFRS adoption?

Pre-IFRS		**Post-IFRS**		
Year	Return on Equity ₦ – Billion)	Year	Return on Equity (N - Billion)	Difference in (N-Billion) in Positive
2000	67,124,797	2012	22,877,179	39,007,822
2001	50,121,760	2013	21,612,189	45,512,603
2002	47,111,202	2014	31,616,970	18,504,790
2003	56,785,001	2015	29,273,735	17,837,467
2004	47,324,097	2016	32,977,679	23,807,322
2005	-59,785,001	2017	42,777,679	4,546,418
2006	47,324,097	2018	31,612,789	28,172,212
2007	50,221,560	2019	22,616,970	24,707,127
2008	47,251,802	2020	39,273,735	10,947,825
2009	61,885,001	2021	41,616,970	5,634,832
2010	60,347,062	2022	39,273,735	31,073,327

Source: https://www.nestle.ewa.com/sites/g/files/pydnos346/files/asset-library/documents/nestle_annual_report_2010_.pdf

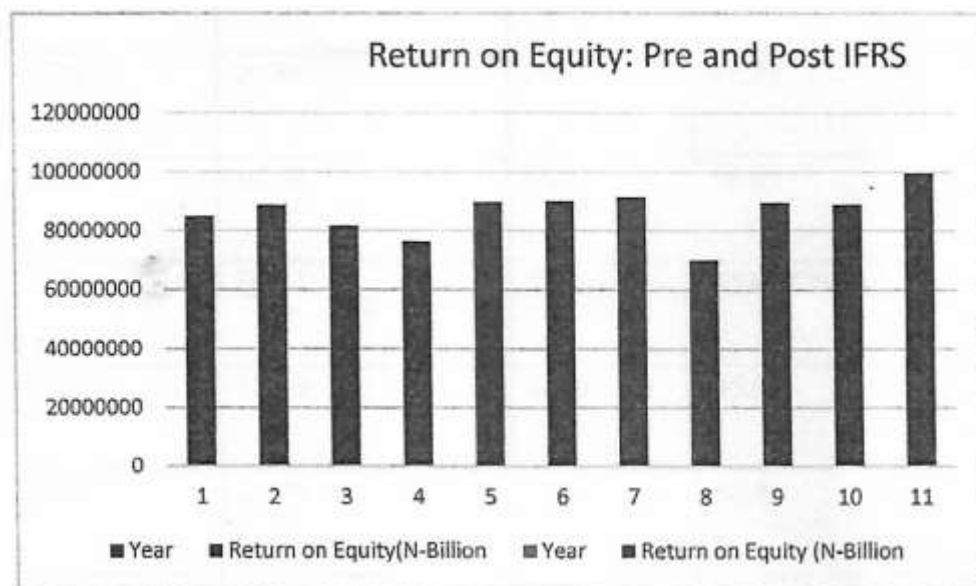


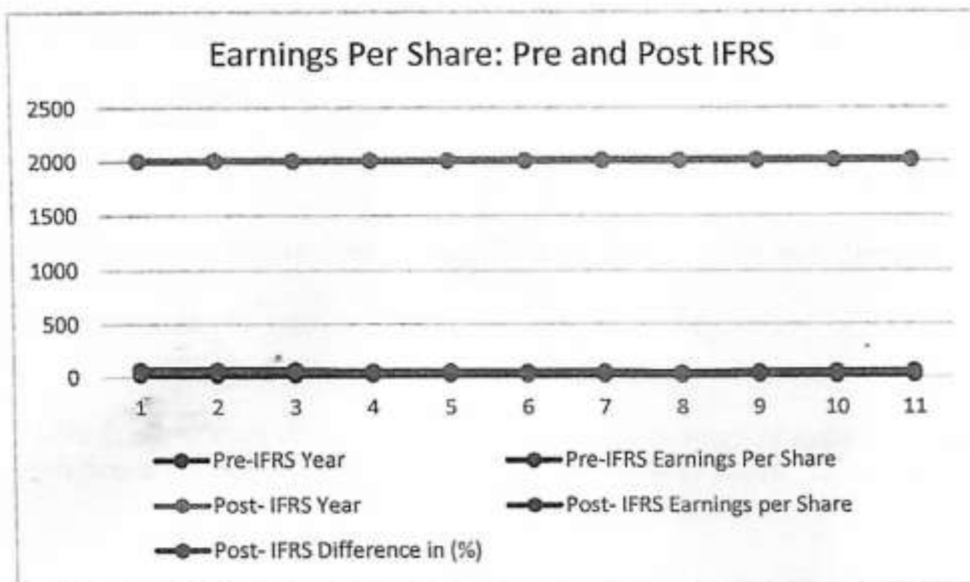
Table 2 above showed that Nestle Nigeria Pie had a reduced Equity in the positive side of
post IFRS period of 2012 to 2022.

Research Question 3: What is the difference between the earnings per share during the
pre and post IFRS regimes?

Pre-IFRS		**Post-IFRS**		
Year	Earning per Share	Year	Earnings per Share	Difference in (N-Billion) in Positive
2000	18.18	2012	77.02	58.84
2001	11.09	2013	75.08	63.99
2002	14.71	2014	76.09	61.38
2003	19.88	2015	59.05	39.17
2004	20.88	2016	61.77	40.89
2005	18.98	2017	56.09	37.11
2006	16.77	2018	57.02	40.25
2007	16.98	2019	45.08	28.1
2008	21.09	2020	56.09	35
2009	14.81	2021	59.05	44.24
2010	19.08	2022	61.77	42.69
		% Difference		**44.69**

Source:https://www.nestle-cwa.com/sites/files/pydnoa346/files/asset-library/documents/nestle_annual_report_2010_..pdf

Table 3 above the earnings per share of Nestle Nigeria Plc increased from the period of post IFRS to a percentage of 44.69%. The shares of company therefore fared better in terms of earnings per share under the post IFRS era.



Summary of Findings

The summary of the findings of the study are hereunder listed:

1. There is difference in return on assets between the pre and post IFRS periods of Nestle Nigeria Plc
2. Difference exists in return on equity (ROE) before and after IFRS adoption of Nestle Nigeria Plc
3. There is difference between the earnings per share during the pre and post IFRS regimes of Nestle Nigeria Plc

Discussion of Findings

The findings of the study are hereunder discussed under the stated objectives/hypotheses of the study:

Return on assets between the pre and post IFRS periods

The findings of the study revealed that there is a There is a significant difference in the return on assets between the pre and post IFRS periods of Nestle Nigeria Plc. Abata (2015) stated that Return on assets (ROA) is an indicator of how profitable a firm or company is, relative to its total assets. It gives an idea of how efficient; management is using its assets to generate earnings for the company or firm. Return on assets ratio is usually called return on total assets because, it is the

profitability ratio used to measure the net, income produced by the total assets of the company or firm. Thus, the higher return on assets is an indication that the company or firm is doing well. However, if the rate of return on assets is low, it is an indication that the management of the company or firm is inefficient or that, the management is not making enough use of the existing assets to generate or produced the expected or needed earnings. Therefore, return on assets is considered an effective means of measuring the financial performance of a company or firm, when the expected rate of returns on assets is very high.

Equity before and after IFRS adoption

The findings of the study revealed that Return on equity significantly differ before and after IFRS adoption of Nestle Nigeria Plc. Akpata (2015) argued that Return on equity is a measure used for financial performance. It reveals the proportion of profit earned by the core capital invested in the firm. This reflects management's ability to utilize shareholders' funds in generating profits. This also reveals the returns that are accruable to the investors of the firm. Return on equity is one of the most important ratios used in assessing a company's financial performance. It is simply the company's profit expressed as a percentage of shareholders' funds. Return on equity is an indicator used to assess the profitability index of a company over a given period of time. Thus, in calculating the financial performance of a company, using return on equity, the profit figure is obtained from the profit and loss account of the firm or company and the capital that was employed from the balance sheet. It is very important to note that, in using return on equity, two major problems may likely occur: Firstly, the ability to compare the figures for different companies or for different periods must be ascertained in order to arrive at a consistent basis, such that assets values will be up to date. Secondly, comparing the like with like, when looking at the performance of a company or firm for a given period, using return on equity. Equity means or symbolizes share holders' fund that should be compared with the profit (Mbata, 2015).

Earnings per share between the pre and post IFRS regimes

The findings of the study showed that there is significant difference exists in the earnings per share between the pre and post IFRS regimes of Nestle Nigeria Plc. To buttress the findings of the present study, Allistair (2010) agreed that Earnings per share (BPS) is the portion of a company's profit allocation to each outstanding shareholder of a common stock. It is one of the indicators of a company's profitability during a period. Earnings per share (BPS) refer to earnings per ordinary share. Basically, earning per share is a performance indicator that is primarily used by potential shareholders to know the profit that is attributable to equity share based on consolidated profit of the year, after tax, minority interest as well as preference dividend. Earnings per share (BPS) offer the basis of comparability of after-tax profit attributable to each shareholder from one year to

another. Earnings per share means the profit that is available to the equity shareholders on a per share basis i.e the amount that they can get on every share held.

Conclusion

The study examined pre and post era of IFRS financial indices of Nestle Plc Nigeria. Nestle Plc Nigeria is one of Nigeria's leading consumers' company. The IFRS took effect in Nigerian in 2012 and the periods before 2012 are regarded as pre-IFRS. The study stands out that it's necessary for the introduction and adoption of the international financial reporting standards (IFRS) in consumer sectors. The findings of the study revealed that the introduction and adoption of international financial reporting standards (IFRS) enhances financial performance in Nestle Plc with respect to the increase in the profit of financial statements. The study therefore concludes that the introduction and adoption of the international financial reporting standards (IFRS) is of significance agreement in enhancing and increasing the financial performance of consumer related companies in Nigeria.

Recommendations

Based on the finding of the study, the following recommendations have been made:

The syllabus in respect of accounting courses in higher educational institutions should incorporate the provisions of the standards.

Emphasis on training of practitioners on the field should be extended to students as some of them may not be able to meet the training fees.

Regulatory financial agencies, internal and external auditors should ensure strict compliance to IFRS in consumer companies in Nigeria.

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