

An Assessment of Compliance with IFRS Framework at First-Time Adoption by the Quoted Banks in Nigeria

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Abstract The move towards adopting unified and higher quality accounting standards across the globe started fully in 80s and was catalyzed by stakeholders in advanced economies, in the year 2001 with the establishment of the International Accounting Standards Board (IASB). In its first sitting, the new board unanimously agreed to consolidate all the Standards issued under IASC (IASs) with the ones issued under the new board (IFRSs) as IFRS-framework. The board also stipulated clear procedures to be followed by every entity adopting the consolidated framework. Thus, this study assessed the extent to which the Nigerian Banking Industry complied with these requirements as captured in IFRS 1: First Time Adoption of IFRS. Using ex-post facto and survey research designs, the study sourced data from structured questionnaire and recent audited financial reports of the sampled banks. Qualitative Grading System (QGS) was employed in determining the degree of compliance of the banks while Multivariate regression and Chi-square test were used in measuring the effect of the factors responsible of such compliance and identified probable difficulties in the process respectively. The study concludes that, Nigerian banking industry complied (semi-strongly) with the requirements of IFRS-framework but, the exercise is still faced with some challenges which include: lack of indepth IFRS knowledge from the preparers of the financial reports. The study also found amenability, globalization and response to users' needs as factors significantly influencing the compliance level of Nigerian banks with IFRS-framework.

Keywords: *compliance, first-time adoption, IFRS, nigerian banks*

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1. Introduction

International Financial Reporting Standards (IFRS) are a set of accounting standards developed by the International Accounting Standard board (IASB) that is becoming the global standard for the preparation and presentation of public company financial statement. Currently, there are thirteen IFRSs and 29 IASs that are used to drive businesses globally. In the same vein, there are 15 interpretations under the new IFRS and 11 under the old IAS. All these are expected to guide firms in the preparation of financial statements. It is obvious that the IFRS standards are much more detailed than Nigerian standards, for a simple reason that Nigeria's SAS were issued in 1980s and have not been updated since then. In 2001 approximately about 120 Nations and reporting jurisdictions permit or require IFRS adoption for their domestic listed companies. Surprisingly, over the past few years, many developing countries have begun to use International Financial Reporting Standards (IFRSs) as set out by the International Accounting Standards Board (IASB), most probably due to the steady rise in multinational companies seeking overseas investment.

When an entity that reports under an accounting framework other than that recognized by the International Accounting Standards Board (IASB) decides to switch to IFRS-Framework, then it has to comply with certain requirements (prescribed by IFRS framework) in order to fully embraced it.

These requirements are outlined in IFRS 1, First-Time Adoption of IFRS. The first financial statements according to IFRS are the first annual financial statements in which an entity adopts IFRS through a statement which explicitly and unreserved contained in such financial statements stating clearly the issues involved in compliance with IFRS. The financial statements according to IFRS are the first financial statements of an entity under IFRS. The purpose of IFRS 1 is to ensure that the first financial statements under IFRS of an entity adopting as well as their interim financial reports concerning a portion of the exercise covered by such financial statements contain high quality information. Thus, this study intends to assess the extent to which the Nigerian Banking Industry complies with the requirements of IFRS 1. To achieve this, data from structured questionnaire and reports of 2012 audited accounts of 10 sampled Nigerian banks were collected (see next sections for detail). Hence, the study is structured into 5 sections. Following the

introductory part is Section 2 which gives general an account of Nigerian Banking sector and IFRS adoptions. In Section 3 methodology adopted for research is discussed. Section discusses results and analysis. The paper is concluded in Section 5.

2. Statement of the Problem

In the wake of financial crises in late 1990s, the international community emphasized on the major role that the observance of international standards and codes of best practices can play in strengthening national and international financial systems. Thus, the Executive Boards of the World Bank and the International Monetary Fund (IMF) recognized a group of twelve areas with their associated standards that are deemed to be important for the institutional underpinning of macroeconomic stability and are central to the operational work of the two institutions. Nigeria undertook the review exercise and presented the Reports on the Observance of Standards and Codes (ROSC) which was prepared by a team from the World Bank between November 2003 and March 2004. The review entails an evaluation exercise that: (a) assesses the strengths and weaknesses of existing institutional frameworks that underpin financial accounting and auditing practices; (b) determines the comparability of national accounting and auditing standards with internationally recognized standards (International Accounting Standards (IAS) and Inter 2012 national Standards on Auditing (ISA); (c) examines the degree of compliance with national accounting and auditing standards and (d) evaluates the effectiveness of enforcement mechanisms for ensuring compliance with existing national standards, rules, and regulations. The report concluded that, lack of effective and efficient mechanisms to ensure compliance with established accounting and auditing standards contributes to a weak financial reporting environment. As part of implementations strategy of ROSC-reports' recommendations, Nigeria has since decided to adopt IFRS and IPSAS frameworks for private and public sector respectively. In line with this, and as recommended by the committee on road map to adaptation of IFRS in Nigeria, all listed and significant entities are to present their financial reports using IFRS-framework by 2012. Since then many researchers begin to embark upon empirical studies about Nigeria's IFRS adoption these includes: lyaho and Jafaru (2011), which examined the institutional infrastructure and the adoption of IFRS in Nigeria using survey method with questionnaires to elicit the perception of users and preparers of accounting information, and descriptive statistics was used in analyzing data and which showed that, only professional accounting institutions have the relevant infrastructure to cope with the adoption of IFRS in Nigeria.

In the same vein Kenneth (2012) investigated the effect of IFRS adoption on Foreign Direct Investment and Nigeria economy. Among others issues the study showed that IFRS implementation is significant and would promote FDI inflows and economic growth. Nonetheless, only few have adopted the framework in Nigeria. Okaro and Okafo (2013) also investigated the Loan Loss provisioning under International Financial Reporting

Standards (IFRS) and Nigerian Prudential Guidelines. The audited first time annual reports of four Nigerian banks were analyzed. The study found that, prudential guidelines provisions were more aggressive and higher in all cases than IFRS provisions. In other words, the profit figures under prudential guideline model were more conservative than the corresponding figures under the IFRS model. Oseni (2013) used content analysis method to highlight challenges that are peculiar to Nigeria. Different statutes that are apparently in conflict with the provisions of the standards (IFRS) are to be amended if Nigeria is fully adopting the International Financial Reporting Standards. The study also posit that, terms like balance sheet, value added statements and five- year financial summary recognized by the Companies and Allied Matters Act Cap C20, Laws of the Federation of Nigeria 2004, are to be amended. Significant changes in respect of accounting standards are recommended to be incorporated into the syllabus of tertiary institutions offering accounting courses. Regulatory authorities should step up their supervisory functions on preparers of financial statements to ensure strict adherence to the full provisions of the standards.

Although there are studies conducted on the adoption of IFRS Framework in Nigeria as can be seen above but, very few of such studies can be found in the Nigerian banking industry despite its incomparable significance to the whole economy. However, even the available studies conducted in the banking sector, none was able to examine the first audited financial reports prepared and presented using IFRS-framework in the sector, with a view to assessing the banks compliance with IFRS 1, a very first standard which addresses issues required of every reporting entity adopting the new framework for the first time. Moreover, only through such assessment, one could establish how effective the Nigeria's approach in the adoption of harmonized reporting framework is. This study therefore, is an attempt to contribute to the existing knowledge in assessing compliance level of Nigerian Banks with the provisions of International Financial Reporting Standard for the first time.

3. Research Objectives

The main aim of this study is to assess the level of compliance with IFRSs as the reporting framework and identify factors responsible for such compliance in the Nigerian Banking industry. To accomplish this aim three specific objectives were developed and stated below:

1. Determine whether Nigeria Banks significantly comply with the provisions of International Financial Reporting Standard Number One or not,
2. Assesses the effect of factors responsible for such compliance,
3. Identify probable difficulties that may be encountered with as a result of compliance with IFRSs in the Nigerian Banking industry.

3.1. Hypotheses

Equally the stated below hypotheses will be tested:

H1: Nigerian banks do not significantly comply with the requirements of IFRS-framework.

H2: Amenability, Globalization and response to users' needs do not significantly influenced the compliance level of the Nigerian banks with IFRS.

H3: There are no significant challenges involved in adopting IFRS framework in the Nigerian Banking Industry.

4. Review of the Literature

First Bank of Nigeria plc was the first bank established in Nigeria with the aim to serve the British shipping and trading agencies. As a sector that provides more than 50% of the total market capitalization of NSE (as at June, 2009), and a dominant of the Nigerian financial system with about 90% of the assets. It has thrived from a government regulated environment to the era of the Structural Adjustment Programme (SAP) embarked upon by government in 1986 which was aimed at deregulating the economy in the direction of market determined pricing. Since the market deregulation, which involved the liberalization of the bank licensing Process, the need to properly oversee the activities of the increased number of licensed banks became more apparent especially from organizations such as the Central Bank of Nigeria (CBN) and the Nigerian Deposit Insurance Corporation (NDIC). However, the Nigerian banking industry will greatly be affected by the recent changes in the regulation as globalization is driving the sector towards adoption of common standards and practices. Most fundamentally, the issue of IFRS-Framework which is basically expected to offer better opportunities for fair assessment of the reporting entities is a global issue. Hence, many key players in the Nigerian Banking industry have expressed their intentions to join their counterparts around the globe.

4.1. Why Nigerian Banks Adopts IFRS and the Journey so Far

Not just a sector in an economy, the decision to adopt IFRS by some countries arose from the understanding that IFRS is a product with network effect. As more and more countries adopt IFRS, it becomes more appealing to others that are yet to consider the adoption. In the same vein, Ball (2011) is of the view that, complying with mandatory accounting rules and regulations such as the IFRS cannot be considered in isolation to any relevant institutions because its effectiveness will depend on the understanding of any given industry and the economic and institutional factors that affect that industry reporting incentives. In line with this, Baskerville (2011) identified that, banks across the globe have long had major issues with asset and liability recognition. The issue of IAS 32 dictating disclosure rules and IAS 39 dictating measurement rules for financial assets and liabilities was thus mired in controversy; so IFRS (specifically IFRS 9) has now solved the case and meet the user needs. Akpan-Essien (2011), also stated that, the adoption of the IFRS in the Nigerian Banking sector will ensure transparency, accountability and integrity in financial reporting necessary for addressing the crisis in the financial sector in Nigeria which was responsible for the Nigeria loss of the Foreign Direct Investment (FDI) in the oil and gas sector to countries such as Ghana who have begun oil

production in commercial quantity and who are perceived to have better financial reporting standards in place. This was corroborated by Nyor (2012), when he posited that, Nigerian companies should converge to IFRS in view of the fact that it will enhance better accountability, transparency and improve quality of reporting. However, because of cumbersome nature of the framework and the initial anticipated problems of the IFRS, the study recommended that, Nigeria should adopt IFRS for banks and 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.

Due to quest for uniformity, reliability and comparability of companies' financial statements, Nigerian banks have adopted and produced IFRS based result for the year 2012. So many issues were raised there and, all hands are on deck for the full implementation and effective application of the framework as a whole in the future reporting system of the sector. This is because adopting a unified accounting system and reporting framework like IFRS will surely facilitate the movement of capital and other resources across borders and will eventually decrease the expense involved in the preparation of accounting statements (Tyrrall, Woodward and Rakhimbekova, 2007). Most fundamentally, IFRS offers a better opportunity for fair assessment of reporting entities. Moreover, researches (Demaki, 2013, Oduware, 2012) have also shown that the adoption of superior accounting standards is of significant benefit to national economies.

4.2. Disclosure in Corporate Financial Reporting and the Nigerian Banking Industry

The whole essence of financial reporting is to ascertain and objectively present the result of the economic activities and justified financial position in monetary terms. It's also expected to show how organizations strive to achieve their goals in the period under review. Thus, Mayer (1990) believes that, the financial report of one organization if honestly and sincerely prepared, could serve as the basis in making a comprehensive comparative assessment of its operation with the like company. However, Mainoma (2005) pointed out that, there is a lot of concern in today's world about the integrity of financial statements. This view can simply be supported with the rampant cases of the firms that report good performances and soon collapse without notice. Although some argued that, it is either falsification or creative accounting practices were involved or the basis upon which the report was prepared is faulty. Corporate financial reporting should be highly regulated practice in which ethics of best conduct must be observed.

In Nigeria, Companies and Allied Matters Act (CAMA 1999) as amended, Banks and Other Financial Institution Act (BOFIA 1999) as amended, Central Bank of Nigeria Act (CBN Act 1999), Nigerian Security and Exchange Commission Act of 2003 in addition to local and international Standards (SASs and IFRSs) and professional pronouncements must be complied with in the preparation and presentation of banks' financial reports. For instance, section 27 (1) of BOFIA 1999 as

amended requires that, subject to prior approval in writing from CBN, a bank shall not later than four months after the end of its financial years, publish in a daily newspaper printed in and circulated in Nigeria and approved by the CBN; exhibit in a conspicuous position in each of its offices and branches in Nigeria; and forward to the CBN, copies of its balance sheet and profit and loss account duly signed and containing full and correct names of the directors of the bank. In the same vein, part 1, schedule 2 of CAMA 1999 as amended, spells out the form and content of what should be published in the corporate financial reports.

Necessity for full disclosure in corporate financial reporting thus arose for the simple reason that, the information contained in the financial statements brings in clear terms the position of a particular firm at a point in time (Wahlen, 1995). In agreement, Mainoma (2005) added that, only through the position statement, one is expected to determine the capital formation of a firm. Now that the financial reports will be presented in conformity with the requirement of IFRS, all the stakeholders in financial reporting are challenged.

5. Nigeria and IFRS Adoption

In order to allow for effective implementation of IFRS adoption in Nigeria, the former regulatory body in charge of monitoring the reporting system was in 2011 restructured from Nigerian Accounting Standards Board (NASB) to Financial Reporting Council of Nigeria (FRC). Financial Reporting Council of Nigeria is now the body corporate solely responsible for the issuance, monitoring and review of Accounting and Auditing Standards in Nigeria. The council is empowered under section 52(1) of the Act to adopt and keep up-to-date accounting and auditing standards, and ensure consistency between Standards issued under International Financial Reporting Standards as provided under Part VII of FRC Act 2011 which dealt with review and monitoring of standards. This is one of the major developments brought by FRCN Act in 2010, where Federal Executive Council approved the adoption of IFRS as the reporting framework to publicly quoted entities by 2012 in Nigeria.

Henceforth, the council (FRC) will only be reviewing, monitoring and issuing Standards to ensure consistency with the requirements of IFRS-Framework. Thus, all the standards to be issued or reviewed by the council should be in consistent to IASB guidelines for global reporting, given due consideration to our peculiar customs, business environment, laws and level of economic development. However, the Act does not specify or restrict the extent of compliance as to this regard. Rather, same section 55(1) emphasized that "in the exercise of its powers for developing and issuing standards, a directorate of the council shall adopt the following procedures while issuing a new standard:

- a) Identify accounting, auditing or financial reporting issues that require standardization, prepare and publish exposure draft, conduct a public hearing where necessary and prepare a draft statement of accounting standards;
- b) Submit the draft statement of accounting, auditing or financial standards prepared in accordance with sub-

section 1(a) of this section to the council for ratification and thereafter, council shall issue the standards;

c) Ratify such statements of accounting, auditing and financial reporting standards prepared in accordance with this section, and;

d) Thereafter, the statements of accounting, auditing and financial reporting standards shall be published.

Furthermore, sub-section 2-3 of the same section 55 makes some clarifications as follows;

2) Any relevant standard issued by relevant international body shall be adopted by the Council in accordance with the procedures in sub-section 1 of section 55.

3) Each Directorate shall appoint working groups in order to accomplish its objectives and where appropriate in consultation with the chairman of the Council.

From the above discussions on FRCN activities, it's clear that, most of the issues rose in favour of IFRS are just attempts to show how Nigeria is serious in the light of the compulsory implementation of IFRSs.

Although regulatory framework of Financial Reporting Council of Nigeria (FRC) is potentially strong to support the ongoing mandatory adoption of IFRS, Oduware (2012) argued that, some still consider IFRS for accounting and its implementation lies with the finance function of companies. However, IFRS is more than accounting; rather it is all about the way and manner in which an entity conducts its business after giving consideration to its accounting and financial reporting implications. This agreed with the view of Obazee (2012) who opined that, conversion to IFRS is more than an accounting exercise and will have an effect outside the finance function in areas such as: information technology, human resources; and investor relations. It also has a regulatory implication which is not limited to capital adequacy for bank, and solvency margins for insurance, but it also affects capital management for all entities.

5.1. IFRS 1 and the First-Time Adopters

IFRS 1 is the very first standard that was developed and issued immediately after the emergence of IASB in 2001, purposely to provide guidance and ensure that, the first financial statements under IFRS of an entity contain high quality information and be transparent to users for comparability of periods under consideration. IFRS 1 is also expected to provide an appropriate starting point for accounting under International Financial Reporting Standards (IFRS) obtainable at an appropriate cost not exceeding the benefits provided to users. Below are the major reporting issues (Requirements: R1-R14) that each entity which decided to embrace IFRS-Framework for the first time must consider, except where the standard (IFRS 1) specifically allowed exemption.

R1: Accounting Policies

The entity must use the same accounting policies in its opening balance sheet of IFRS and throughout all periods presented in its first financial statements under IFRS. These Accounting policies must comply with each IFRS in force at the reporting date for its first financial statements according to IFRS, except as specified in paragraphs 13 to 34.

R2: Recognition and Measurement of Opening Balances

The entity shall prepare an opening balance sheet of IFRS at the date of transition to IFRS. Although this is the starting point for accounting under IFRS, but the entity need not to submit this opening balance sheet in its first financial statements under IFRS. However, it can be included in the notes to the account as workings on how the affected figures were arrived at.

R3: Business Combination

An entity shall apply the requirements of Appendix B of IFRS 1 to business combinations which it recognized prior to the date of its transition to IFRS. However, it should be noted that, this appendix is an integral part of IFRS framework. It requires that an entity that adopts IFRS for the first time may choose not to apply retroactively to IFRS 3 Business Combinations to combinations made in the past (i.e. business combinations that occurred before the date of transition to IFRS). In contrast, if the adoptive parent for the first time made any business combination and restated to comply with IFRS 3, then the, firm shall also restate all business combinations after the same and also apply IAS 36 Impairment of Assets (revised 2004) and IAS 38 Intangible Assets (revised 2004) from the same date.

R4: Cumulative Differences from Forex

It's obvious that, IAS2 1 classifies some differences of conversion from foreign exchange as a separate component of equity which can be transferred (to reserves), abandoned or dispose. However, the entity that is taking first step to embrace IFRS does not need to comply with this requirement on the cumulative differences that existed at the date of transition to IFRS If the adoptive parent for the first time makes use of this exemption or in a situation where the cumulative differences of all businesses abroad were considered invalid on the date of transition to IFRS. In addition to that, there is Financial Instrument Compounds as per IAS32, and it requires an entity to decompose the compound financial instruments, from the beginning, in its separate components of liabilities and net worth. But a first-time adopter of IFRS need separate these two portions if the liability component has ceased to exist on the date of transition to IFRS.

R5: Assets and Liabilities of Subsidiaries, Associates and Joint Ventures

Unlike before, if a dependent entity adopts IFRS after its parent, the subsidiary will assess the assets and liabilities in its financial statements, choosing from the following treatments. However, if an entity adopts IFRS for the first time after her dependent (or associate or joint venture), it will assess, in its consolidated financial statements, assets and liabilities of the subsidiary (or associate or joint venture) the same carrying amounts contained in the financial statements of the subsidiary (or associate or joint venture), after making adjustments as appropriate to consolidate or apply the equity method, as well as those relating to the effects of business combination in which such an entity acquired the subsidiary. Likewise, if a dominant adopts IFRS for the first time in their individual financial statements, sooner or later that their consolidated financial statements, assess their assets and liabilities for the same amounts in both financial statements, except for the consolidation adjustments.

R6: Hedging

Just as required under IAS39, the entity shall on the date of transition to IFRS measure all derivatives at fair value and remove all deferred gains and losses from derivatives, which had been registered under previous GAAP as assets or liabilities.

R7: Estimates

Estimates according to IFRS, on the date of transition, will be consistent with estimates made by the same date under previous GAAP (after making the necessary adjustments to reflect any differences in accounting policies), unless there is objective evidence that these estimates were wrong.

R8: Assets Held For Sale and Discontinued Operations

IFRS 5 requires that, assets held for sale and discontinued operations shall take prospective application to and, be classified, as non-current assets (or groups disposition of elements) that meet the criteria for classification as held for sale.

R9: Disclosure and Presentation

There is no exemption relating to Disclosure and Presentation of all other IFRSs to the first-time adopter except where IFRS1 specifically addresses an issue to that effect. Thus, uniform application of the latest version of each IFRS issued to date is required.

R10: Comparative Report

To comply with IAS 1 Presentation of Financial Statements, the first financial statements under IFRS of the entity will include at least one year of comparative information in accordance with IFRS. However, exemption from the requirement to restate comparative information relate only to IAS39 and IFRS 4.

R11: Explanation of the Transition to IFRS

The entity will explain how the transition from previous GAAP to IFRS framework has affected the previously reported as financial position, results and cash flows. This shall be in statement purposely devoted for that.

R12: Reconciliations

To comply with paragraph 38 of IFRSI, the first financial statements of an entity under IFRS shall include: reconciliations of its equity, under previous GAAP, with the resulting IFRS report, each for the date of transition to IFRS and the date which marked the end of last year as contained in the most recent financial statements that the entity has submitted applying the previous GAAP.

R13: Interim Financial Reporting

If the entity provides an interim financial report, according to IAS 34 interim financial reporting, that is for part of the year covered by its first financial statements presented in accordance with IFRS then, it need to satisfy the following requirements additional to those contained in IAS 34: its net assets be stated at the end of the interim period comparable under previous GAAP, with equity IFRS at that date and that 'any loss or gain obtained in this period comparable (both the data in the current year as the year's accumulated so far), using the previous GAAP.

R14: Effective Date

The entity shall apply the IFRS if its first financial statements according to IFRS relate to a period beginning on or after January 1, 2004. However, earlier application is encouraged. If first financial statements of the entity IFRS relate to a financial year beginning before January 1, 2004, and the entity apply the IFRS instead of SIC-8

applications for the first time as the basis of IAS of Accounting, the fact must be disclosed.

6. Methodology

It was earlier stated that this study uses primary and secondary data. Secondary data are presented and discussed using table of simple percentages with detailed explanations in section 4. Qualitative grading system (QGS) and multiple regression analysis (using SPSS) were employed to assess the compliance level of the sampled banks (Access, Diamond, FCMB, Fidelity, First Bank, Union Bank, Stanbic IBTC, Skye Bank, UBA and Zenith Bank) with the IFRS framework in their financial reporting and the extent to which Amenability, Globalization and Response to User's need influence such compliance.

6.1. Model Specification

$$CI = a_0 + a_1AM + a_2GB + a_3RUN + e$$

Where:

CI = Total compliance index. AM=Amenability. GB = Globalization. RUN = Response to users' need

a_0 = Intercept

a_1, a_2, a_3 = Linear regression coefficients.

The above model was formulated to assess the impact of some factors on the compliance level. As presented in the mathematical expression above, the total compliance index on the left side of the equation is assumed to be influenced by these factors (AM=Amenability, GB = Globalization, RUN = Response to users' need) on the right side of the model. Therefore, the model is just an assumption of the relationship posit between the Bank's compliance with the IFRS-framework and the factors responsible for such compliance.

6.2. Definition of the Variables of the Model

1) Amenability: This involves the observance and strict adherence to the recommendations of FRC, CBN and SEC for all the quoted companies in Nigeria to present their financial reports using IFRS by the year 2012. Their calls were separately made with SEC conveying the road map (timeline) for the transition from Nigerian GAAP to IFRS.

2) Globalization: Nigerian banks are thoroughly working toward aligned and harmonizing their operations with their counterpart across the globe. This is necessary because, the Nigerian banks cannot operate in isolation and for the fact that, many players in the industry are either subsidiary with parent abroad or do have operations across the continent and beyond.

3) Responding to ever-increasing calls of the users of their financial reports for more detailed presentation.

Qualitative Grading System (QGS) is a tool for grading compliance which allows for uniform structure and consistent procedures to be developed for all the variables involved. The application of this system requires that, requirements of IFRS 1 be classified depending on the aggregate percentage of compliance index which is given by: ranked, and will be used in qualitative judgment of assessing the degree of Compliance. The variables in this study are the requirements of IFRS 1 for the First-Time adopter. The variables (requirements of IFRS 1) are then

compared with the disclosures in the financial statements of the sampled banks and ranked each appropriately using the qualitative grading system. The grading is in range which is between 0% - 100%. That is to say, any of the requirements disclosed by a bank in its financial report and accounts attract between 1 - 100% or 1- 10 points. Sampled banks are graded on the number of items observed as per the requirements of the standard (IFRS 1). If on the overall grading, a bank was able to score 10 into thirteen places, then it is graded as having made an 'A' or scored 150 points or has excellently applied or complied with the requirements of IFRS 1. Alternatively, a sampled bank that scored zero (0) will be graded as having an extremely poor compliance with the requirements. The criterion for grading the adoption is presented in table 3.2 below.

Table 3.2. Criteria for grading compliance using QGS

S/N	LATTER GRADE	PARCENTAGE	FORM	GENERAL REMARK
1	A	80-100%	STRONGLY COMPLIED	EXCELENT
2	B	60-79%	SEMI STRONGLY COMPLIED	GOOD
3	C	40-69%	POORLY COMPLIED	POOR
4	D	0-39%	NON-COMPLIANCE	EXTREAMELY POOR

SOURCE: Adopted from Kantudu A.S. The Degree of Compliance with the Requirements of Information to be disclosed in Financial Statements by listed firms in Nigeria (2005)

A multiple regression model has been employed using the ordinary least squares (OLS) method to test the second hypothesis. The model uses a single dependent variable (Compliance) and three explanatory variables: Amenability, Globalization and Response to Users' need. The basic aim of the multiple regression models in this study is to investigate empirically the extent to which the predictor variables explain the hypothesized performance variable in Nigerian banks. The model is estimated using the coefficients of the independent variables and their level of significance. The coefficient of determination (R^2) is obtained and helps to assess the significance of the model. The F test is employed to determine the predictive ability of the model while the standard error test and T values are used to determine the significance of the three explanatory variables. Tests of multi-co linearity are also conducted to see if the parameter estimates are determined and then an autocorrelation test is used to assess the presence or absence of serial correlation among the residuals using, Durbin - Watson. These tests provide an empirical platform in drawing generalization for the, study.

Decision rule under multiple regressions

In summary, when the probability (p-value) is less than 5% level of significance, the null hypothesis which predicts no impact of independent variables upon the dependent should then be rejected.

Moreover, responses from the questionnaires were presented on a table and analyzed using Chi Square test with the aid of Minitab package (V.16.0). However, the use of the CM square test was for analyzing the third hypothesis formulated on the Difficulties that could be encountered with as a result of Compliance with IFRSs in the Nigerian Banking Industry

The chi-square test can be expressed as:

$$\chi^2 = \sum_{i=1}^n \frac{(F_o - F_e)^2}{F_e}$$

Where: \sum = Summation (addition)

N = Number of cells in the contingency table

F_o = Observed frequency or value

F_e = Expected frequency or value

χ^2 = Chi-square

The degree of freedom (df) is given by (r-1) (c-1).

Decision rule under chi-square test

If the p-value is less than the Alpha value (0.05) at 95% confidence level it indicates the rejection of null hypothesis (H₀). On the other hand, if the p-value is greater than the alpha c' (0.05) at 95% level of confidence, we accept the null hypothesis (H₀).

In other words, null hypothesis (H₀) is rejected at 95 level of confidence (alpha-cL 0.05) if the computed value of X₂ is greater than the critical (table value). And we accept null hypothesis (H₀) if the computed value of X₂ is

less than the critical (table value) at 95 level of confidence for (alpha level of 0.05).

7. Data Presentation and Analysis

This section presents the result of the comparative analysis of the requirements of IFRS 1 (variables) and the quarterly financial reports of the sampled banks. Qualitative Grading System was used for the purpose, while tables of simple percentages were used to present the data for analysis.

It's very important to recap that, three main objectives were proposed for this study and all the analysis are tailored toward achieving those objectives. Thus, this segment will present each objective, the required data, analysis involved, hypothesis testing and discuss issues arises in relation to previous positions in the literature.

Objective one: To determine whether or not, Banks in Nigeria significantly comply with the provisions of IFRS1.

In achieving this objective, point of 0-10 was used against the recent audited financial reports of the sampled Banks. It is primarily to assess the compliance of the Banks with the IFRS framework and the level at which each complied. Fourteen basic requirements of IFRS 1 as discussed in section two earlier were first considered as the influential variables from which the required data was extracted.

Below are the scores of the compliance

Table 4.1. Scores of IFRS 1 application in the financial reports of some Nigerian Banks

VARs	AcB	DmB	FmB	FdlB	FiB	UtB	StB	SkB	UnB	ZnB	OSS	%OSS
R1	10	10	10	10	10	10	10	10	10	10	100	100
R2	10	10	10	10	10	10	10	10	10	10	100	100
R3	0	10	0	0	10	10	0	10	10	10	40	40
R4	10	10	10	10	10	10	10	10	10	10	100	100
R5	10	10	10	10	10	10	10	10	10	10	100	100
R6	10	10	10	10	10	10	10	10	10	10	100	100
R7	10	10	10	10	10	10	10	10	10	10	100	100
R8	10	10	10	10	10	10	10	10	10	10	100	100
R9	10	10	10	10	10	10	10	10	10	10	100	100
R10	10	10	10	10	10	10	10	10	10	10	100	100
R11	10	10	10	10	10	10	10	10	10	10	100	100
R12	10	10	10	10	10	10	10	10	10	10	100	100
R13	10	10	10	10	10	10	10	10	10	10	100	100
R14	10	10	10	10	10	10	10	10	10	10	100	100
Total Score	140	140	140	130	130	140	140	130	130	130	1,340	95%

SOURCE: Survey of the researcher via 2014 annual reports of the sampled banks

Table 4.1 above presents the result of the sampled banks on compliance of the fourteen (14) requirements of IFRS 1. As per the Qualitative Grading System, proper application/compliance with a requirement attracts 10 points whereas, poor compliance attracts 0 score. Thus, the overall scores of the whole sample if complied

properly with the 14 requirements will be 1,400 points. Unfortunately only five banks scored 100% while the remaining five properly complied with 13 requirements each hence, the overall sampled score stood at 1,340 points.

Table 4.2. Key to table 4.1

VARs=Variables (Requirements of IFRS1):R1-R14
OSS=Overall Sample Scores
% OSS=Percentage of Overall Sample Scores
AcB=Access Banks
DmB=Diamond Bank
FmB=FCMB
FdlB=Fidelity Bank
FiB=First Bank
UtB=Union Bank
StB=Stanbic IBTC
SkB=Skye Bank
UnB=UBA
ZnB=Zenith Bank

Source: Researcher's design 2014

Table 4.1. above shows how the sampled banks complied with all the requirements of IFRS 1 except for R3: Business Combination where only five banks complied as it affected their operations. Reasons advanced for that are contained in the exemptions provided explicitly in the standard being entities that meet the conditions attached.

Hypothesis one (H1): Nigerian banks do not comply with the requirements of IFRS-framework.

In testing this hypothesis for decision, Qualitative Grading System (QGS) was employed to determine the Degree of Compliance (DOC) which will be used to accept or reject the hypothesis developed. If the computed value is C or D, that signals an automatic acceptance of the hypothesis. On the other hand, the hypothesis will be nullified and rejected if the computed value is A or B.

Using QGS, Degree of Compliance (DOC) = No. of points earned from the compliance Maximum core required from the compliance

No. Of points earned from the compliance = 1,350

Number of points earned from the compliance = Sample size (No. of Points earned x Variables)= [10(13 X14) = 1,274

Thus, DOC = 1,340/1,820 = 74%

The summary of the compliance with the 14 requirements of the standard (IFRS 1) by the sampled Nigerian Banks and the result of QDS which was used in testing hypothesis 1 show a result of 74%, which is a semi-strong compliance as per table 3.2. Therefore, the null hypothesis is hereby rejected, which implies that, the sampled banks as the representative of the entire population complied with the requirements of IFRS 1. This is contrary to the position of Iyaho and Jafaru (2011) that based their argument on Briston (1990) and Larson (1993) opinions, that adopting IFRS framework may be detrimental to developing countries like Nigeria because, the whole framework have been developed using capital markets in developed countries.

Objective two: examine the factors influencing the compliance with IFRSs in the Nigerian Banking industry

In striving to achieve this objective, a single set of questionnaire was developed and administered (see appendix 3). The responses as tabulated below identified three main issues (Amenability with FRC timeline, Globalization and response to users' need) as factors influencing the compliance level of the sampled Banks with the IFRS framework:

Table 4.3. result of questionnaire on difficulties and factors surrounding IFRS adoption in the nigerian banking industry

Questions	Strongly Agreed	Agreed	Disagreed	Strongly Disagreed
1	7	2	1	0
2	6	2	1	1
3	8	1	1	0
4	10	0	0	0
5	9	1	0	0
6	7	2	0	1
7	6	3	1	0
8	7	3	0	0

Source: Researchers' design 2014

Table 4.3 above, presents the summary of the responses from the structured questionnaire. Thirty questionnaires were administered: three for each sampled bank's management and all were properly filled and returned thus,

there are ten responses for each of the eight questions in four liked range.

Hypothesis two (H2): Amenability, Globalization and response to users' needs do not significantly influenced the compliance level of the Nigerian banks with IFRS.

Therefore, using the model developed in section three: $CI = a_0 + a_1AM + a_2GB + a_3RUN + e$, multiple regressions was employed to test the hypothesis:

The result of the regression analysis (a1, a2, a3 = Linear regression coefficients) is presented under 4.4 - 4.6 below:

Table 4.4. Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.997 ^a	.994	.992	2.17643

Predictors: (Constant), UN, AM, GL

Source: SPSS V.19.0 RESULTS PRESENTED IN THE TABLE BY THE AUTHOR

Table 4.5. summary of anova^b under multiple regression

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	7895.489	3	2631.830	555.608	.000 ^a
	Residual	47.368	10	4.737		
	Total	7942.857	13			

a. Predictors: (Constant), UN, AM, GL

b. Dependent Variable: LC

Source: SPSS V. 19.0 RESULTS PRESENTED IN THE TABLE BY THE AUTHOR

Table 4.6. summary of analysis of coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error				Beta	Tolerance
1(Cons tn)	24.737	1.579		15.667	.000		
AM	32.895	1.800	.567	18.272	.000	.620	1.613
GL	10.000	2.176	.172	4.595	.001	.424	2.357
UN	32.895	1.800	.567	18.272	.000	.620	1.613

Source: SPSS RESULTS PRESENTED IN THE TABLE BY THE AUTHOR In summary, tables 4.4, 4.5 and 4.6 above show the results the regression equation which reveals: Level of Compliance (C) = 29.474 + 32.895Amenability + 10.000Globalization + 32.89sResponse to Users' Need + e

The coefficient of correlation R = 99.7%. This measures the percentage variability in the total compliance index as a result of variability in the independent variables. That is, a 99.7% increase/decrease in amenability, globalization and response to user's need leads to an increase/decrease of 99.7% in the total application index. The result also reveals R2 = 99.4%. The R2 which is the goodness of fit measure of the linear model indicates that about 93.2%, of the variation in total compliance index can be explained by a variation in the independent variables. While the F- statistics (555.608) signifies that the overall equation is significant at 0.00%.

All the independent variables have positive and insignificant impact on total compliance index. Thus, on the basis of overall results we reject the null hypothesis since the P-value is less than 0.05 at level significance. Hence, amenability, globalization and response to users' needs significantly influence the compliance level of the Nigerian banks with IFRS 1.

This result shows the utility of the model in determining the relationship between the total application index and amenability, globalization and response to user's need. This agreed with the opinion of previous researchers (Kantudu and Isa, 2005) However, this position contradicts the opinion of Obazee (2012) and Nyor (2012) who are of the opinion that, only Globalization and information asymmetry on the organizational structure can influence its adoption process of such a new reporting framework. This may be as a result of differences in methods adopted, samples used and area covered.

Objective three: identify probable difficulties and problems that may occur or be encountered with as a result of compliance with IFRSs in the Nigerian banking industry.

Data from the responses of the structured question administered to the top management of the sampled banks was used here and Chi- Sq test was employed in testing the hypothesis developed below:

Hypothesis three: there are no difficulties involve in adopting IFRS in the Nigerian Banking industry

Table 4.7. summary of chi – square test on the difficulties encountered with while adopting IFRS

SN	SA	A	DA	SD	TOTAL
1.	20 16.57 0.709	5 8.29 1.303	2 2.43 0.076	3 2.71 0.030	30
2.	23 16.57 2.494	2 8.29 4.768	3 2.43 0.134	2 2.71 0.188	30
3.	19 16.57 0.356	8 8.29 0.010	1 2.43 0.840	2 2.71 0.188	30
4.	25 16.57 4.287	1 8.29 6.406	2 2.43 0.076	2 2.43 0.188	30
5.	11 16.57 1.873	10 8.29 0.355	6 2.43 5.252	3 2.71 0.030	30
6.	8 16.57 4.433	20 8.29 16.562	1 2.43 0.840	1 2.71 1.083	30
7.	10 16.57 2.606	12 8.29 1.665	2 2.43 0.076	6 2.71 3.977	30

Source: SSPS V.19.0

The result of the Chi-Sq analysis shows: the total of 116 58 17 19 Chi-Sq 60.806, DF = 18, P-Value = 0.000

Since p-value is less than alpha (0.05) at 95% confidence level it signifies the rejection of null hypothesis which stated that: There are no difficulties involve in adopting IFRS in the Nigerian Banking Industry This indicated that, the adoption of IFRS in the Nigerian banking industry however, This pose some challenges which among others includes: Sourcing and sustaining qualified but IFRS experience need accounting staffs, inadequate Information and Communication Technology (ICT) requirements (gadgets and technical experts), the rigorous training required to understand and buy into the principles underlining IFRS, changes reporting entities must make in their accounting and internal control systems to be able to operate IFRS framework, enforcement of strict adherence to Financial Reporting Council (FRC) dateline for conversion and other regulatory requirements (Amenability), voluminous nature of the report published using IFRS Framework is considered unnecessary time-consuming by some users

and the level of Foreign Direct Investment in the Nigerian Banking industry is facing great challenge of conformity in the reporting system to Suit the need of foreign investor, of global portfolio comparability. This is because, Nigeria still need to amend some provisions of our local laws like Companies and Allied Matters ACT of 2007, Bank and Other Financial Institutions Act of 2007 and CBN Act of 2007 to allow for uniformity in regulatory framework. This is in agreement with Oseni (2013) while identifying legal challenges oil FRC. However, this is obvious even in advanced countries it has been the challenge of implementing IFRS and coping with additional task of managing the transition process to a new reporting framework.

8. Summary of the Major Findings

Below is the summary of the paper:

1. The result of multivariate regression confirmed that, attempt by the banks to strictly adhere to regulatory bodies' timeline (amenability), globalization and response to the ever-increasing complaints of their information users significantly influenced the compliance level of the Nigerian banks with IFRS 1. However, this is obvious even in advanced countries it has been the challenge of implementing IFRS and coping with additional task of managing the transition process to a new reporting framework.

2. Although Nigerian banks complied (semi-strongly) with the IFRS requirements as a first time adopters but, the exercise faced some challenges in the sector which include: lack of in-depth IFRS knowledge from the preparers of financial reports and many other users of their information.

3. Nigeria still needs to amend some provisions of its local laws to allow for smooth and non-complicating framework. As proposed by Oduware (2012), these local laws are in serious conflict with IFRS framework. It is obvious that, there are specific provisions of Companies and Allied Matters Act of 2007, Bank and Other Financial Institutions Act of 2007 and CBN Act of 2007 that needs to be reviewed or totally removed to allow for uniformity in regulatory framework.

9. Conclusion

The above findings which summarized the financial results of more than 30% of the banking sector in term of their compliance with IFRS framework including some key players of the sector, it can be concluded that, the Nigerian banking industry has complied with IFRS 1 as a first time adopter. This is highly impressive and encouraging despite the initial worry raised by some researchers (Briston, 1990 and Larson, 1993) concerning the extent to which IFRSs can be adopted by developing nations, as environments vary from country to country and for the fact that, adoption of these standards may be detrimental, because they claimed that, the whole framework has been developed based on capital markets in developed countries.

However, some challenges can still be envisaged in the adoption process which needs to be urgently addressed,

for long as the framework is to be fully and completely implemented. There is a misunderstanding of how technology aligns with IFRS-requirements which limit the regulators' ability to fully integrate the reporting process.

There is also a problem of financial statements being very technical to shareholders who do not have deep background in financial terms. Even for those that can comprehend the statements, the voluminous nature of the published statements makes it boring. In addition to this, it is believed by the author that using 2012 audit reports is another potential limitation of the study because lot of changes were introduced in the banking sector in 2013 and indeed 2014. Thus, using most recent reports could have been better and in fact, have the potentials of yielding different findings. Lastly, the findings of the study might have been strengthening should the research employ more rigorous interview survey. Lastly, it is recommended for the future researchers to use all Nigerian Banks as a sample of similar study, this will give a broader picture of the acceptability of the IFRS in the sector. Again, they should use most adopted and recent audited reports.

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