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Procedia - Social and Behavioral Sciences 164 (2014) 621 – 626

Procedia
Social and Behavioral Sciences

International Conference on Accounting Studies 2014, ICAS 2014, 18-19 August 2014, Kuala Lumpur, Malaysia

Dimensions of IFRS transition roadmap's information content in LDCs: A case of Nigeria

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Abstract

This paper assesses the dimensions of IFRS transition roadmap information content and its adequacy in guiding IFRS transition in Nigeria. Data were generated through self-administered questionnaire on 140 accountants that yielded 75.71% usable responses. Descriptive statistics and regression were used for the data analysis. It is discovered that the information content of the roadmap is not inclusive and inadequate to drive the transition to a successful implementation of IFRS. The information dimensions on education and awareness creation are not significantly contained in the roadmap. This adversely affects stakeholders' effective planning and establishment mediating measures to ensure successful transition.

Peer-review under responsibility of the School of Accountancy, College of Business, Universiti Utara Malaysia.

Keywords: IFRS; roadmap; information; Nigeria; LDCs

1. Introduction

This study assesses the dimensions of roadmap information content of Nigeria's transition to International Financial Reporting Standards (IFRS). The transition is process of globalizing the Nigeria's stock market which requires use of international standards for preparing corporate financial reports for reliability, relevance and comparability to aid user's decisions. The issuing of roadmap which communicates to stakeholders the requirements for IFRS implementation, marks the start of IFRS transition. The roadmap conveys information on various dimensions on all aspects of the transition to stakeholders in order to assist them in effective planning and

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Peer-review under responsibility of the School of Accountancy, College of Business, Universiti Utara Malaysia.
doi:10.1016/j.sbspro.2014.11.155

establishment mediating measures for successful IFRS implementation. Roadmaps inform stakeholders of potential obstacles and countering strategies. Thus, cutting corners in developing IFRS roadmaps affects the quality and quantity of information it provides to stakeholders and impairs stakeholders' ability to ensure smooth transition. Roadmaps usually provide information depending on factors that need attention prior to IFRS implementation which among others include information on; stakeholder education and awareness, amendments of existing laws and enactment of new ones, information technology, timeline's milestones, implementation costs, and project planning and management. Roadmap information on these dimensions is pertinent and considered vital to the success of the transition process depending on the economic features of a nation.

The Nigerian Federal Executive Council on the July 28, 2010 approved and announced the roadmap to IFRS (Madawaki, 2012) which provides various dimensions of information. It states that the transition timeline starts with Public Listed Entities and Significant Public Interest Entities who should report in 2012 with comparative statements (starting January 1, 2011), followed by other Public Interest Entities to report in 2013 and Small and Medium-sized Entities in 2014. The roadmap also contains dimensions of information on other aspects of the transition which requires the considerations of the stakeholders for effective IFRS transition such as: legislative change; awareness, education and training; updating curricula of tertiary institutions; change of accounting systems for business and; alignment the activities of Financial Reporting Council in Nigeria (FRCN) to those of International Accounting Standards Board (IASB) (NASB, 2010). The significance this information is to provide guidance to stakeholders on the framework of actions for IFRS adoption and to enable them envisage the requirements for the transition in terms of technology, skills and competence that are indispensable to achieving smooth transition. However, the roadmap is criticized for not providing the needed information dimensions for all aspects of the transition for effective stakeholder guidance. Studies (such as Madawaki, 2012; Okoro and Tauringana, 2012; Baba, 2013) were carried out on the IFRS transition process in Nigeria but none considered the inclusiveness and adequacy of the roadmap information dimensions as such little is known about this phenomenon. This study contributes IFRS literature in this regard. The findings of this study is applicable to FRCN for the review of its roadmap and also a consideration for other Less Developed Countries (LDCs) that are planning to initiate the IFRS transition process. The remaining parts of the paper are organized as: review of literature in second part; research method in third segment; results and discussion in part four and conclusions in section five.

2. Literature review

2.1 Financial reporting regulatory environment in Nigeria

Financial reporting in Nigeria is guided by the provision of section 334-337 of the Companies and Allied Matters Act (CAMA) 1990. Section 334, subsection (1) requires firms to prepare financial reports annually and subsection (2) states the content of the reports. Section 335 prescribes firms' compliance with accounting standards set by NASB and the components of the financial reports. Additional information to be included in the reports of financial institutions is regulated by Banks and Other Financial Institution Act (BOFIA) 1991 which repealed the Banking Act 1969 as amended 1970, 1972, 1975 and 1976 and the Nigeria Deposit Insurance Corporation (NDIC) Act 2006. The financial reporting of Act 2011 establishes the Financial Reporting Council of Nigeria (FRCN) which repealed the Nigerian Accounting Standard Board (NASB) Act 2003.The board was saddled with establishing Nigerian standards and regulating financial reporting. The objective of these regulations is to guarantee minimum user information that will assist in decisions making. The roadmap is expected to provide adequate information on this dimension specifying areas needing repeal, amendments and enactments for stakeholder guidance.

2.2 Relevance of IFRS to LDCs

The debate on the relevance of IFRS to LDCs has generated considerable interest among scholars (Cairns, 1990; Chamisa, 2000). A group of scholars argue that IFRS is irrelevant to the LDCs while others have contrary view and some posit that it depends on the socio-economic and political alignment of each LDC. The first group argues that IFRS are developed within the context of a Developed Countries (DCs) operating with efficient capital market and thus may not be relevant LDCs (Siddique, 2011) because of the existing differences in socio-economic and political landscapes (Perera, 1985) between the two. This variation across the two worlds deters the establishment of a global accounting system (Chamisa, 2000; Nobes & Parkar, 2006). Thus, IFRS may not offer the accounting needs of LDCs (Irvine and Lucas, 2006; Tyrrall, Woodward, & Rakhimbekova, 2007) because it provides more than the needs of their business environment (Belkaoui, 2004; Tyrrall et al., 2007). However, Frank (1979) and Nair & Frank (1981) posit that LDCs prejudiced by the Anglo-American institutions are likely to find IFRS relevant and adopt them smoothly (Nobes, 1985). Apparently, IFRS may be basically inappropriate to communist LDCs who have no capital markets, but will be relevant to capitalistic LDCs who have functional capital market (Chamisa, 2000). For Barth (2008), the application of IFRS has enhanced the quality of accounting reports of firms in the post-adoption periods. The intrinsic worth includes, better comparability and relevance of financial reports globally which reduce equity cost of capital and eliminate the cost of establishing local standards. Although, these gains seem pleasant, they may not be attained in all economies.

2.3 Challenges of IFRS adoption

The socio-political and legal systems of the LDCs remain a hurdle to IFRS implementation (Chamisa, 2000; Tyrrall et al., 2007; Siddiqui, 2011). The key challenges to IFRS adoption include high cost of transition and project planning (Sudalaimuthu & Jesintha, 2011); corruption as its obstruct good policy, developmental activities and innovation (Hall & Jones 1999; North 1990; Gupta et al. 2000; Reinikka & Svensson 2005; Samimia & Abedinib, 2012); the development of new laws and amendments of existing ones to manage conflicts between existing legislature and IFRS provisions (Madawaki, 2012; Siaga, 2012); coordination and communication transition plan (Obazee, 2009); absence of efficient capital market (Lin, 2012); lack of IFRS education and appropriate accounting technology (Chamisa, 2000; Madawaki, 2012; Siaga, 2012) and development of workable timeline (Winney et al., 2010).The extent to which these challenges affect any nation is determined by its level of economic growth and development and if not properly tackled will lead to complying with the form rather than the substance of IFRSs. The development of informative and inclusive roadmap is a major challenge to IFRS transition because of its key role in guiding stakeholder to successful transition. However, most researches ignored this phenomenon, as such little attention is given to the amount and quality of information dimensions needed in roadmaps to enhance their ability to drive IFRS transitions in LDCs. This study seeks to provide answers to the questions:

i) How adequate is the information provided by Nigeria's IFRS roadmap?
ii) What information dimension(s) explain(s) the IFRS transition roadmap's information in Nigeria?

3. Methodology

Data for this study were generated through a self-administered questionnaire on one hundred and forty (140) accountants which yielded 75.71% usable responses, significant to limit the case of bias. The data collection instrument was developed on five-scale. The content of the instrument is based on the scope of information content provided in the Nigeria's IFRS roadmap. Descriptive statistics and regression are used to explain the responses and to determine the dimension(s) of roadmap's information that significantly explain the content of the Nigeria's roadmap to IFRS respectively. The significance is estimated in the following model:

$$ROADMP = a_0 + b_1 LGTAMD \; - \; b_2 INFTEC \; + b_3 EDUTRN \; + b_4 AWARES + \; b_5 TIMELN + \varepsilon \; \ldots\ldots \text{(i)}$$

Where: *α_0 is the intercept of the population regression line and εis the error term*

The roadmap information content is categorized based on five (5) dimensions: (i) *LGTAMD,* represents information on legislative and regulatory adjustments essential for the transition; (ii) *INFTEC,* represents information on IT packages that ensures the use of IFRS and plans for their training;(iii) *EDUTRN,* represents information on the role of tertiary institutions, professional bodies and FRCN on means of IFRS training and education for effective use of IFRS; (iv) *AWARES,* information that explains means and importance of creating stakeholders' awareness and enlightenment; and (v) *TIMEL,* represents the dimension of information which provides stakeholder with a guide on transition timeline in terms of the milestones to achieve.

4. Results and discussion

The results in Table 1 show that uncertainties cloud the transition process because the respondents could not rank the roadmap information content as adequate. The overall roadmap information content which is represented by *ROADMP* recorded a mean response of 3.04, not statistically different from a mean of 3.00 which indicates that the respondents are uncertain about the adequacy of the information content of the roadmap. The standard deviation of 0.76 for the mean responses implies that the respondents did not vary significant in this view. The means of the dimensions of the roadmap information are: 3.13 for *INFTEC*, 2.85 for *LGTAMD*, 3.32for *EDUTRN*, 2.93 for *AWARES*, and 2.76 for *TIMELN* with standard deviations of 1.02, 0.78, 0.96, 0.92 and 0.94 respectively. Again, the respondents could not rank any of the dimensions of the roadmap information content as adequate because the means are not significantly different from 3.00 which imply that they are not sure about the adequacy of the information dimensions within the roadmap. This view did not widely vary among the participants considering the standard deviation.

Table 1. Descriptive statistics of the questionnaire responses.

Roadmap/Dimensions	N	Min.	Max.	Mean	Std. Dev.	Kurtosis
ROADMP	106	2	4	3.0435	0.75884	-1.224
LGTAMD	106	2	4	2.8478	0.78789	-1.320
INFTEC	106	1	5	3.1304	1.02434	-0.752
EDUTRN	106	1	5	3.3261	0.96734	-0.290
AWARES	106	1	5	2.9348	0.92861	-1.052
TIMELN	106	1	4	2.7609	0.94715	-1.142
Valid N (listwise)	106					

Note: 5-Scale rating: 5=Highly Adequate, 4=Adequate, 3=Uncertain, 4=Inadequate and 1=Highly Inadequate

Table 2. Coefficients of the roadmap information dimensions.

Model	Beta	t	Sig.	VIF
(Constant)		4.473	0	
LGTAMD	0.656	6.444	0.000	2.607
INFTEC	-0.373	-3.461	0.001	2.921
EDUTRN	-0.079	-1.091	0.282	1.327
AWARES	0.074	0.741	0.463	2.530
TIMELN	0.349	3.320	0.010	2.779

Adjusted R-Squared = 0.821

The regression results in Table 2 indicate that *LGTAMD* dimension has a p-value of 0.000.This indicates that the dimension helps in predicting the roadmap information content. The *INFTEC* dimension showed a p-value of 0.001 and the *TIMELN* variable recorded p-value of 0.010. This implies that the three (3) dimensions significantly help to explain the information content of the roadmap. However, *EDUTRN* and *AWARES* dimensions recorded p-values of 0.282 and 0.463 respectively. This indicates that they do not help in explaining the information content of the IFRS transition roadmap. The findings of these results and their implication are presented below:

- The significance of the LGTAMD dimension in the roadmap implies that there is the provision of adequate information to guide stakeholders on legislative and regulatory amendments processes during the transition. The possible explanation is that FRCN recognized the importance of managing the existing laws regulating financial reporting as most them are obsolete and likely to conflict with IFRS reporting. Okaro and Taurigana (2012) note that information on amendment of existing obsolete laws is pre-requisite, vital and should be integral part of the IFRS transition roadmap program. This information should cover both general financial reporting laws and sector specific laws such as Companies and Allied Matters Act (CAMA) of 1990 and Banks and Other Financial Institution Act (BOFIA) of 1991 respectively and other laws.
- The INFTEC dimension also provided sufficient information to guide stakeholders to plan for the IT requirements. This category of information is vital to IFRS transition process because of role of IT in the use of IFRS. According to Baba (2013), IT information plays a vital role in IFRS transition process because of its indispensability in Enterprise Resource Planning (ERP) systems in firms' operational, accounting and reporting processes and therefore it should be part of the transition program.
- The significance of the TIMELN dimension implies that the roadmap provides adequate information and guidance to stakeholders on establishing the means of achieving targeted milestones during the transition.

The sufficiency of the timeline information in the roadmap is critical to the transition because it allows the appropriate stakeholders to develop strategies for firms to act in response to requirements of the IFRS implementation process.

- However, EDUTRN and AWARES dimensions did not provide sufficient information to guide stakeholders on necessary IFRS education for successful transition. It is a common understanding that IFRS transition requires intensive education and training of stakeholder, expertise and competence; and creation high level of awareness therefore provision of roadmap information on these dimensions for stakeholder guidance cannot be overemphasized. The insufficiency of such information will impact negatively on the transition process and the use of IFRS in the post adoption period (Chakrabarty, 2011; Madawaki 2012; Okaro and Tauringana, 2012; Baba, 2013).This lack of information could be the reasons why most firms could not achieve the roadmap milestones and transition targeted actions (Nnorom, 2013).

5. Conclusions

The Nigeria's IFRS roadmap information content is not inclusive and adequate enough to guide the stakeholders towards effective planning of the transition that guarantees solid foundation for successful IFRS implementation specially, that the education and awareness dimensions did not provide information sufficient enlighten the stakeholders through the transition. This result is applicable to FRCN for reviewing its post IFRS adoption strategies to ensure the bridge of the information gap created by the non-inclusiveness of the content of the roadmap information which created uneven transition. The findings will also be a useful consideration for other LDC nations that are planning to initiate the IFRS transition process. However, the findings are limited to the views of the sampled accountants other stakeholders may share different opinion.

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