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INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTION AND FINANCIAL REPORTING QUALITY OF LISTED CONSUMER GOODS COMPANIES IN NIGERIA.

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ABSTRACT
The quality of financial reports has been an issue of concern among regulators and other stakeholders globally especially after fraudulent financial reporting which led to the collapse of high profile firms, this made accounting regulators to scrutinize reporting practices and accounting Standard. This prompted the review and Adoption of (IFRS) International Financial Reporting Standards. In Nigeria, IFRS was adopted in 2012 to curb financial manipulation and fraudulent financial reporting and therefore enhance financial reporting quality. The Financial reporting Quality is dependent on the Qualitative characteristics. This study examines the effect of the IFRS (Pre and Post Adoption Period) on financial reporting quality of Quoted Consumer Goods companies in Nigeria. Data were generated from the annual reports and accounts often sampled companies during the period 2006 to 2017. T-test was utilized to analyze the study data. It was found out that IFRS adoption has positive and significant effect, on the Relevance, Faithful Representation, Understandability, and Comparability of financial reporting of Quoted Consumer Goods in Nigeria. The study therefore recommends that listed consumer goods companies in Nigeria should strictly adhere to IFRS as a standard of reporting, high level of compliance should be ensured, this will enhance the quality of the financial reports.

Keywords: International Financial Reporting Standards Adoption, Financial Reporting Quality, Financial Reporting Quality Measurement.

Introduction

Regulators and standard setters ensure that published financial statements prepared satisfy the need of different users. A company's accounting process is critical to the accountants, auditors, corporate management, lenders, financial analyst, investors, regulators and others connected to financial reporting. International Financial Reporting Standards are set of global accounting standards developed for the preparation and presentation of the financial statements of companies. The collapse of a number of blue chip companies in the western countries and also a lot of financial crises has made accounting regulators to scrutinize reporting practices and accounting standards. These crises drew the world's attention to the quality of financial reports. This necessitated the review and adoption of IFRS. The adoption of International Financial Reporting Standards gained momentum across the world starting in the western world and subsequently in developing countries Umabong and Akani (2015).

In Nigeria Listed and Public Entities adopted IFRS in December 2012. It is important to note that the primary objective of financial reporting based on IFRS is to provide high quality financial reporting information concerning economic entities, (Umabong 2014). Financial reporting refers to the communication of financial information by business enterprises to their parties such as customers, government, and the general public (Besst, Brean, and Boeclens 2009). Financial Reporting Quality entails full and transparent disclosure of information that does not mislead users (Jones and Blanchet, 2000). The key prerequisite for quality in financial reporting is the adherence to the objective and qualitative characteristic of financial reporting which comprises of relevance, faithful representation, comparability, timelines and understandability (IASB 2008).

Quoted Consumer goods manufacturing companies have overwhelming role in the development and growth of the nation's economy because of their dominant contribution to the economy.

Misrepresentations of information in the financial report have daring consequences on the quality of information to users. The integrity of financial reports has been an issue of concern among regulators and other stakeholders. In Nigeria the manufacturing companies among others has also witnessed several cases of corporate failures, and these failures were linked or blamed on lack of business ethics, unethical accounting practice, weak regulations, among others (Wilson, 2006).

A review of previous studies based on IFRS Adoption and Financial Reporting Quality shows that most of these studies were conducted on the Banking Sector, and some that were conducted on the manufacturing companies were mostly based on financial performance. Studies like Aseoluwa and Jelil (2017) Umabong and Ibanichuka (2016) Ironkwe and Oglekwu (2016) were conducted on IFRS and performance of Manufacturing Firms. Studies conducted on IFRS adoption and accounting quality of Manufacturing Firms in Nigeria measured the fundamental qualities without measuring the enhancing characteristics. The Quantitative approach was used, accrual and value relevance models rely on information disclosed in financial report to assess FRQ. In other words, these models use only financial information elements in the financial report to assess financial reporting quality. By excluding the non-financial information which may play a significant role in user’s decision making, the quantitative approaches (accrual and value relevance) are criticized as not been comprehensive enough (Samaila, 2012).

This study focused on IFRS adoption and Financial Reporting Quality oF Quoted Consumer Goods Companies in Nigeria The main objective of the study is to examine the effect of IFRS Adoption on financial reporting quality of Consumer Goods Companies in Nigeria.

The paper hypothesizes that

> H_{o1}: IFRS Adoption has no significant effect on Financial Reporting quality of Quoted Consumer Goods Companies in Nigeria.

It is expected that this study will contribute to the literature on IFRS Adoption and Financial Reporting Quality. This study has been organized as follow, Introduction, followed by a review of Relevant Literatures, Research Methodology, Discussion and findings of the study and finally Conclusion.

Literature Review

Concept Of International Financial Reporting Standards (IFRS)

IFRS is a set of published financial accounting pronouncements given by the IASB to assist Accountants and Auditors across the world in the preparation, presentation and reporting of transparent, high quality and comparable financial information to aid informed decision making. Adejoh and Hasnah (2014) noted that the need for a high quality and a uniform manner for which financial statements is being prepared and presented gave rise to IFRS. IFRS according to Siti et al. (2014) is a common global language designed to be followed by companies across international boundaries to reflect its financial activities and to improve the understanding, comparability and quality of financial reporting. Chakrabarty (2011) is of the opinion that IFRS as standards are meant to attain these objectives; support in the standardization of the varied accounting principles and policies obtainable across the globe and enhancing comparability of financial statements. To also facilitate the preparation and presentation of financial statements that is transparent, comparable of high quality information. Furthermore, the objective is meant to reduce alternatives ways of preparing Financial Statements and thereby eliminate the element of subjectivity.

From the foregoing, IFRS are standards set to assist Accountants and Auditors across the world in the preparation, presentation and reporting of transparent, high quality and comparable financial information to aid informed decision making.

International Financial Reporting Standard (IFRS) in Nigeria.

The Federal Government of Nigeria on 2nd September 2010 officially declared IFRS adoption in Nigeria, guidelines were initiated for its adoption. IFRS adoption by the Federal Government of Nigeria made the country an enlisted member of countries that have adopted IFRS across the globe. The guiding principles to be followed for implementing IFRS are in three consecutive phases. The first phase comprises of Listed and Significant Public Interest Entities that are mandated to prepare and present their audited financial statements in compliance to relevant IFRS by 31st December, 2012. The second phase of IFRS implementation focuses on Public Interest Entities that are authorized to comply with IFRS format for statutory rationale by 31st December, 2013. The third phase on the other hand, expects all Small and Medium sized Enterprises (SMEs) to mandatorily comply with the adoption of IFRS as statutory reporting by 31st December 2014 (Uwadiae, 2012).

Pre and Post IFRS Adoption In Nigeria

Prior to the implementation of IFRS in 2012, Nigeria made use of the Nigerian Generally Accepted Accounting Practice (NG-GAAP) in the preparation of their Financial Statement. The Nigerian Accounting Standard Board (NASB) is seen as a body sovereign charged with the duty to develop and issue Statement of Accounting Standards (SAS) for financial statements preparers and users (Ofurum et al, 2014). Years prior to the adoption and implementation of IFRS are the Pre IFRS period.

The Federal Government of Nigeria in 2010 designed the roadmap to be followed for a successful IFRS adoption in the country, which were in three phases. Financial Statement prepared in compliance to IFRS comprises of the followings: Statement of Financial Position, Statement of Comprehensive Income, and Statement of Changes in Equity, Statement of Cash Flows and Accounting Policies. The fundamental theories supporting NG-GAAP and IFRS are not on the whole parallel. The inception of IFRS has brought about a great deal of responsibility on the part of IASB in setting International Accounting Standards (IAS) that will fit different business entities across the globe. Indigenous professional accountants and auditors need to keep abreast with the content of the frameworks that make up the financial statement to enable them give clarification to various stakeholders when the need arises (Adejor and Hasnah, 2014). The period after the Adoption of IFRS is the Post IFRS period.

The Concept of Financial Reporting Quality

There is a lack of consensus as to what constitute financial reporting quality (Jones & Bushman, 2000). According to the Financial Accounting Standard Board (FASB, 1999), financial reporting quality is the accuracy with which information about the firm is presented in financial reports. This view seems to emphasis accuracy which is about financial reporting process been free from errors and conducted correctly. However, financial reporting quality is much more than accuracy. It involves level of adherence to prescribed rules in accounting standard, statutes and ethical standards. Kodadady (2012) posit that FRQ relates to firms selection of accounting methods and policies from among available alternatives. Where the policies and methods are rationally selected, then financial reporting will be of high quality. According to Jones and Blanchet (2000), financial reporting quality connotes full and transparent disclosure of information that does not mislead users. This implies that financial reporting quality include disclosure of information both financial and non-financial, which is useful for economic decision making by users of the information.

From the foregoing, FRQ could be said to exist where the financial reporting process is characterized with accuracy, transparency, compliance with prescribed rules and adequate disclosure of information required by users for their decision making.

IFRS and Financial Reporting Quality

The Quality of reports is dependent on some factors, and it has to be prepared in line with the IFRS. Financial Reporting Quality is stated to be dependent on the conceptual Framework for Financial Reporting. The fundamental qualitative characteristics are relevance and faithful representation and the enhancing qualitative characteristics are comparability, variability, timeliness and understandability. According to IASB, the essential principle of assessing the financial reporting quality is related to the faithfulness of the objectives and quality of disclosed information in a company‘s financial reports. These qualitative characteristics enhance the facilitation of assessing the usefulness of financial reports, which will also lead to a high level of quality. To achieve this level, financial reports must be relevantly presented, faithfully represented, comparable, verifiable, timely, and understandable. Thus, the emphasis is on having transparent financial reports, and not having misleading financial reports to users. (Gajevszky, 2015).

Therefore, the extent to which the IFRS Adoption is able to influence FRQ is in turn a function of the fundamental qualitative and enhancing qualitative characteristics. This section discusses the influence of the qualitative characteristics on FRQ which are of interest to the current study. A theoretical explanation for each of these terms emphasizes their importance as qualitative characteristics, and also indicates what qualities are considered fundamental among different frameworks.

Empirical Review

Several studies have empirically shown that IFRS Adoption enhance Accounting Quality. The adoption of IFRS has been shown to produce mixed results, based on research conducted by various researchers. Findings by prior researches show that the adoption of IFRS is positive and beneficial while other studies indicate it is negative and detrimental to the firm.

Aseoluwa and Jelil (2017) examined IFRS Adoption and Performance of Quoted Consumer goods Manufacturing Companies in Nigeria. Data were obtained from audited annual report and accounts of Manufacturing Companies listed in the NSE for 5 years (2010 – 2014). Pooled OLS estimator through the aid of Strata software was used to analyze the data. It was discovered that IFRS Adoption does not significantly influence financial performance of manufacturing firms in Nigerian.

Umabong and Ibanichuka (2016) Examined IFRS and firms Financial Performance in Nigeria over a period of eight years (2006-2014). Data were extracted from the annual report and accounts of sampled firms and was analyzed using Independent sample test and ANOVA. It was divided into two periods Pre and Post IFRS. The study revealed that there is no significant difference of mean of return on assets, return on equity and earnings per share in the two periods implying that IFRS failed to prevent bloated earnings.

Umabong and Akani (2015), conducted a study on the relationship between IFRS adoption and Accounting Quality of quoted Manufacturing Firms in Nigeria. The data for the study were extracted from the annual report of 2008- 2012 and analyzed using multiple regression analysis and T-Test. The study found out that earnings and book value of equity are less, value relevance and timely loss recognition is less in post IFRS compared to Pre-IFRS.

Ironkwe and Oglekwu (2016) conducted a study on IFRS Adoption and corporate performance of listed companies in Nigeria. A comparative study was used to investigate the corporate performance in terms of profitability of listed manufacturing firms in the Pre IFRS adoption period 2009-2011 and Post IFRs 2012-2014. Descriptive statistics and ANOVA were used in analyzing the EPS and ROE results shows there is an inverse relationship between Risk and return.

Yurisandi and Puspitasari (2015) examined the Financial Reporting Quality before and after IFRS adoption using the NICE characteristics measurement. The study was conducted in

Indonesia for a period between 2009-2010 (Pre IFRS) 2012-2013 (Post IFRS) on Listed Firms. The study found out that IFRS Adoption increased the quality of Financial Reporting.

Kythreotis (2014), Quality of financial statements was examined in light of the conceptual framework, the two fundamental qualitative characteristics were measured. The study sampled listed companies of fifteen European countries that have adopted IFRS from 2000-2009, 2000-2004 period before adoption while 2005-2009 period after adoption. The study found out that there is increase in relevance while reliability seems to be unchanged.

Mike (2009), IFRS adoption makes financial statements more transparent leading to improved quality of financial reports. Also, Okere (2009) in his study found that IFRS enable firms to be compared across national boundaries thereby encouraging foreign flow of investments as investors will be able to make appropriate decisions on firms. Existing literature such as Barth, *et al*, (2006), Gassen & Sellbom, (2006); Hung and Subramanyam (2007); Barth *et al*, (2008) document improvements in accounting quality due to implementation of IFRS by firms.

The implementation of IFRS is not without negative side effects. Prior empirical studies provide evidence of its shortcomings. Alp and Ustunda (2009) found that IFRS implementation reduces accounting knowledge and expertise amongst practitioners, while Martins (2011) found it negatively affects the capacity of regulators to enforce and ensure compliance to accounting rules.

These mixed results demands further empirical research on effects of IFRS Adoption. It is also pertinent to state that the mixed results of these studies conducted calls for replicative studies to be conducted in other industries and different periods. In addition, most of the studies in the Manufacturing Firms in Nigeria on IFRS Adoption is on Financial performance and few studies conducted on Financial Reporting Quality measured financial reporting quality quantitatively. This study examined the effect of IFRS Adoption on Financial Reporting Quality in addition to those examined by previous researchers, measuring the qualitative financial reporting quality.

Theoretical Framework

In order to examine the effect of IFRS Adoption on FRQ of Quoted Consumer Goods, Manufacturing Companies in Nigeria, two theories are found relevant. These include the Agency Theory, and stakeholders' Theory.

The Agency Theory was propounded by Alchian and Demseo (1972) and later developed by Jensen and Meckling (1976). The theory drives its root from the relationship between the shareholders who are considered the principal and managers (agent) within the corporate setting. The theory holds that the company hires managers to administer the company on their behalf. Thus, managers are obliged to pursue the interest of shareholders above their personal and any other interest. Managers are self-interested and may not necessarily make decision in the best interest of the shareholders (Padilla, 2004). There is therefore an inherent conflict of interest between managers who act as agent and shareholders as principal. This conflict of interest is

known as agency problem. This give rise to the problem of information asymmetry that is managers may have access to most of the financial information than the shareholders. Adoption of IFRS provides a basis for adequate information to be accessible by investors (owners) and other stakeholders.
To checkmate managers from taking advantage of their position to pursue their self-interest which may be detrimental to shareholders, a monitoring mechanism becomes necessary. The board of directors is a crucial monitoring mechanism on management activities. However, if the board is deficient in any of its characteristics, it cannot effectively monitor management activities hence manipulations will prevail that will negatively impact FRQ.

The Stakeholders' Theory was pioneered by Freeman in 1984. Freeman (1984) defined stakeholders as any group or individual who can affect or is affected by the achievement of the organizations objectives. Unlike the agency theory, where managers are working for the shareholders, Stakeholders theory suggests that managers in organization have a network of relationship to serve which includes suppliers, employees, host community, legislatures, financial analysts, and press. Freeman (1984) argued that the firm is a social person and therefore, is responsible and accountable not only to the shareholders but also to all other stakeholders. With the stakeholders' theory, therefore, given that there are different groups which the management need to ensure their interest, if there is no effective monitoring mechanism such as the board of directors, management bias will place some at a disadvantage. Effective board will ensure free and fair financial reporting that affords each stakeholder opportunity to realize their interest without undermining that of others.

Considering the objective of the study which is to examine the effect of IFRS Adoption on financial reporting quality of Quoted Consumer Goods Companies in Nigeria, the theoretical background underpinning the study is the Agency Theory. Agency theory stipulates that the delegation of responsibilities by the principals (owners) and agent (managers) requires an oversight mechanism that monitors the performance of managers to ensure that they use their delegated responsibilities in the best interest of the principals hence financial reporting quality will be enhanced. Adoption of IFRS provides a basis for adequate information to be accessible by investors (owners) and other stakeholders.

Methodology

Ex post facto research design was adopted for the study. The choice of ex post facto research design is because the study examined the effect of IFRS Adoption on financial reporting quality. Based on this research design, data were extracted from the annual reports and accounts of sampled firms. The data gathered were analyzed using descriptive statistical techniques. Based on the findings, conclusion and recommendations were made. The population of this study comprises of all the Quoted Consumer Goods Companies on the Nigerian Stock Exchange (NSE). 10 consumer goods manufacturing companies (Cadbury Nig PLC, Dangote Flour Mills, Flour Mills of Nigeria PLC, Guinness Nig PLC, Honeywell Nig PLC, Nestle Nig PLC, Nigerian Breweries PLC, PZ-Cussions Nig PLC, Unilever Nig LC, and 7UP Bottling Company PLC) were selected from the population based on data availability. The study covered a period of twelve years from 2006- 2017. 2006- 2011 Pre IFRS period 2012-2017 Post IFRS period.The source of data for this study is secondary source. Annual report and accounts were used to extract data on the qualitative characteristics of financial reporting qualities i.e. relevance, faithful representation, understandability, comparability and timeliness.

Variables of the Study

The study uses two sets of variables. These are the dependent and the independent variables.

Dependent Variable

The dependent variable is the financial reporting quality of Quoted Consumer Goods, Manufacturing Companies. To determine the financial reporting quality, the qualitative characteristics of relevance, faithful representation, understandability, comparability and timeliness were used as proxy. The qualitative characteristics of relevance, faithful representation, understandability, comparability and timeliness were used as proxy for FRQ. This proxy was operationalized by Beest *et al* (2009) using twenty one items (see appendix 1). Samaila, (2014) Tuta, (2015) and Adamu (2017) adopted the measures in Nigeria. The mean of relevance, understandability, faithful representation, comparability and timeliness represent the financial reporting quality.

Independent Variables

The independent variable of the study is IFRS Adoption, is divided into two Pre IFRS Period and Post IFRS period.

Data Analysis Technique

The techniques used to analyze the data for the study is t-test. It was used in order to find the level of significance of the Financial Reporting Quality changes before and after IFRS adoption. SPSS and Microsoft excel was used to run the data. This was used to examine changes in the data collected on the study variables (Umobang and Ibanichuka 2016; Yurisandi and Puspitasari 2015).

Result and Discussion

The mean of the Financial Reporting Quality before and after IFRS adoption is presented and discussed below

H_{o1}: IFRS Adoption has no significant effect on Relevance of Financial Reporting of Quoted Consumer Goods Companies in Nigeria.

A paired sample t-test was conducted to evaluate whether or not there is a significant difference in the FRQ of quoted Consumer Goods Companies under Pre IFRS and Post IFRS. Table 1(appendix 2) shows result of the comparison of the means of Relevance (which is one of the quality measurement tool) under Pre IFRS and Post IFRS show the adoption IFRS has increased the Relevance of financial statement with a mean value of 3.9833 under Post IFRS compared to the value of 3.0542 under Pre IFRS. it shows the result is significant with a p-value of .000

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which is lower than the cut off value of 0.05 signifying a significant increase in the Relevance of Financial Reporting with the adoption of IFRS. The t-value which is 6.383 shows a wide variance between the Pre and Post periods. The mean increase at 95% confidence level ranges from -1.25839 to -0.5998

Table 2 (appendix 2) shows the result of the comparison of the means of Faithful Representation (which is one of the quality measurement tool) under Pre IFRS and Post IFRS show the adoption of IFRS has increased the Faithful Representation of financial statement with a mean value of 4.3333 under Post IFRS compared to the value of 3.2450 under Pre IFRS. It shows the result is significant with a p-value of .000 which is lower than the cut off value of 0.05 signifying a significant increase in the Faithful Representation of Financial Reporting with the adoption of IFRS. The t-value which is 10.029 shows a wide variance between the Pre and Post periods. The mean increase at 95% confidence level ranges from -1.33377 to -0.84283

Table 3 (appendix 2) shows the result of the comparison of the means of Understandability (which is one of the quality measurement tool) under Pre IFRS and Post IFRS show the adoption of IFRS has increased the Understandability of financial statement with a mean value of 3.4567 under Post IFRS compared to the value of 2.7617 under Pre IFRS. It shows the result is significant with a p-value of .000 which is lower than the cut off value of 0.05 signifying a significant increase in the Understandability of Financial Reporting with the adoption of IFRS. The t-value which is 7.353 shows a wide variance between the Pre and Post periods. The mean increase at 95% confidence level ranges from -0.90881 to -0.48119.

Table 4 (appendix 2) shows the result of the comparison of the means of Comparability (which is one of the quality measurement tool) under Pre IFRS and Post IFRS show the adoption of IFRS has increased the Comparability of financial statement with a mean value of 3.7810 under Post IFRS compared to the value of 2.7444 under Pre IFRS. It shows the result is significant with a p-value of .000 which is lower than the cut off value of 0.05 signifying a significant increase in the Comparability of Financial Reporting with the adoption of IFRS. The t-value which is 7.024 shows a wide variance between the Pre and Post periods. The mean increase at 95% confidence level ranges from -1.37046 to -0.70274.

Table 5 (appendix 2) shows the result of the comparison of the means of Timeliness (which is one of the quality measurement tool) under Pre IFRS and Post IFRS show the adoption of IFRS has not increased the Timeliness of financial statement with a mean value of 1.0470 under Post IFRS compared to the value of 1.0650 under Pre IFRS. It shows the result is significant with a p-value of .798 which is higher than the cut off value of 0.05 signifying no significant increase in the timeliness of Financial Reporting with the adoption of IFRS. The t-value which is .263 shows a small variance between the Pre and Post periods which means the difference occurred by chance. The mean increase at 95% confidence level ranges from -0.13664 to -0.17264.

The hypothesis was rejected because the t-test conducted showed significant values lower that the 0.05 significance level. This implies that Financial Reporting Quality after IFRS adoption has increased compared to the Financial Reporting Quality before the IFRS adoption. Although table 5 showed a p value higher than the 0.05 significance level, the t value is small this means the change occurred by chance. This implies that the change in Timeliness reporting Quality before and after IFRS adoption is not significant.

The overall Financial Reporting Quality after IFRS adoption has increased compared to the FRQ before IFRS adoption. The same results have been shown for the elements of FRQ relevance, faithful representation, understandability and comparability. For Timeliness it is presumed it did not increase because of the mandatory disclosures increasing in the IFRS, the firms may take or need a longer time to prepare annual reports. The result is consistent with Umabong and Akani (2015), Yurisandi and Puspitasari (2015), kasseri (2015), and Barth et al (2008).

Conclusion

The research's main objective was to evaluate the Financial Reporting Quality before and after the IFRS adoption, to see if there is any effect. Using the qualitative characteristics, and conducting a test on the data. The study concludes that the Financial Reporting Quality increased after the IFRS adoption. The results show that the qualitative characteristics of relevance, faithful representation, understandability and comparability increased after IFRS adoption. Timeliness had no change and it was presumed to be as a result of the increase in the mandatory disclosure in IFRS. As a conclusion IFRS Adoption increased the Financial Reporting Quality of the Quoted Consumer Goods Companies in Nigeria, furthermore the IFRS adoption increased the Financial Reporting Quality. Further research can be conducted by considering other variables as industry type, and also involving the judgments of Professionals in evaluating the Financial Reporting Quality.

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Appendix 1
The Measures used to operationalize Financial Reporting Quality

Question no.	Question	Operationalization
Relevance R1	To what extent does the presence of the forward looking statement help forming expectations and predictions concerning the future of the company?	1 = No forward-looking information 2= Forward-looking information not an apart subsection 3 = Apart subsection 4 = Extensive predictions 5 = Extensive predictions useful for making expectation
R2	To what extent does the presence of non-financial information in terms of business opportunities and risks complement the financial information?	1= No non-financial information 2= Little non-financial information, no useful for forming expectations 3 = Useful non-financial information 4 = Useful non-financial information, helpful for developing expectations 5 = Non-financial information presents additional information which helps developing expectations
R3	To what extent does the company use fair value instead of historical cost	1 = Only Historical cost 2 = Most Historical cost 3 = Balance Fair value/ Historical cost 4 = Most Fair Value 5 = Only Fair Value
R4	To what extent do the reported results provide feedback to users of the annual report as to how various market events and significant transactions affected the company?	1 = No feedback 2 = Little feedback on the past 3 = Feedback is present 4=Feedback helps understanding how events and transactions influenced the company 5 = Comprehensive feedback Confirmatory Value
Faithful Representation F1	To what extent are valid arguments provided to support the decision for certain assumptions and estimates in the annual report?	1 = Only described estimations 2 = General explanation 3=Specific explanation of estimations 4 = Specific explanation, formulas explained etc. 5=Comprehensive argumentation
F2	To what extent does the company base its choice for certain accounting principles on valid arguments?	1 = Changes not explained 2 = Minimum explanation 3 = Explained why 4 = Explained why + consequences 5 = No changes or comprehensive explanation
F3	To what extent does the company, in the discussion of the annual results, highlight the positive events as well as the negative events?	1 = Negative events only mentioned in footnotes 2 = Emphasize on positive events 3 = Emphasize on positive events, but negative events are mentioned; no

		negative events occurred 4 = Balance pos/neg events 5 = Impact of pos/neg events is also explained
F4	Which type of auditors' report is included in the annual report?	1 = Adverse opinion 2 = Disclaimer of opinion 3 = Qualified opinion 4 = Unqualified opinion: Financial figures 5 = Unqualified opinion: Financial figures + internal control
F5	To what extent does the company provide information on corporate governance?	1 = No description CG 2 = Information on CG limited, not in apart subsection 3 = Apart subsection 4 = Extra attention paid to information concerning CG 5 = Comprehensive description of CG
Understandability U1	To what extent is the annual report presented in a well-organized manner?	1= complete table of contents 2 =headings 3= order of components 4= order of components 5= summary/ conclusion at the end of each subsection
U2	To what extent are the notes to the balance sheet and the income statement sufficiently clear?	1 = No explanation 2 = Very short description, difficult to understand 3 = Explanation that describes what happens 4 = Terms are explained (which assumptions etc.) 5 = Everything that might be difficult to understand is explained
U3	To what extent does the presence of graphs and tables clarifies the presented information?	1 = no graphs 2 = 1-2 graphs 3 = 3-5 graphs 4 = 6-10 graphs 5 = > 10 graphs
U4	To what extent is the use of language and technical jargon in the annual report easy to follow?	1 = Much jargon (industry), not explained 2 = Much jargon, minimal explanation 3 = Jargon is explained in text/ glossary 4 = Not much jargon, or well explained 5 = No jargon, or extraordinary explanation
U5	What is the size of the glossary?	1 = No glossary 2 = Less than 1 page 3 = Approximately one page 4 = 1-2 pages 5 = > 2 pages
Comparability C1	To what extent do the notes to changes in accounting policies explain the	1 = Changes not explained 2 = Minimum explanation

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	implications of the change?	3 = Explained why 4 = Explained why + consequences 5= No changes or comprehensive explanation
C2	To what extent do the notes to revisions in accounting estimates and judgments explain the implications of the revision?	1= Revision without notes 2= Revision with few notes 3= No revision/ clear notes 4= Clear notes + implications (past) 5 = Comprehensive notes
C3	To what extent did the company adjust previous accounting period's figures, for the effect of the implementation of a change in accounting policy or revisions in accounting estimates?	1 = No adjustments 2 = Described adjustments 3 = Actual adjustments (one year) 4 = 2 years 5 = > 2 years + notes
C4	To what extent does the company provide a comparison of the results of current accounting period with previous accounting periods?	1 = No comparison 2 = Only with previous year 3 = With 5 years 4 = 5 years + description of implications 5 = 10 years + description of implications
C5	To what extent is the information in the annual report comparable to information provided by other organizations?	1= accounting policies 2= structure 3= explanation of events 4= an overall conclusion 5=comparability compared to annual reports of other organizations
C6	To what extent does the company presents financial index numbers and ratios in the annual report?	1 = No ratios 2 = 1-2 ratios 3 = 3-5 ratios 4 = 6-10 ratios 5 = > 10 ratios
Timeliness T1	How many days did it take for the auditor to sign the auditors' report after book year end?	Natural logarithm of amount of days 1 = 1-1.99 2 = 2-2.99 3 = 3-3.99 4 = 4-4.99 5 = 5-5.99

Source: Adopted from Beest, Braam and Boelens (2009).

APPENDIX 2

Table 1: Sample Test of mean of Pre and Post IFRS Adoption on Relevance of Financial Reports.

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	PRER	3.0542	10	.35087	.11095
	POSTR	3.9833	10	.16919	.05350

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	PRER & POSTR	10	-.507	.135

Paired Samples Test

		Paired Differences							
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference: Lower	95% Confidence Interval of the Difference: Upper	T	df	Sig. (2-tailed)
Pair 1	PRER - POSTR	-.92910	.46032	.14557	-1.25839	-.59981	-6.383	9	.000

Source: Researcher computation from the annual Reports and Accounts of the Sampled Companies, 2018.

Table 2: Sample Test of mean of Pre and Post IFRS Adoption on Faithful Representation of Financial Reports.

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	PREF	3.2450	10	.23913	.07562
	POSTF	4.3333	10	.16019	.05066

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	PREF & POSTF	10	-.456	.186

Paired Samples Test

		Paired Differences							
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference: Lower	95% Confidence Interval of the Difference: Upper	t	df	Sig. (2-tailed)
Pair 1	PREF – POSTF	-1.08830	.34315	.10851	-1.33377	-.84283	-10.029	9	.000

Source: Researcher computation from the annual Reports and Accounts of the Sampled Companies, 2018.

Table 3: Sample Test of mean of Pre and Post IFRS Adoption on Understand ability of Financial Reports.

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	PREU	2.7617	10	.18257	.05773
	POSTU	3.4567	10	.27437	.08676

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	PREU & POSTU	10	.192	.594

Paired Samples Test

		Paired Differences					T	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference: Lower	95% Confidence Interval of the Difference: Upper			
Pair 1	PREU - POSTU	-.69500	.29888	.09451	-.90881	-.48119	-7.353	9	.000

Source: Researcher computation from the annual Reports and Accounts of the Sampled Companies, 2018.

Table 4: Sample Test of mean of Pre and Post IFRS Adoption on Comparability of Financial Reports.

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	PREC	2.7444	10	.24225	.07660
	POSTC	3.7810	10	.31390	.09926

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	PREC & POSTC	10	-.398	.254

Paired Samples Test

		Paired Differences					T	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference: Lower	95% Confidence Interval of the Difference: Upper			
Pair 1	PREC – POSTC	-1.03660	.46671	.14759	-1.37046	-.70274	-7.024	9	.000

Source: Researcher computation from the annual Reports and Accounts of the Sampled Companies, 2018.

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Table 5: Sample Test of mean of Pre and Post IFRS Adoption on Timeliness of Financial Reports.

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	PRET	1.0650	10	.14416	.04559
	POSTT	1.0470	10	.13841	.04377

:Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	PRET & POSTT	10	-.170	.638

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	PRET – POSTT	.01800	.21617	.06836	-.13664	.17264	.263	9	.798

Source: Researcher computation from the annual Reports and Accounts of the Sampled Companies, 2018.