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IMPACT OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) ADOPTION ON EARNINGS MANAGEMENT IN THE LISTED OIL AND GAS FIRMS OF NIGERIA

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ABSTRACT

This study examines the impact of International Financial Reporting Standards (IFRS) adoption on Earnings Management (EM) in the listed oil and gas firms in Nigeria. The alterations by the management with the performance of companies for either private gains or to deceive shareholders have been a thing of concern for various stakeholders. IFRS is considered to be a high quality standard that can bring uniformity in the way financial statements of companies are prepared. Secondary data were collected from the annual reports of eight sampled firms in the sector for a period of ten years. The data were analyzed using descriptive statistics and multiple regressions. The descriptive statistics shows that there is reduction in the mean value of variables in post-adoption periods. On the other hand, the regression analysis shows that IFRS has negative and insignificant effect on the level of EM. The result implies that IFRS adoption is a policy for uniformity of accounting standards across the globe, which does not have significant change in the attitudes of management of companies towards EM. The study recommends that in order to reduce the level of EM significantly, other factors such as socio-economic and political should be considered by adopting measures that can reduce their influence.

Key Words: International Financial Reporting Standards (IFRS), Earnings Management (EM), Discretionary Accruals, Oil and Gas.

1.0 Introduction

In 2001, the International Accounting Standard Board (IASB) in the public interest came up with International Financial Reporting Standard (IFRS) to provide a high quality, simple and uniform accounting standards. The IFR S are meant for use by profit driven firms. According to Ikpefan & Akande (2012),IFRS implementation roadmap was unveiled by the former Nigeria

Minister for Commerce and Industry on Thursday, 2 September, 2010. The roadmap, which was in three phases, mandated publicly listed and significant public interest entities to prepare their financial statements based on IFRS by 1 January 2012 (i.e. full IFRS financial statements were required for accounting period 1 January to 31 December 2012) while other public interest entities were required to adopt IFRS for statutory purposes by 1 January, 2013. The third phase required Small and Medium Sized Entities (SMEs) to adopt IFRS by 1 January, 2014.

The reported cases of scandals in companies such as Volkswagen, Enron, Madoff, Cadbury among others have had a significant effects on the way stewards of companies are being viewed. Business ethics is questionable and professional accountants are being inspected. One of the serious issues regarding unethical behavior of managers is that of Earnings Management (EM).Healy and Wahlen (1999) posited that EM occurs when managers use judgement in financial reporting and in structuring transactions to alter financial reports to either mislead some stakeholders about the underlying economic performance of the company, or to influence contractual outcomes that depend on reported accounting numbers. On the other hand, Rahman, Moniruzzaman and Sharif (2013), insinuated that EM results from both distortion of the application of inherently faulted Generally Accepted Accounting Principles (GAAP) though not proportional. Specifically, Ball, Kothari and Robin (2008) established that flexibilities in domestic GAAP create an ambiguity among practitioners in the implementation of specific standard, thus, leads to more EM practices. EM reduces transparency by making earnings of the company difficult to understand. The current accepted idea among accountants, regulators and standard setters is that, more often than not, EM is detrimental as asserted by Titas and Ca (2012). It deceives investors and reduces drastically the dependability and quality of financial reporting as indicated in studies (such as Indiael, 2015; Tort, 2013; Titas & Ca 2012; Schipper, 1989; among others) that were carried out.

Several studies (among which are Thomas & Herve, n.d.; Callao &Jarne, 2010; Zeghal, Chtourou& salami, 2011) exist using data from developed markets especially European countries and United State of America(USA)and few in emerging markets such as Nigeria to study the effect of IFRS adoption on earnings management. The conflicting question is, whether IFRS adoption reduces EM or not as different studies show inconsistent results in different economies. Particularly, the question is does the adoption of IFRS reduce EM or otherwise in Nigeria? On this note, adoption and application of IFRS offers a wider chance to investigate whether the principle based accounting standards affect degree of EM uniformly as the standard is uniform. Users of accounting information expect that the adoption of IFRS in Nigeria reduces the level of EM in firms because of its high quality. Previous studies(such as Asian & Dike, 2015; Aderin & Otakefe, 2015; Jeanjean & Stolowy, 2008) showed that the level of EM in the pre-adoption was high.It is against this backdrop that this study seeks to examine the effect of IFRS adoption on EM in Nigeria using oil and gas sector.

This study is structured as follows: section 1 is the introduction, which gives the background to the study; section 2 is review of literature; section 3 is the methodology; section 4 is results and discussions; and section 5 is the conclusion and recommendation.

2.0 Review of Related Literature

2.1 IFRS Adoption and EM

There are several studies on the effects of IFRS adoption on EM of companies in developed economies such as Europe, France, and US, and few empirical evidence on whether the adoption of international standards by African companies as compared to local GAAP has been helpful in enhancement of reduction in the level of EM.

Onalo, Lizam and Kaseri (2016) examined IFRS influence on EM in Malaysian and Nigerian banks. The study used the whole of Malaysian and Nigerian banks for a period of 6 years (2008-2013). The results showed that under Malaysia Financial Reporting Standard (MFRS), banks tend to manage their profit figures less frequently in order to report small positive profit rather than negative amounts as opposed to Malaysia GAAP. However, for Nigerian banks, the result showed that under SAS banks used to manage their profit figures less frequently in order to report small profit rather than negative amounts as opposed to the IFRS. Yet, under IFRS banks tend to recognize large losses readily than under SAS. Except for Nigerian banks' EM goals of reporting small positive profits, the overall findings confirm the superiority of IFRS over local standards of Malaysia and Nigeria in reducing EM. Alex, Veronica, Isabel, and Flavia (2016) investigated the effects of IFRS on EM in Latin America. The results indicated that Latin American firms have higher levels of EM in comparison with Anglo-Saxon and Continental European firmsthat adopted IFRS the same time. The study is for two years period (2011 and 2012) which is not enough to show the impact of IFRS adoption.

Asian and Dike (2015) conducted a cross-sectional study of quoted manufacturing firms in Nigeria to examine the IFRS adoption and accounting quality. Accounting quality was measured using EM for five year period. Multiple regressions were used for analysis. The results depicted a reduction in accounting quality (EM) after IFRS adoption. In a similar study, Aderin and Otakefe (2015) examined the impact of the adoption of IFRS on the quality of financial reporting in Nigeria. The quality of financial reporting was measured using EM (discretionary accrual). The result showed that the reporting quality increased after the adoption of IFRS. This result supports that of Asian and Dike (2015), and Hendika and Hdiwinarsih (2014) who found IFRS to be related with reduced EM in developing economies.

Lisa (2015) conducted an empirical study on the effects of IFRS adoption on EM and the best test of the different EM level between before and after adoption. The study was based in Indonesia stock exchange for the periods 2010 – 2013. The study employed multiple regressions for the analysis. The result revealed that IFRS has no positive effect on EM. The period for the study is small to actually see the effect of IFRS on EM.Chung-Pen, and Nurwati (2015) sought to examine the extent of EM before and after IFRS convergence. Accrual model was used to measure EM using a sample of 231 publicly listed Malaysian companies. The results showed that

IFRS convergence reduced the extent of EM. This result is in agreement with that of Lisa (2015) which disclosed reduction in the level of EM.

Yosr and Ezzeddine (2014) evaluated IFRS and accounting manipulations in French companies for the period of 10 years. The data were analyzed using multiple regressions. The study used operating cash flow, leverage, return on asset, size, and growth as control variables, and found that the adoption of IFRS contributed to less income smoothing and EM compared to local standards. Similarly, Laura, Florin, Carmen, and Iulian (2014) investigated the impact of IFRS adoption on EM of Bucharest stock exchange in Romania for 2010 – 2012. The data were analyzed using multiple regressions. It was revealed that there is significant improvement in accounting quality (measured as EM) after IFRS adoption. Daniel (2013) examined the effects of IFRS adoption on accounting quality. The study's domain was South Africa which was for the periods 2000-2011. Multiple regression was employed in data analysis and it was disclosed that there is no significant improvement in the earnings quality after IFRS adoption, which contradicts Laura et al. (2014).

Callao and Jarne (2010) examined the effects of compulsory adoption of IFRS on EM in 11 EU countries for the period 2003-2006 by including in their sample only non-financial firms. EM was measured using discretionary accruals using Jones (1991) model as modified by Dechow and Skinner (2000) and used book to market ratio and current operating cash flow as control variables. Different from the previous studies, they found out that the level of EM increased after IFRS adoption. In relation to current discretionary accruals, they found a significant increase for France, Spain and UK, and not significant changes whether in increase or decrease in other countries. With reference to long-term discretionary accruals, they discovered changes, but the number of its increase exceeded that of decrease.

Alessandro & Riccardo (n.d.) studied the effects of adoption of IFRS on EM. The study used EU for the period of eight (8) years and used discretionary accruals to measure EM. The result showed that there is apositive relationship between reduction of EM and the degree at which IAS/IFRS regulates issues not covered by local standards. It therefore means that there are issues that local standards have not captured which are now captured by IFRS which is an indication of its higher quality. Also, Titas and Ca (2012) examined if companies adopting IFRS have reduced level of EM and thus better reported earnings than non-adopting companies. The study used only one year period which is not enough to actually determine the effect of IFRS adoption on smooth earnings. It was based in India, and the data were analysed using multiple regression. The results contradicted most of the previous findings based on developed countries by indicating that companies adopting IFRS are more likely to smooth earnings than non-adopting companies. The study used firm size, leverage, equity holdings by foreign institutional investors market to book value ratio as control variables. Rudra and Bhattacharjee (2012) in their study revealed that IFRS application is more beneficial to countries with more developed stock markets and better institutional framework than in countries without these characteristics. This is contrary to public expectation because IFRS suppose to be more beneficial to emerging economies than developed capital markets because of low quality standards in those economies.

There are inconsistencies in the results of the studies on the effect of IFRS adoption on EM. The inconsistencies arise where some studies showed reduction in the level of EM and others indicated no reduction. This is supported by Tort (2013) who documented that the impact of adoption of IFRS on EM is not consistent across research. In this case, empirical studies are indispensable especially in developing countries in particular Nigeria, where they are insufficiently observed. The studies conducted in this continent and in particular Nigeria used short period of two to four years which is not sufficient to observe EM.

2.2 Control Variables and EM

This section reviews the empirical studies on the effects of the control variables for the study such as firm size, performance, leverage, growth, and operating cash flow on the dependent variable EM.

Usman, Muhammad, Muhammad, and Akhtar(2015) evaluated the impact of firm size on EM of textile sector of Pakistan for the period of 10 years (2004 – 2013). The results revealed that there is positive and significant effect of firm size on EM. Similarly, Teuta (2013) carried out an empirical analysis of EM and firm size in Albanian market. The result showed that there are no significant differences concerning earnings management initiatives and practices, comparing large and small size companies. This means firm size has relationship with EM.Yangseon, Caixing, and Ghon (2003) examined the effects of firm size on EM. They found out that small firms engage in more earnings management than large or medium sized firms to avoid reporting losses. On the other hand, large and medium sized firms exhibit more aggressive earnings management to avoid reporting earnings decreases than small-sized firms. The results of the studies (Usman et al. 2015; Teuta, 2013; and Yangseon, 2003) are consistent with one another as they showed that there is relationship between firm size and EM.

Amira, Imene, and Christophe (2011) examined the relationship between banking performance and EM. The study used 54 U.S banks for the period 1998 – 2004. The results showed that bank performance is not associated with EM. Chi-Wen, Laura, and Heng (2005) investigated the relationship between the amount of managed earnings and firms' earnings performance and expected growth. The results showed that there is a positive relationship between discretionary accruals estimated from the Jones model and firms' performance and growth. Similarly, Danping (n.d.) determined the relationship between firm performance and EM. The study established that there is a relationship between firm performance and EM. As firm's performance increases, the level of EM decreases and vice versa.

Shaio, Yu-Hsuan, An-An, and Yu-Cheng (2015) investigated whether high growth has effect on management's manipulations on earnings for all listed non-financial and non-utility industry firms on New York Stock Exchange for the period 2001-2013. The result showed that companies with high level of growth opportunities will frequently use discretionary accruals items to manipulate earnings. Aries (2015) determined the effects of leverage and firm size on EM using

30 manufacturing firms listed on Indonesia Stock Exchange. The study revealed that financial leverage and firm size have no effect on EM.

Kym, Antonio, and Fernando (2012) analyzed relation between the leverage ratio and manager's decision towards earnings management in Brazil. The study established that there is no relation between leverage ratio and earnings management. Hence, the findings suggested that there is a beneficial consequence of debt because the increased debt might reduce manager's discretionary spending, and in turn, reduces accrual earnings management. This is in consonance with the studies of Aries (2015), and contradicts Juan (2012).

Amalendu (2012) examined the relationship between cash flow and EM of firms listed on Indian Stock Exchange. The research revealed that there is a positive relationship between EM and cash flows. This means cash flow stimulates EM. Similarly, Saeed and Saeed (2012) investigated the relationship between EM and cash flows in firms with high free cash flows and low growth using 63 firms listed on Tehran Stock Exchange. The study established using three methods of linear regression, Pearson analysis, and variance analysis that there is direct significant relationship between discretionary accruals and free cash flows. The results of the studies on EM and cash flow are the same by showing positive relationship between EM and operating cash flows.

3.0 Methodology

The population of the study consists of ten (10) listed oil and gas firms in Nigeria which are;Beco oil, Afroil, Total Nigeria plc, Oandoplc, Conoilplc, Mobil oil Nigeria plc, MRS oil Nigeria plc, Forte oil plc, Eterna oil and gas plc and Japaul oil plc. Out of the 10 firms, eight (8)were sampled judgmentally. This is because Beco oil was listed in 2009, and Afroil was delisted in 2008, hence did not cover the 10 years required for the study.

Panel data were used and sourced from the annual reports of the companies for theperiod of 10 years (2006 – 2015). The 10 years consist of Pre and post adoption periods (5 pre and 5 post adoption). The pre-adoption period is from 2006 – 2010 while post-adoption is from 2011 – 2015.

Table 1: Variable Measurements

Variables	Measurements
Independent Variable: IFRS	Dummy variable which equals to 1 in post adoption period and 0 in pre adoption period. This is consistent with Titas and Ca (2012);Ugbede,Mohd, and Ahmad, (2014); Asian, and Dike (2015); and Yosr and Ezzeddine (2014).
Dependent variable Earnings management	In most studies such as Theo, Welch, and Wong, (1998), Laura et al. (2014), Yosr and Ezzeddine

	(2014); Titas and Ca, (2012), discretionary accrual wasused to measure EM which assumed that only the manipulation of financial information is involved, and is measured using the residuals of modified Jones model.
Control variables	
Firm size	Measured as natural logarithm of total assets as used by Usman et al. (2015)
Leverage	Total interest bearing debts by total assets.
Operating cash flow	Cash flow from operating activities by lagged total assets. This is in line with Amalendu (2012).
Performance	It was measured using return on assets as earnings by total assets as used by Danping (n.d.), Yosr and Ezzeddine, (2014).
Growth	Change in sales as used by Yosr and Ezzeddine, (2014).

Source: Generated by the Researcher.

Jones model (1991) as modified by Dechow, Sloan and Sweeney (1995) is as follows:

$TA_{it} = \alpha_0 + \alpha_1(1/A_{it-1}) + \alpha_2(\Delta REV_{it-1} - \Delta REC_{it})/A_{it-1} + \alpha_3(PPE_{it})/A_{it-1} + E_{its}$……. 1

Where E_{it}= un-standardized residual

Ai,t-1= Total Assets in year t-1;

ΔREV_{it} = change in revenue scaled by lagged total assets

ΔREC_{it} = change in net receivables scaled by lagged total assets

PPE_{it} = gross property, plant and equipment (fixed assets) scaled by lagged total assets

α1, α2, α3= coefficients

The models belowwere constructed;

$DA = \alpha0 + \alpha1LEV_{it} + \alpha3ROA_{it} + \alpha4OPC_{it} + \alpha5FS_{it}$ + a6growth + e_{it} ……..2

$DA = \alpha0 + \alpha1IFRS_{it} + \alpha2LEV_{it} + \alpha3ROA_{it} + \alpha4OPC_{it} + \alpha5SIZE_{it}$ + a6growth + e_{it}……3

Where:

DA = discretionary accruals

$IFRS_{it}$= international financial reporting standard for firm i in year t

LEV_{it}= leverage for firm i in year t

ROA_{it}= return on assets for firm i in year t

OPC_{it}= operating cash flow for firm i in year t

FS_{it} = firm size for firm i in year t

e_{it}= error, residual.

Descriptive statistics and regression analysis that is, Ordinary Least Square (OLS) were used in analyzing the data.The regression analysis with balanced panel data was processed using STATA version 12.0.

4.0 Results and Discussions.

This section presents and discusses the results generated from STATA.

Table 2: Descriptive Statistics

Pre-adoption (2006-2010)					**Post-adoption (2011-2015)**			
Variable	**Mean**	**Standard deviation**	**Minimum**	**Maximum**	**Mean**	**Standard deviation**	**Minimum**	**Maximum**
Da	8852.362	21674.04	283.33	140482.3	7698.477	8724.48	718.0131	41951.4
Opc	0.20095	0.3520	0.001	2.174	0.1514	0.1064	0.006	0.483
Lev	0.22911	0.2146	0.0047	0.8611	0.2138	0.1335	0.0002	0.501
Growth	0.2436	0.5278	-0.9478	1.8589	0.1989	0.4568	-0.2641	1.921
Fs	10.421	0.4928	9.082	11.6079	10.7546	0.2882	10.1549	11.4440
Roa	0.1042	0.0049278	0.116079	0.908226	0.12415	0.1099	-0.4628	0.12208
No. of obs	40				40			

Source: STATA Output, 2016.

Table 2 shows the descriptive statistics of the variables. The mean value of discretionary accrual (da) in the pre-adoption period is 8852.362 with a standard deviation of 21674.04 and a minimum value of 283.33 to a maximum of 140482.2, which is very high. With the adoption of IFRS, the mean value decreased to 7698.477 (by about 15%). This indicates improvement in the level of EM. Opc has a mean value of 20% in the pre-adoption period and 15% in post-adoption which ranges from 0.001 to 2.174 in pre-adoption, and 0.006 to 0.483 in post-adoption. This depicts decrease in the influence of opc on EM. Leverage has a mean value of 33% in pre-adoption period and 15% in post-adoption which also shows a decrease. Growth has a mean value of 24% with a standard deviation of 0.5278, minimum value of -0.9478 and maximum of 1.8589 in pre-adoption period. In post-adoption period, the mean value decreased to 20% (by about 4%) with a standard deviation of 0.4568 which is also an indication of a decrease in its influence. The minimum value in post-adoption is -0.2641 to 1.921 maximum.

Firm size has a mean value of 104% with a minimum value ranging from 9.082 to 11.6079 in pre-adoption period. This shows an increase in the mean value in the post-adoption period by 108%. This means IFRS adoption has no impact on it. Roa has a mean value of 12% ranging from a minimum of 0.908226 to a maximum of 0.116079 in pre-adoption periods. It remained almost unchanged (12%) in post-adoption period. This has the least mean value, which means it contributes less to da. Generally, there is decrease in mean values of the variables which is favourable except firm size which recorded an increase by about 8%.

Table 3: Spearman Correlation Matrix

Variables	**Da**	**Ifrs**	**Opc**	**Lev**	**Growth**	**Fs**	**Roa**
Da	1.0000						
Ifrs	0.0227	1.0000					
Opc	0.0456	0.0660	1.0000				

Lev	0.3585	0.0541	0.0412	1.0000			
Growth	-0.0078	-0.0455	0.0039	0.1660	1.0000		
Fs	0.4005	0.4006	-0.1446	0.1984	-0.2906	1.0000	
Roa	-0.0539	-0.7470	-0.0524	-0.2140	-0.0482	-0.1386	1.0000

Source: STATA Output, 2016.

Table 3 shows the relationship between dependent and independent variables. The value 1.0000 on the diagonal indicates that each variable has a perfect and positive relationship with itself. IFRS has a positive and significant relationship with earnings management (da) but the relationship is very weak at 2.3%. This means it has low contribution on the level of EM in the post adoption era.Opc has a positive and significant relationship with da which is in agreement with the results of Amalendu (2012); and, Saeed and Saeed (2012). Lev has positive and insignificant relationship with da which is in consonance with Aries (2015). Growth and roa have negative and significant relationship with da. Roa has a negative relationship with all the variables and is significant with da, opc, growth, but insignificant with IFRS, lev, and fs. The mixed relationship between the variables means that the influence of the variables is independent of the other.

Table 4: Regression results on discretionary accruals

Variable	**Pre-adoption(2006-2010)**		**Post-adoption (2011-2015)**	
	Coefficient	**Pvalue**	**Coefficient**	**P-value**
Opc	53577.06	0.000	28639.18	0.012
Lev	3362.294	0.637	-205.3736	0.983
Growth	10007.73	0.013	1186.475	0.653
Fs	16426.88	0.000	15293.87	0.001
Roa	31.95234	0.715	-4861.244	0.661
Constant	-176556.9	0.000	-161249.2	0.001
Prob>f	0.0000		0.0015	
R^2	88%		42%	
Adjusted R^2	86%		34%	
No. of obsv	40		40	

Source: STATA Output, 2016

Table 4 shows the results of the regression model 2 on the effects of the variables on discretionary accruals (measuring EM) before and after the adoption of IFRS. In pre-adoption period, da was very significant at 86% adjusted $R^2$and reduced to 34% in post-adoption periods. The higher value of discretionary accruals depicts higher earnings management but the reduction to 34% is a good sign of the reduction in its level. This is in consonance with the insinuation of Cai, Rahman and Courtenaay (2014). Opc, growth, and fs, have positive and significant effect on da at 1% level of significance in pre-adoption period, which means that EM is motivated by these variables which is in consonance with the study of Daniel (2013); Laura et al. (2014); Yosr

& Ezzeddine (2014) while lev and roa have positive and insignificant effect on da. In post-adoption, opc and fs have positive and significant effect on da. However, lev and roa have negative and insignificant effect on da and growth has positive and insignificant effect.

This result explains that in the pre-adoption, they contributed greatly to EM but their influence on EM became low after the adoption of IFRS. In post-adoption, it is only opc, and fsthat have significant effects (at 1%) on EM but with reduced coefficients which suggests that they have influence on EM before the adoption of IFRS but was reduced in the post-adoption periods but is still significant. Similarly, lev, growth, roa have reduced coefficients with insignificant relationship. This means in the pre-adoption periods, lev, growth, roa have influence on EM but the adoption of IFRS reduced their influence. This is also in consonance with the results of Yosr and Ezzeddine (2014); Titas andCa (2012).

Robustness Test

In order to validate the results, the regression model 3 introducing IFRS was used to see the combined effects of its adoption on EM.

Table 5: Effect of adoption of IFRS on EM

Variable	Coefficient	p-value
Ifrs	-2618.69	0.137
Opc	51660.08	0.000
Lev	5481.70	0.324
Growth	4689.62	0.024
Fs	12769.68	0.000
Roa	-600.96	0.947
Constant	-1369351	0.000
Prob>f	0.0000	
R^2	80%	
Adjusted R^2	77%	
No. of observations	80	

Source: STATA Output, 2016.

Table 5shows that the $R^2$of the variable is 80% which means that about 80% of the variables affecting da have been captured by the study, and the remaining 20% is for unused variables. More so, 3% (difference between $R^2$and adjusted R^2) accounts for the redundant variables. IFRS is negative and insignificant at 1%. This means IFRS has negative and insignificant effect on da. Hence, it reduced the level of EM but the reduction is insignificant. Opc, growth andf sare significant at 1% with high positive coefficient. This means that operating cash flow, growth and firm size have positive and significant effects on EM in Nigeria, therefore, they may be motivations for EM which is contrary to that of France as shown by Yosr and Ezzedine (2014). However, lev, and roa are insignificant on combined effect of IFRS on EM. This means that the

adoption of IFRS made performance to have negative and insignificant influence on EM. This also applies to leverage which has high positive coefficient which is an indication that the adoption of IFRS has insignificant effect on it. This supports the notion that companies with higher leverage resort to EM.

Table 5 clearly shows that IFRS adoption has negative and insignificant impact on EM. This is in agreement with the findings of Roberto and Silvio (2014), Daniel (2013); and contradicts Aderin and Otakefe(2015); Lisa (2015); Chung-Pen and Nurwati (2015); Yosr and Ezzedine (2014); Ugbede et al (2014); and Laura et al. (2014).

In order to comply with OLS assumptions, post-estimation tests were carried out. The Variance Inflation Factor (VIF) for all the variables are less than 2 which indicates that there is absence of multicollinearity. Breusch-pagan/cook-weisberg test for heteroskedasticity shows that the data are heterogeneous at less than 5.

5.0 Conclusion and Recommendation

The study examined the effects of IFRS adoption on EM on listed oil and gas firms in Nigeria. The result shows that the adoption of IFRS has a negative and insignificant impact on the level of EM in oil and gas sector of Nigeria. The result implies that IFRS adoption is a policy for uniformity of accounting standards across the globe which does not have significant effect on the attitudes of management of companies.

The adoption of a new set of accounting standards has different effects on EM in each economy because of various factors (such as economic, social, organizational, and political factors) that could be responsible, making it easier or difficult. This may be possible in the extent to which there are rules contained in IFRS but are not included in domestic GAAPs, the extent to which local GAAPs regulate issues differently, and; the legal enforcement.

The study recommends that;

In order to reduce the level of EM in Nigeria, relying on accounting standards alone is not enough, other factors such as socio-economic, political and institutional should be considered

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Appendix

Descriptive statistics

Pre adoption

```
summarize da opclev growth fsroa

Variable  ObsMean Std. Dev. Min  Max
da          40    8852.363    21674.04   283.3252   140482.3
opc40      .20095    .3519698     .001      2.174
lev40    .2291112    .2145603    .004738   .8610706
growth      40    .2435925   .5278009    -.9478     1.8589
fs          40    10.42083     .492772    9.08226    11.6079
roa40    7.920515    15.00877  -11.17051    93.6128
post adoption
summarize da opclev growth fsroa
Variable  Obs Mean   Std. Dev.     Min          Max
da          40    7698.477     8724.48   718.0131    41951.4
opc 40     .151425    .1063976       .006       .483
lev40      .21376    .1335014      .0002       .501
growth      40      .19886    .4568119     -.2641      1.921
fs          40    10.75459    .2881882    10.1549   11.44398
roa40     .012415    .1099369  -.4627956   .1220826



. spearman da ifrsopclev growth fsroa
(obs=80)

             |       da     ifrsopclev   growth       fsroa
-------------+------------------------------------------------------------
          da |   1.0000
ifrs |   0.0227   1.0000
opc |   0.0456   0.0660   1.0000
lev |   0.3585   0.0541   0.0412   1.0000
      growth |  -0.0078  -0.0455   0.0038   0.1660   1.0000
fs |   0.4005   0.4006  -0.1446   0.1984  -0.2906   1.0000
roa |  -0.0539  -0.7470  -0.0524  -0.2140  -0.0482  -0.1386   1.0000

. reg da ifrsopclev growth fsroa

      Source |       SS       df       MS              Number of obs =      80
-------------+------------------------------           F(  6,    73) =   47.17
       Model |  1.6945e+10     6  2.8242e+09           Prob> F      =  0.0000
    Residual |  4.3709e+09    73  59875632.9           R-squared     =  0.7949
-------------+------------------------------           Adj R-squared =  0.7781
       Total |  2.1316e+10    79   269822312           Root MSE      =  7737.9

------------------------------------------------------------------------------
da |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
ifrs |  -2618.687   2160.821    -1.21   0.229    -6925.198    1687.824
opc |   51660.08    3566.01    14.49   0.000     44553.03    58767.13
lev |   5481.701   5573.798     0.98   0.329    -5626.862    16590.26
      growth |   4689.623   2176.903     2.15   0.035     351.0622    9028.184
fs |   12769.68   2580.768     4.95   0.000     7626.213    17913.14
roa |  -600.9555   11446.87    -0.05   0.958    -23414.53    22212.62
       _cons |    -136935   27099.96    -5.05   0.000    -190945.1   -82924.83
------------------------------------------------------------------------------
```

```
. finditnlc
unrecognized command:  finditnlc
r(199);

. finditnlc

. avplots

. estatvif

    Variable |       VIF       1/VIF
-------------+----------------------
fs |      1.66    0.601846
ifrs |      1.56    0.641184
      growth |      1.51    0.663500
roa |      1.40    0.713078
lev |      1.29    0.772399
opc |      1.13    0.884732
-------------+----------------------
    Mean VIF |      1.43

. httest
unrecognized command:  httest
r(199);

. hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: fitted values of da

         chi2(1)      =    40.59
Prob> chi2  =   0.0000

. regress da ifrsopclev growth fsroa, vce(robust)

Linear regression                                      Number of obs =      80
                                                       F(  6,    73) =    8.39
Prob> F      =  0.0000
                                                       R-squared     =  0.7949
                                                       Root MSE      =  7737.9

------------------------------------------------------------------------------
             |               Robust
da |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
ifrs |  -2618.687   1742.935    -1.50   0.137    -6092.352    854.9782
opc |   51660.08   8142.226     6.34   0.000     35432.65    67887.51
lev |   5481.701   5526.192     0.99   0.324    -5531.983    16495.39
      growth |   4689.623   2032.043     2.31   0.024     639.7685    8739.478
fs |   12769.68   3280.505     3.89   0.000     6231.638    19307.71
roa |  -600.9555   9088.202    -0.07   0.947    -18713.72    17511.81
       _cons |    -136935   34651.74    -3.95   0.000    -205995.8   -67874.16
------------------------------------------------------------------------------
```