Agienohuwa, O. O.; Ilaboya, O. J.

Article

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Accounting and taxation review

Provided in Cooperation with:
University of Benin, Benin City, Nigeria

Reference: Agienohuwa, O. O./Ilaboya, O. J. (2018). IFRS adoption and financial reporting quality : IASB qualitative characteristics approach. In: Accounting and taxation review 2 (3), S. 30 - 47.

ISSN: 2635-2966 (Print), ISSN: 2635-2958 (Online).

Available online at http://www.atreview.org

Original Research Article

IFRS Adoption and Financial Reporting Quality: IASB Qualitative Characteristics Approach

O. O. Agienohuwa[1], & O. J. Ilaboya[2]

[1] Department of Accountancy, Nnamdi Azikiwe University, Awka, Anambra State, Nigeria.

[2] Department of Accounting, Faculty of Management Sciences, University of Benin, Benin City, Edo State, Nigeria.

*For correspondence, email: blessedosas@yahoo.com

Received: 27/04/2018 Accepted: 30/07/2018

Abstract

The concept of 'quality' has been fundamental to any debate on financial reporting, regulation and accounting standard setting globally. One of the reasons often advanced for the adoption of International Financial Reporting Standards (IFRSs) is that it improves financial reporting quality; however, the major challenge found in most prior literature is how to operationalise and assess this quality. This study aims to investigate the change in financial reporting quality after the adoption of IFRS in the Nigeria Money Deposit Banks (MDBs) using the operationalised qualitative characteristics of financial reports by IASB conceptual framework. We used operationalised the Fundamental and Enhancing Qualitative Characteristic measurement scale. We used census approached as all MDBs which is the population also formed the sample. Data were obtained from the annual reports and accounts of all quoted MDBs and Mann-Whitney statistics was used for the analysis. Our findings revealed that there is astatistically significant difference in the quality of financial reporting between the pre and post IFRS adoption in Nigeria. Financial reporting quality increased in the post-IFRS adoption across the five qualitative features (i.e. relevance, faithful representation, comparability, understandability and timeliness) examined. Our study contributes to the small but burgeoningbody of knowledge on financial reporting quality using operationalised qualitative characteristics of the conceptual framework of IASB. Our results do not only extend the literature on the empirical evaluation of the effects of IFRS adoption by showing that it increased financial reporting quality, but it is also a radical change from the common accrual model which is an indirect proxy to operationalised qualitative characteristics of the IASB's conceptual framework.

Keywords: Financial reporting Quality, Faithful representation, Conceptual Framework International Financial Reporting Standard

JEL Classification Codes: *M62 M68*

1. INTRODUCTION

The continuous demand by stakeholders for quality information and greater disclosures is often one of the reasons advanced for the adoption of International Financial Reporting Standards (IFRS). The concept of 'quality' has been fundamental to any debate on financial reporting, regulation and accounting standard setting globally. Such debates on financial reporting quality have been complex, confusing and even contradictory. The primary purpose of general purpose financial reporting is to provide information about the reporting entity that is useful to investors, lenders and other creditors in making decisions about providing resources to the entity, (International Accounting Standard Board [IASB], 2010).A quality financial reporting refers to the financial reports that provide complete and transparent financial and non-financial information without intention to confuse, misinform or mislead users. It is pertinent to note that financial reporting quality is a broad concept that does not just refer to only financial information; it also includes other non-financial information that is useful for making a decision (Herath & Albarqi, 2017). Hence, the quality of financial report is determined by its decision-usefulness. It, however, remains uncertain as to whether the objectives of IFRS adoption have been achieved, particularly about the qualitative characteristic of financial reports.

The IASB emphasises the significance of high-quality financial reports, the major challenge found in most prior literature is how to operationalise and assess this quality. These methodological challenges are typically associated with assessing and evaluating the decision usefulness of financial reports. It is habitually compounded by it context-specificity and preferences among numerous constituents (Braam, Beest & Boelens, 2009). As perceived usefulness varies among users couple with the divergent preferences by diverse user groups.

Hence, there are many indirect proxies used in measuring financial reporting quality in literature. Some these proxies used in measuring financial reporting quality are timeliness, financial restatements, earnings quality, disclosure quality, audit delay, the use of fair value accounting, auditor's report, etc. (Beretta & Bozzolan; 2004; Ezelibe, Nwosu & Orazulike, 2017; Gearemynck and Willekens, 2003; Hirst, Hopkins &Wahlen, 2004; Jian&Ken, 2014).

However, financial reporting quality is a broader, multi-dimensional concept than the quality of earnings, disclosure or any other specific attribute, as it has to do with the simultaneous assessment of different dimensions and proper evaluation of the decision usefulness of financial reporting (financial and non-financial information) as well the mandatory and voluntary disclosures included in the corporate reports (Braam & Beest, 2013). Braam and Beest (2013) added that to be able to assess and evaluate the quality of financial reporting information the IASB (2010) explicitly mention the desirability of constructing a comprehensive measurement tool that comprises all dimensions of decision usefulness. Thus, the conceptual framework for international financial reporting provides a conceptual basis for selecting the information characteristics (fundamental and enhancing qualitative characteristics) which should be included in such a quality index. The decision usefulness of financial reporting information depends on the extent of relevance and faithfully representation of what it purports to represent (IASB, 2010). The four enhancing qualitative characteristics of understandability, comparability, verifiability, and timeliness are complementary to the fundamental characteristics and distinguish more useful information from less useful information (Braam & Beest, 2013).

The broad objective of the study is to investigate the change in financial reporting quality after the adoption of IFRS. We operationalised the financial reporting quality regarding the fundamental characteristics (i.e. relevance and faithful representation) and the enhancing qualitative characteristics (i.e. understandability, comparability, verifiability and timeliness) as defined in the IASB conceptual framework (IASB, 2010). The specific objectives are to a) ascertain the change in the relevance of financial reports after IFRS adoption; b) determine the change in the faithful representation of financial reports after IFRS adoption; c) find out the change in the comparability of financial reports after IFRS adoption; d) determine the change in the understandability of financial reports after IFRS adoption; and e) determine the change in the timeliness of financial reports after IFRS adoption.

To what extent has financial reporting quality changed after IFRS adoption by MDBs in Nigeria using the operationalised qualitative characteristics of financial reports by the IASB conceptual framework? Based on the above main question, the following research questions were raised: a) to what extent has the relevance of financial reports changed after IFRS adoption? b) to what extent has a faithful representation of financial reports changed after IFRS adoption? c) to what extent has comparability of financial reports changed after IFRS adoption? d) to what extent has understandability of financial reports changed after IFRS adoption?And e) to what extent has timeliness of financial reports changed after IFRS adoption?

The remainder of the paper is organised as follows: following this introductory section, section two presents a review of relevant literature of the concept of financial reporting, the various quality of financial reporting measurements, operationalisation of the IASB qualitative features, IFRS adoption and empirical studies on the financial reporting quality and IFRS adoption. In section three the methodology of the study is presented; while data presentation and discussion of findings are in section four. Finally, we conclude and discuss recommendation in section five.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1 The Concept of Financial Reporting Quality

The notion of quality in relation to financial reporting is ambiguous and disputable. Barth, Landsman, and Lang (2008) define accounting quality as the ability of accounting measures to reflect the economic position and performance of a firm. Financial reporting quality is the precision with which financial reporting conveys information about a firm’s operations (Biddle, Hilary & Verdi, 2009). Financial reporting quality encompasses both financial information and non-financial information useful for decision making included in the financial reports (Akeju & Babatunde, 2017). Decision-useful information is information concerning the reporting entity that is valuable to equity investors (present and potential), lenders and other stakeholders in making decisions in their capacity as capital providers and stakeholders (IASB, 2010). Hence, the higher the information usefulness of the financial report, the higher the quality of the financial report and vice versa. The quality of financial reporting is influenced by the quality of accounting standards and the corresponding regulatory enforcement of the standards, accounting method used by management; and management judgment and estimates in applying the selected substitutes.

2.2 International Financial Reporting Standard (IFRS) Adoption in Nigeria

International Financial Reporting Standard (IFRS) is a codification of accounting standards, interpretations and framework in the preparation and presentation of the financial statements which is developed and issued by the IASB (Yurisandi&Puspitasari,

2015). Generally, IFRS aims to standardise entities' financial reporting through a single set of high-quality accounting standards as well as provide clear information with greater disclosure. In Nigeria, the Federal Executive Council approved the adoption of IFRS on Wednesday 28 July 2010. Moreover, the implementation roadmap was issued in December 2010 by the Financial Reporting Council of Nigeria (FRCN) and wasbeing implemented in stages. For example, January 2012 date was set for compliance by publicly quoted companies and banks in Nigeria. Transparency and enhanced disclosures, as well as the seal of quality, are some of the benefits associated with its adoption (Nigerian Accounting Standards Board [NASB], 2010).

2.3 Approaches to Measuring Financial Reporting Quality

There are several financial reporting measurement approaches in the literature. Some of the most widely used approaches are accrual models, value relevance model, specific attributes approach and recently operationalising the qualitative characteristics approach (or standardised scores) (Braam, Beest, & Boelens, 2009).

In accrual models, earnings management level serves as a proxy for financial reporting quality. Earning managementis used to measure the degree of earnings quality under current rules and legislation (Braam, Beest & Boelens, 2009). Earnings management can be described as the information asymmetry challenges between managers and stakeholders, which is linked to imperfect markets where the stakeholders do not have all the correct information on a timely basis. Earnings management diminishes the decision usefulness of financial reports and by implication negatively influences financial reporting quality. The model assumed that managers are in a position to use discretionary accruals to manipulate earnings. Advantages of the accrual models include a) Causal-effect relationships can be obtained; b) It is replicable, and c) the required data can be obtained from the annual reports. The disadvantages of the model include: a) It excludes non-financial information; b) It uses an indirect proxy for measuring financial reporting quality; c) Segregating discretionary and non-discretionary accruals could be cumbersome; and d) It focus is on earning quality only.

Hence, the quality of financial reporting information obtained based on accrual models is indirect and not comprehensive, and as such, it cannot reasonably measure its decision usefulness (Healy & Wahlen, 1999).

Value relevance models use the relationship between stock-market reactions and accounting figures to ascertain financial reporting quality (Nichols &Wahlen, 2004). It often examines the relationship between stock returns and earnings figure in the financial reports in order to measure the quality (relevance and faithful representation) of financial information. The accounting figures are assumed to represent the firm value based on accounting policies and procedures while the stock price representsthe market value of the firm. The correlation of the variables assumes that the accounting information provided is relevant and reliable information hence has high financial reporting quality. The value relevance model is consistent with the IASB conceptual framework. This approach can be used to examine elements of earnings quality such as earnings variability, earnings persistence. And earnings predictive ability (Schipper & Vincent, 2003). The followings are some of the advantages of the value relevance models: a) The information required for computation can easily be obtained from the annual reports and stock markets; b) It is replicable; c) The data is easily amenable to regression analysis. Therefore causal-effect relationships can be obtained, and d) it provides insight into the economic value of accounting figures. The disadvantages of the model include: a) The trade-off between reliability and relevance is ignored; b) It uses indirect proxy for measuring financial reporting quality; c) It excludes non-financial information; d) It focuses on only earning quality; e) It assume that the stock market is efficient, which is almost impracticable (Nichols &Wahlen, 2004).

The specific attributes approach concentrates on some specific financial and non-financial elements in the financial reports to measure the financial statement quality. It measures the influence of presenting specific information in the annual report on the decisions made by the users (Braam, Beest & Boelens, 2009). Some of the variables used in prior studies include the use of fair value accounting, auditor's report, quality of internal control and risk, audit delay, and loan loss provisions (Beretta & Bozzolan; 2004; Ezelibe, Nwosu & Orazulike, 2017; Gearemynck &Willekens, 2003; Hirst, Hopkins & Wahlen, 2004; Jian & Ken, 2014). The advantages of the specific attributes approach include: a) It focuses on the financial reporting quality; b) It is a direct measure (proxy) of financial reporting quality; c) It examines the specific elements in depth; and d) the specific elements can be either or both financial and non-financial information. However, the followings are some of the demerits: a) It does not provide a comprehensive measurement tool of financial reporting quality; b) it is difficult to measure (Braam, Beest & Boelens, 2009).

Operationalisation of qualitative characteristics approach refers to the simultaneous and comprehensive evaluation of the different dimensions of information in line with the qualitative features expected of financial report as prescribed by relevant standard-setting bodies, professional bodies, regulatory authorities and other recognised authorities. The dimensions often include financial and non-financial information. One of the earliest attempts to operationalise the qualitative characteristics of financial reports to measure the quality of financial reporting is the work of Jonas and Blanchet (2000). And it was adopted by Lee, Strong, Kahn, and Wang (2002) and McDaniel, Martin, and Maines (2002). Their operationalised qualitative characteristics were developed based on the old conceptual framework of the FASB (1980). Braam, BeestandBoelens (2009) developed 21 item index to measure both the fundamental and the enhancing qualitative characteristics of financial reporting based on the IASB Exposure Draft 2008 (now IASB conceptual framework, 2010). The index was increased to 33 items by Braam and Beest in 2013 (see Appendix I). It is important to note that enhancing features (verifiability, comparability, understandability and timeliness) are perceived to be less critical than fundamental features (relevance and faithful representation), for a comprehensive assessment it remains essential to include them in the analysis in addition to financial and non-financial information (Braam & Beest, (2013).

2.4 Operationalisation of the Qualitative Characteristics of Financial Reporting Information

The Conceptual Framework states that qualitative characteristics refer to the attributes that make financial information useful (IASB, 2010). The qualitative characteristics are the agreed upon elements of high-quality financial reporting (Herath & Albarqi, 2017; IASB, 2010). These attributesare broadly classified as fundamental and enhancing qualitative characteristics of financial information. Fundamental qualitative characteristics distinguish useful financial reporting information from information that is not useful or misleading while enhancing qualitative characteristics distinguish more useful information from less useful information (IASB, 2010). Fundamental qualitative characteristics are relevance and faithful representation while enhancing qualitative characteristics are verifiability, comparability, understandability and timeliness.

2.4.1 Relevance

Relevant information is capable of making a difference in the decisions made by users. The relevance of information is affected by its nature and its materiality (BPP Learning Media [BPP], 2014). Reported information is useful only if it relates to the issues that are of prime concern to the users (Ezelibe, Nwosu & Orazulike, 2017). Information is capable of making a difference in decisions if it has predictive value, confirmatory value or both (IASB, 2010). Information about an economic phenomenon has predictive value if it has value as an input to the predictive processes used by capital providers (and other stakeholders) to form their expectation about the future.

Yurisandi and Puspitasari (2015) found that the financial reports were more relevant after the adoption of IFRS at 1% level of significance. In the UK, Iatridis (2010) found that IFRS implementation led to more value relevance. Callao, Jarneand & Laínez (2007) found no significant improvement in the short run with IFRS adoption; theyhowever expect it to improve in the medium and long run. Also, Dobija and Klimczak (2010) found that adoption of IFRS did not impact value relevance at a significant level. Similarly, Khanagha (2011) found that value relevance decreases with IFRS application. In Nigeria, Umoren and Enang (2015) found a positive and significant relationship between earning per share (FRQ) and IFRS adoption.To operationalise the predictive value of financial reports, some constructs were applied. The first item used (R1) reflects whether a company use fair value accounting. Items R2 and R3 examine whether a company provides information on future opportunities and risks. R4 assesses forward-looking information as it relates to future developments (R4) while R5 assesses the importance of CSR. R9 examine the provision of cash flow information that has predictive value. R10, R11 and 13 assess the extent of disclosure of intangible assets, off-balance sheet item and going concern respectively.

Information has confirmatory value if it can authenticate (corroborate) or modify previously formed expectations (IASB, 2010). Therefore, confirmatory value assesses the extent to which information that can aid in validating or refuting earlier beliefs and expectations are disclosed in the financial reports. To operationalise the confirmatory value, some constructs were applied. R6, R7 and R8 examine the extent of disclosure of extraordinary gains and losses, human resources policies and divisions respectively. Similarly, R12 evaluate the extent of disclosure of the firm’s financial structure. It should be noted that R6, R7, R8 and R12 have both predictor and confirmatory values.

2.4.2 Faithful Representation

Faithful representation information must be complete (include all necessary information-description and explanations), neutral (free from bias and manipulations) and free from error (mistakes and omissions). Faithful information must represent the phenomena that it purports to represent (BPP, 2014).Yurisandi and Puspitasari (2015) found that faithful representation decreased after IFRS adoption at 1% level of significance. This could have been caused by the extensive use of the estimations and fair value associated with IFRS (Yurisandi and Puspitasari, 2015).To operationalise faithful representation, our constructs were centred on completeness, neutrality, verifiabilityand free from material error. F1 and F2 examine the verifiability of certain decisions as it pertains to choice accounting principles, policies, assumptions and estimates. F3 assesses the auditor’s reports. While F4-F7 evaluate the disclosure of information about corporate governance, contingencies, directors’ bonuses and ‘comply or explain applications’.

2.4.3 Comparability

Comparability means that the information should enable users to identify and understand similarities in, and differences among, items (IASB, 2010). Information is comparable if it can be compared with similar information about other entities and with similar information about the same entity for another period or date.

Yurisandi and Puspitasari (2015) found that comparability of financial reports increased after IFRS adoption at 1% level of significance. Barth, Landsman and Lang (2011) found that the value relevance of earnings and equity book value is more comparable among non-U.S. firms after the application of the International Accounting Standards than when local accounting standards were used. Beuselinck, Joos and Van der Meulen (2007) found that the earnings comparability is not affected by mandatory IFRS adoption. In line with Braam and Beest (2013), six constructs were used to evaluate comparability. C1 – C6 means the extent of disclosure of changes in accounting policies, changes in accounting estimates, comparison and effects of accounting policies change, the inclusion of financial index numbers and ratios and lastly information concerning companies' shares.

2.4.4 Understandability

This means financial reports must be clearly and concisely classified, characterised and presented as well as minimisation of technical jargons and unnecessary complexity to enable user easily assimilate the contents. Yurisandi and Puspitasari (2015) found that understandability of financial reports increased after IFRS adoption at 1% level of significance.Five constructs were applied in examining understandability. U1-U6 measures financial reports presentation (in terms oforganisation, graphs and tables, size of glossary, mission and strategy, researcher's of understandability, and the use of technical jargons)

2.4.5 Timeliness

Timeliness means having information available to decision-makers in time to be capable of influencing their decisions, (IASB, 2010). Generally, the older the information,the less useful it is. Timeliness means the amount of time it takes to make information known to others. Yurisandi and Puspitasari (2015) found that timeliness of financial reports decreased after IFRS adoption, though not significant. This they attributed to increased mandatory disclosure in IFRS, and as such companies may need longer time to prepare the financial reports.T1 measure this as the number of days, it takes the auditors to sign after the reporting date.

2.4.6 Verifiability

Verifiability helps assure users that information faithfully represents the economic phenomena it purports to represent. It means that different knowledgeable and independent observers could reach a consensus that a particular depiction is a faithful representation (IASB, 2010). However, Braam and Beest (2013) asserted that though the IASB conceptual framework distinguishes verifiability as a separate enhancing qualitative characteristic verifiability helps to assure users that information faithfully represents the economic phenomena it purports to represent. Since verifiability refers directly to the assessment of faithful representation, verifiability is included as a sub-notion of faithful representation.

Based on the research questions, objectives and literature review, we hypothesised in null form as follows:H□□: There is no significant difference in the relevance of financial information between the GAAP and IFRS financial reporting regime; H□□: There is no significant difference in the faithful representation of financial information between the GAAP and IFRS financial reporting regime; H□□: There is no significant difference in the comparability of financial information between the GAAP and IFRS financial reporting regime; H□□: There is no significant difference in the understandability of financial information between the GAAP and IFRS financial reporting regime, and H□□: There is no significant difference in the timeliness of financial information between the GAAP and IFRS financial reporting regime.

3. METHODOLOGY

3.1 Theoretical Framework and Model Specification

This current contribution to small but burgeoning research on the qualitative characteristics approach to financial reporting quality is anchored on the agency theory. Agency theory is the relationship between the principals and agents where shareholders are the principals and the company executives and managers are the agents. In agency theory, shareholders expect the agents to act and make decisions in the principal's interest while on the contrary, the agent may not necessarily make decisions in the best interests of the principals. It focuses on reciprocity(self-interest),anditsprimary objective is to minimise agency cost. It is an individualistic model with opportunistic behaviour.

3.2 Research Design

The research strategy is a panel design because it is a combination of longitudinal and cross-sectional data.The population is all commercial banks in Nigeria as at 31st December 2016. As at this period, there were 15 quoted deposit banks in Nigeria. In order to avoid error often associated with sampling, we used census survey as data were obtained from all quoted money deposit banks in Nigeria.

Data will be sourced from the content analysis of annual reports and accounts of the selected commercial banks for ten years from the year 2008 to 2011 for the pre-IFRS regime and from 2013 to 2016 for the post-IFRS regime. The year 2012 was excluded as it was the year of adoption.

3.3 Operationalisation of Variables

The dependent variable is Financial Reporting Quality (FRQ),and it is measured using 33 conceptually-based measurement indices. These indices are comprehensive and multifaceted quality assessment tools for the decision usefulness of financial and non-financial reporting information in annual reports and accounts encompassing both the fundamental and the enhancing qualitative characteristics that have been specified by the International Accounting Standard Board's Conceptual Framework (IASB, 2010). In other words, these conceptually-based 33-item indices are aimed at operationalising decision usefulness about the fundamental and enhancing qualitative characteristics as laid out in the conceptual framework of the IASB (2010).

Thirteen of the items relate to relevance, seven items relate to faithful representation, six items relate to understandability, six to comparability, and one item for timeliness. Apart from Timeliness which is expressed in the natural logarithm of the number of days, all other items used 5-point Likert-type scales. The 5-point Likert-type was designed such that 1 indicating a poor score, while an outcome of 5 implies excellence. See details including operationalisation (measurement scales) and concepts in the appendix.

We assessed the quality of the financial reports studied with the 33-item index in two different steps. First of all, we used content analysis to score all items, using their predefined measurement scale (see appendix). Next, the quality (average)was computed for each qualitative characteristic.

3.4 Test for reliability and consistency

To ensure the reliability and consistency of the scores of individual raters and also between raters, we will carry out test-retest and inter-rater reliability of their scores. In order to test individual rater consistency, the raters will be asked to assess each financial report twice. The second assessment will be done after all annual reports have been rated in a first round, rather than after each initial separate report assessment, to reduce the chance of the first scoring influencing the second evaluation.

3.5 Method of Data Analysis

The Mann-Whitney test was used to analyse the data. It is a non-parametric test designed to test the pre and post effect of any issue. In this case, the test was conducted to validate our hypotheses and determine the statistical significant difference in financial reporting quality between the pre and post-adoption of IFRS at the 5% level.

4. ESTIMATION RESULTS AND DISCUSSION

IFRS Adoption and the Relevance of Financial Statements:

Table 2: Mann-Whitney Test Statistics of Relevance of Pre and Post IFRS financials

GROUP	N	RANK MEAN	SUM OF RANK	U	Z	P
PRE-IFRS(GAAP REGIME)	60	35.40	2124.00			0.000*
POST-IFRS (IFRS REGIME)	60	85.60	5136.00	294	7.920	

The difference is significant since P=0.000<0.05 at the 5% level.

Table 2 presents the results of the Mann-Whitney test statistics of the relevance of pre and post IFRS financial information. The value of the Rank Mean of the GAAP regime (35.40) and the IFRS regime (85.60) shows that the relevance of the financial information in the IFRS regime is statistically, significantly higher compared to the period of GAAP at the 5% level of significance. The result, ((U = 294.00, Z = 7.920, and P = 0.000< 0.05) shows that the qualitative characteristics of relevance is better in the IFRS regime compared to the GAAP regime. The result of the analysis could not sustain the hypothesis of no significant difference in the relevance of financial information between the GAAP and IFRS financial reporting regime. The result is in tandem with the positions of Latridis (2010) and Yurisandi and Puspetasari (2015) who reported that the qualitative characteristics of relevance of financial information increased after the adoption of IFRS. The positive relationship deviates from the findings of Dobija and Klimczak (2010) and Callao, Jarne, and Lainez (2007) who reported otherwise.

IFRS Adoption and the Faithful Representation of Financial Information

Table 3: Mann-Whitney Test Statistics on the faithful representation of Pre and Post IFRS financials

GROUP	N	RANK MEAN	SUM OF RANK	U	Z	P
PRE-IFRS(GAAP REGIME)	60	34.38	2063.00			0.000*
POST-IFRS (IFRS REGIME)	60	88.62	5197.00	233.00	8.264	

The difference is significant since P=0.000<0.05 at the 5% level.

Table 3 presents results of the analysis of the neutrality, completeness, and the extent to which Banks financial statements are free from bias in both the GAAP and the IFRS reporting regimes. The result of the Rank Mean of 34.38 (GAAP) regime and 88.62 (IFRS) regime shows that there is a substantial difference between these variables in both regimes. The Mann-Whitney test statistics of (U = 233.00, Z = 8.264, and P = 0.000< 0.05) shows that the result is statistically significant at the 5% level. That is, the faithful representation of financial information is better in the IFRS reporting regime compared to the GAAP reporting regime. The result is however not consistent with the position of Yurisandi and Puspetasari (2010) who reported a decrease in the faithful representation of post-IFRSfinancial information. They attributed the decrease to the subjective estimation of accounting values and the practice of fair value accounting.

IFRS Adoption and the Comparability of FinancialInformation.

Table 4: Mann-Whitney Test Statistics on the comparability of Pre and Post IFRS financials

GROUP	N	RANK MEAN	SUM OF RANK	U	Z	P
PRE-IFRS(GAAP REGIME)	60	34.57	2074.00			0.000*
POST-IFRS (IFRS REGIME)	60	86.43	5186.00	244.00	8.196	

The difference is significant since P=0.000<0.05 at the 5% level.

The result of the test of comparability of financial information in the GAAP and IFRS reporting regimes is presented in Table 4. The Rank mean values of 34.57 (GAAP) regime and 86.43 (IFRS) regime indicates a substantial difference in the comparability of financial information in both regimes. The result of the Mann-Whitney test statistics ((U = 244.00, Z = 8.196, and P = 0.000< 0.05) indicates a statistically significant difference at the 5% level. The result negates the null hypothesis of no significant difference in the comparability of financial statements between the two regimes. The positive influence of the adoption of IFRS on the comparability of financial information is consistent with the findings of Barth, Landsman, and Lang (2011) and Yuri and Puspitasari (2015) who reported an increase in comparability of financial information after IFRS adoption. The result, however, deviates from the finding of Beuselimck, Joos, and Vander Meulen (2007) who did not find any significant difference.

IFRS Adoption and the Understandability of Financial Information

Table 5: Mann-Whitney Test Statistics on the understanding of Pre and Post IFRS financials

GROUP	N	RANK MEAN	SUM OF RANK	U	Z	P
PRE-IFRS(GAAP REGIME)	60	40.04	2402.50			0.000*
POST-IFRS (IFRS REGIME)	60	80.96	4857.50	572.50.	6.505	

**The difference is significant since P=0.000<0.05 at the 5% level.*

Table 5 presents the results of the analysis of the clarity and conciseness of financial information of Banks in both the GAAP and the IFRS reporting regimes. The result of the Rank Mean of 40.04 (GAAP) regime and 80.96 (IFRS) regime shows that there is a substantial difference between these variables in both regimes. The Mann-Whitney test statistics of (U = 572.50, Z = 6.505, and P = 0.000< 0.05) shows that the result is statistically significant at the 5% level. That is the clarity and conciseness which collectively measures the understandability of financial information is better in the IFRS reporting regime compared to the GAAP reporting regime. The result is in tandem with the position of Yurisandi and Puspitasari (2015) who reported an increasein the understandability of financial information after the adoption of IFRS.

IFRS Adoption and the Timeliness of Financial Information

Table 6: Mann-Whitney Test Statistics on the Timeliness of Pre and Post IFRS financials

GROUP	N	RANK MEAN	SUM OF RANK	U	Z	P
PRE-IFRS(GAAP REGIME)	60	67.49	4049.50	1380.500	2.202	0.028*
POST-IFRS (IFRS REGIME)	60	53.51	3210.50			

**The difference is significant since P=0.028<0.05 at the 5% level.*

The result of the test of the timeliness of financial information in the GAAP and IFRS financial reporting regimes is presented in Table 6. The value of the Rank means (67.49) of the GAAP reporting regime and (53.51) in the IFRS reporting regime shows that there is a difference in the time lag of financial information, with more lag in the GAAP reporting regime. The results of the Mann-Whitney U test statistics ((U = 1380.500, Z = 2.202, and P = 0.028< 0.05) show that there is a statistically significant difference in the time lag between the two reporting regimes at the 5% level of significance. The reduction in time lag occasioned by the adoption of IFRS is at variance with the initial position of Yurisandi and Puspitasari (2015) who observed that the adoption of IFRS increased the time lag of financial information. The inconsistency in finding maybe ascribed to the differences in the reporting environment.

5. CONCLUSION AND RECOMMENDATIONS

This study investigated the change in financial reporting quality between the pre and post IFRS adoption in the Nigerian deposit banks using the operationalised qualitative characteristics of financial reports by the IASB conceptual framework. Mann-Whitney test was used to analyse the data from all MDBs in Nigeria. The result shows that there is statistically significant difference in the quality of financial reporting between pre and post IFRS adoption in Nigeria.Financial reporting quality increased in the post-IFRS adoption across the five qualitative features of relevance, faithful representation, comparability, understandability, and timeliness) examined.

This study no doubt presents a developing economy perspective on the quality of financial reporting quality differences between pre and post IFRS adoption. Our study contributes to the small but emerging body of knowledge on financial reporting quality using operationalised qualitative characteristics of the IASB conceptual framework. To the best of our knowledge, this may be the first of its kind in Sub-Sahara Africa. This study creates an in-road in measuring financial reporting quality using qualitative characteristics.

Why this study does not foreclose future researches in this topical issue, our analysis presents exciting policy considerations. First, it accentuates one of the benefits expected from IFRS adoption (transparency and enhanced disclosures and seal of quality) as asserted by Nigeria IFRS adoption roadmap committee. Second,sound policy should be in place to ensure complete compliance with the standards issued by IASB. The current attempt suffers from the usual problem of the micronumerosity of data, having focus only on Nigerian money deposit banks. Extending the study to all listed companies on the Nigerian Stock Exchange is a recommendation for future researchers.

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Appendix A

Table A1 Overview of the Measurement Items Used to Operationalize the Fundamental and Enhancing Qualitative Characteristic (Including the Measurement Scales)

Relevance				
Questions No	Question	**Operationalisation**	**Concept**	**Literature**
R1	To what extent does the company use fair value instead of historical cost?	1 = Only historical cost. 2 = Mostly historical cost. 3 = Balance fair value/historical cost. 4 = mostly fair value. 5 = Only fair value	Predictive value	e.g. schipper and Vincent (2003); McDaniel et al. (2002); Barth, et al (2001); Schipper (2003)
R2	To what extent does the presence of non-financial information interms of business opportunities and risks complement the financial information?	1 = No non-financial information. 2 = Limited non-financial information, not very useful for forming ecpectations. 3 = Sufficient useful non-financial information. 4 = Relatively much useful non-financial information, helpful for developing expectations. 5 = Very extensive non-financialinformation presents additional information which helps developing expectations	Predictive value	e.g. Jonas and Blanchet (2000); Nichols and Wahlen (2004)
R3	To what extent does the risk section provide good insights into the risk profile of the company?	1 = No insights into risk profile. 2 = Limited insights into risk profile. 3 = Sufficient much insights into risk profile. 4 = Relatively much insights into risk profile. 5 = Very extensive insights into risk profile	Predictive value	e.g. Jonas and Blanchet (2000); Nichols and Wahlen (2004)
R4	To what extent does the annual report contain forward-looking information?	1 = No forward-looking information. 2 = Limited forward-looking information. 3 = Sufficient forward-looking information. 4 = Relatively much forward-looking information. 5 = Very extensive forward-looking information	Predictive value	e.g. McDaniel et al. (2002); Jonas and Blanchet (2000); Bartov and Mohanram (2004).
R5	To what extent does the annual report contain information on CSR?	1= No information on CSR. 2 = Limited information on CSR. 3 = Sufficient information on CSR. 4 = Very much information on CSR. 5 = Very extensive information on CSR	Predictive value	e.g. Deegan (2002); Orji (2010)
R6	To what extent does the annual report contain a proper disclosure of the extraordinary gains and losses?	1 = No proper disclosure. 2 = limited proper disclosure. 3 = Sufficient proper disclosure. 4 = Very much proper disclosure. 5 = Very extensive proper disclosure	Predictive and Confirmatory value	Hoogendoorn and Mertens (2001)

R7	To what extent does the annual report contain information regarding personnel policies?	1 = No information regarding personnel policies. 2 = Limited information regarding personnel policies. 3 = Sufficient information regarding personnel policies. 4 = Very much information regarding personnel policies. 5 = Very extensive information regarding personnel policies	Predictive and Confirmatory value	Hoogendoorn and Mertens (2001)
R8	To what extent does the annual report contain information concerning division?	1 = No information concerning division. 2 = Limited information concerning division. 3 = Sufficient information concerning division. 4 = Very much information concerning division. 5 = Very extensive information concerning division	Predictive and Confirmatory value	Hoogendoorn and Mertens (2001)
R9	To what extent does the annual report contain an analysis concerning cash flow?	1 = No analysis. 2 = Limited analysis. 3 = Sufficient analysis. 4 = Very much analysis. 5 = Very extensive analysis	Predictive value	Hoogendoorn and Mertens (2001); Maines and Wahlen (2006);Vander Meulen, Gaeremynck and Willenkens (2007)
R10	To what extent are the intangible assets disclosed?	1= No disclosure. 2 = Limited disclosure. 3 = Sufficient disclosure. 4 = Very much disclosure. 5 = Very extensive disclosure	Predictive value	Camfferman and Cooke (2002)
R11	To what extent are the "off-balance sheet" activities disclosed?	1 = No disclosure. 2 = Limited disclosure. 3 = Sufficient disclosure. 4 = Very much disclosure. 5. Very extensive disclosure.	Predictive value	Hoogendoorn and Mertens (2001)
R12	To what extent is the financial structure disclosed?	1 = No disclosure. 2 = Limited disclosure. 3 = Sufficient disclosure. 4 = Very much disclosure. 5= Very extensive disclosure.	Predictive and Confirmatory value	e.g. Vander Bauwhede (201)
R13	To what extent does the annual report contain information concerning the company's going concern?	1 = No information concerning going concern. 2 = Limited information concerning going concern. 3 = Sufficient information concerning going concern. 4 = Very much information concerning going concern. 5 = Very Extensive information concerning going concern	Predictive value	e.g.Gafarv (2009); IASB (2000)
Faithful representation				
Questions No	Question	Operationalisation	Concept	Literature
F1	To what extebt are valid arguments provided to support the decision for certain assumptions and estimates in annual report?	1 = No valid arguments. 2 = Limited valid arguments. 3 = Sufficient valid arguments. 4. Very much valid arguments. 5 = Very extensive valid arguments.	Verifiability	e.g. Jonas and Blanchet (2000); Maines and Wahlen (2006)

F2	To what extent does the company base its choice for certain accounting principles on valid arguments?	1 = No valid arguments. 2 = Limited valid arguments. 3 = Sufficient valid arguments. 4. Very much valid arguments. 5 = Very extensive valid arguments.	Verifiability	e.g. Jonas and Blanchet (2000); Maines and Wahlen (2006)
F3	Which type of auditors' report is included in the annual report?	1 = Adverse opinion. 2 = Disclaimer of opinion. 3 = Qualified opinion. 4= Unqualified opinion figures. 5 = Unqualified opinion figures + internal control	Free from material error, verification, neutrality, and completeness	Maines and Wahlen (2006); Gaeremynck and Willenkens (2003); Kim et al. (2011); Gray et al. (2011)
F4	To what extent does the company provide information on corporate governance?	1 = No description of corporate governance. 2 = Limited description of corporate governance. 3 = Sufficient description of corporate governance. 4 = Very much description of corporate governance. 5 = Very extensive description of corporate governance.	Free from material error, verification, and completeness	e.g. Jonas and Blanchet (2000)
F5	To what extent does the annual report contain a disclosure concerning the "comply explain" application?	1 = No disclosure. 2 = Limited disclosure. 3 = Sufficient disclosure. 4 = Very much disclosure. 5. Very extensive disclosure.	Neutrality	e.g. Jonas and Blanchet (2000)
F6	To what extent does the annual report contain disclosure related to both positive and negative contingencies?	1 = No disclosure. 2 = Limited disclosure. 3 = Sufficient disclosure. 4 = Very much disclosure. 5. Very extensive disclosure.	Completeness and verification	e.g. Dechow et al. (1996); McMullen (1996); Neasley (1996); Razarr (2003); Cohen et al (2004); Sloan (2001)
F7	To what extent does the annual report contain information concerning bonuses of the board of directors?	1 = No information concerning bonuses. 2 = Limited information concerning bonuses. 3 = Sufficient information concerning bonuses. 4 = Very much information concerning bonuses. 5 = Very extensive information concerning bonuses.	Neutrality	e.g. Burgstahlerer al. (2006); Camfferman and Cooke (2002)
Understandability				
Questions No	Question	Operationalisation	Concept	Literature
U1	To what extent does the annual report presented in a well organised manner?	1 = Very bad presentation. 2 = Bad presentation. 3 = Poor presentation. 4 = Good presentation. 5 = Very good presentation.	Understandability	e.g. Jonas and Blanchet (2000)
U2	To what extent does the presence of graphs and tables clarify the presented information?	1 = No graphs. 2 = 1-5 graphs. 3 = 6-10 graphs. 4 = 11-15. 5 = >15graphs	Understandability	e.g. Jonas and Blanchet (2000)

U3	To what extent does the annual report contain technical jargon in the perception of the researcher?	1 = very much jargon. 2 = Much jargon. 3 = Moderate use of jargon. 4 = limited use of jargon. 5 = No/hardly any jargon	Understandability	e.g IASB (2006); Jonas and Blanchet (2000); Iu and Clowes (2004)
U4	What is the size of the glossary?	1 = No glossary. 2 = Less than 1 page. 3 = Approximately 1 page. 4 = 1-2 pages. 5 = >2 pages	Understandability	e.g. Jonas and Blanchet (2000)
U5	To what extent does the annual report contain information concerning mission and strategy?	1 = No information concerning mission and strategy. 2 = Limited information concerning mission and strategy. 3 = Sufficient information concerning mission and strategy. 4 = Very much information concerning mission and strategy. 5 = Vey rxtensive information concerning mission and strategy	Understandability	e.g. FASB (2010); Men and Wang (2008)
U6	To what extent is the annual report understandable in the perception of the researcher?	1 = Very badly understandable. 2 = badly understandable. 3 = Poor understandable. 4 = Good understandable. 5 = Very good understandable	Understandability	e.g. courtis (2005)
		Comparability		
Questions No	Question	Operationalisation	Concept	Literature
C1	To what extent are change in accounting policies disclosed?	1 = No disclosure. 2 = Limited disclosure. 3 = Sufficient disclosure. 4 = Very much disclosure. 5. Very extensive disclosure.	Consistency	e.g. Jonas and Blanchet (2000)
C2	To what extent are changes in accounting estimates diclosed?	1 = No disclosure. 2 = Limited disclosure. 3 = Sufficient disclosure. 4 = Very much disclosure. 5. Very extensive disclosure.	Consistency	e.g. schipper and Vincent (2003); Jonas and Blanchet (2000)
C3	To what extent does the annual report contain information concerning comparison and effects of accounting policy changes?	1 = No comparison. 2 = Actual adjustments (1year). 3 = Actual adjustments (2yeasr). 4 = Actual adjustments (3years). 5 = Actual adjustments (4 or more years)	Consistency	e.g. Coleetal. (2009); Jonas and Blanchet (2000)
C4	To what extent does the company present financial index numbers and ratios in the annual report?	1 = No ratio. 2 = 1-5 ratios. 3 = 6-10 ratios. 4 = 11-15. 5 = >15 ratios	Comparability	e.g. Cleary (1999)
C5	To what extent does the annual report contain information concerning companies' shares?	1 = No information concerning companies' shares. 2 = Limited information concerning companies' shares. 3 = Sufficient information concerning companies' shares. 4 = very much information concerning companies' shares. 5 = very extensive information concerning companies' shares	Verifiability	e.g. Lantto and Sahlstrom (2009); Jonas and Blanchet (2000)

C6	To what extent does the annual report contain benchmark information concerning competitors?	1 = No benchmark information. 2 = Limited benchmark information. 3 = Sufficient benchmark information. 4 = Very much benchmark information. 5 = Very extensive benchmark information.	Consistency	e.g. De Franco et al. (2011); barth et al. (2001); Armstrong et al (2010).
		Timeliness		
Questions No	Question	Operationalisation	Concept	Literature
T1	How many days did it take for the auditor to sign the auditors' report after book-year end?	Amount of days from the financial year end and the date auditor(s) signed the financial statements	Timeliness	e.g. IASB (2008); Leventis and Weetman (2004)

Source: Braam & Beest, 2013 adapted.