Financial reporting framework in Nigeria and the adoption of the international financial reporting standards

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Keyword
Financial reporting framework, IFRS, GAAP, Financial Statements

Abstract

This paper presented a theoretical examination of the framework of financial reporting in Nigeria vis-à-vis the adoption of the International Financial Reporting Standards (IFRS). A critical review of extant literature exposes the issues, benefits and challenges in the transition from Generally Accepted Accounting Principles (GAAP) to IFRS. In view of the discussions, the paper recommended that corporate entities in Nigeria should adapt to the International Financial Reporting Standards rather than complete adoption of the standards and to ensure its sustainability, a country- wide intensive capacity building programme is a "sine qua non".

Introduction

Financial reporting is the preparation of published report for users of financial statements. The issues relating to financial reporting could be traced back to 1975 with the advent of what was then known as corporate report, in England. In Nigeria, following the increasing demand for financial information on companies, financial reporting has now assumed an appreciable position because it provides information that is useful to current and potential investors, creditors and other users in making rational investment, credit, and other financial decisions. It also enables users to assess the amount, timing, and uncertainty of prospective cash receipts about economic resources, the claims to those resources and the changes in them.

Olakunori (2009) posits that, to achieve the basic objectives of financial reporting, there is need for an acceptable coherent framework. Financial reporting framework therefore, refers to fundamental accounting assumptions, principles and methods used to prepare, present, and report financial statements for a wide variety of entities, including publicly traded and privately – held companies, non-profit organizations, and governments (Olakunori, 2009). The framework for financial reporting include locally applicable accounting laws, regulations, rules and standards, that are determined by regulatory authorities such as the Nigerian Accounting Standard Board (NASB), which operates under a set of assumptions, principles, and constraints. According to Yusuf (2006), accounting framework, which is commonly describe as Generally Accepted Accounting Principles (GAAP), should not be seen as a constitution but mere guidelines to preparers of financial statements. A review of literature indicated the following basic reasons for financial reporting framework:

(i) To identify the essential concepts underlying the preparation and presentation of financial statements;
(ii) To guide standard setters in developing new accounting standards and reviewing existing standards;
(iii) To assist preparers in the preparation of financial statements and dealing with topics that are not covered by a specific international financial reporting standard (IFRS);
(iv) To assist auditors in forming an opinion as to whether a set of financial statements conforms with IFRS;
(v) To assist users in interpreting the financial information contained in a set of financial statements that comply with IFRS.

Today, business has become more global and thus lost a significant part of its national identify. Nigeria indeed is part of this globalization. A number of Nigerian companies have raised capital from international capital markets; some have established significant presence in other jurisdictions. Also, a good number of Nigerian entities hold the securities of non-Nigerian issuers. Therefore to make better decisions about the flow of economic capital in Nigeria, it makes sense to have global financial reporting benchmarks.

In recent times NASB (2010), revealed that Foreign Direct Investments (FDI) in Nigeria have been declining. The trend shows that the value declined from $6.9 billion in 2007 to about $4.602 billion in 2008 and $3.94 billion in 2009 primarily due to the perception of investment risk in Nigeria, which in part, is attributable to the limited financial reporting and disclosures made by reporting entities in Nigeria. This is so because most of these entities do not provide investors with sufficient economic information in their financial reporting system that will enable them to understand the risk profiles of such entities and permit informed judgments and decisions. In view of the above, investment analysts, commercial enterprises, government regulatory agencies, financial reporting professionals and many others, advocate the need to integrate the framework of financial reporting in Nigeria with the global financial reporting system through the adopting of the International Financial Reporting Standards (IFRS). Although 1st January, 2012 was set as the commencement date for corporate entities in Nigeria to adopt IFRS, certain issues must be addressed to enhance its effective adoption. The purpose of this paper therefore, is to examine the benefits, issues and challenges of IFRS as the framework for financial reporting in Nigeria.

The Financial Reporting Framework

There are substantial number of alternative assumptions, principles and methods available to a reporting entity in the preparation and presentation of its financial statements. For example, there are many ways of calculating depreciation such as straight-line, reducing balance, sum of years digit, and revaluation, inventory valuation could be done through FIFO, LIFO, and averages. It is therefore worthy to note that the assumption, principle and method adopted by a reporting entity significantly affects its results of operations, financial position and change thereof. To minimize such disparities in financial reporting, the General Accepted Accounting Principles (GAAP) was adopted, which is described as the framework of financial reporting. Zhang (2005) confirms that the provisions of GAAP differ somewhat from the international financial reporting standards. The scope of the existing financial reporting framework deals with the objectives of financial statements; qualitative characteristics of financial statements; elements of financial statements; recognition of the elements of financial statements; and the concept of capital and capital maintenance (NASB, 2010).

Objective of Financial Statements

The objective of financial statements is to provide information about the financial position (statement of financial position), performance (statement of comprehensive in-come), and changes in financial position (statement of cash flows) of an entity that is useful to a wide range of users in making economic decisions. Users of financial information include present and potential capital providers, employees, lenders, suppliers, customers, and the government.

Financial statements also show the results of management's stewardship of the resources entrusted to it. This information, along with other information in the notes to the financial statements, provides users of financial statements with information about the amount, timing, and uncertainty of the entity's future cash flows in order that they can make economic decisions. In order to meet this objective, financial statements contain information about assets, liabilities, equity, income and expenses, including gains and losses, contributions by and distributions to owners in their capacity as owners; and cash flows.

The qualitative characteristics of financial statements include-

(i) **Understandability:** Information should be readily understandable by users who have a basic knowledge of business, economic activities, and accounting, and who have a willingness to study the information with reasonable diligence.

(ii) **Relevance:** Relevant information influences the economic decisions of users, helping them to evaluate past, present and future events or to confirm or correct their past evaluations. The relevance of information is affected by its nature and materiality. Information is considered to be material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements.

(iii) **Reliability:** Reliable information is free from material error and bias and can be depended upon by users to represent faithfully that which it either purports to represent or could reasonably be expected to represent. The following factors contribute to reliability:

a) faithful representation;
b) substance over form;
c) neutrality;
d) prudence; and
e) completeness

Comparability: Information should be presented in a consistent manner over time and in a consistent manner between entities to enables users to make significant comparisons.

To meet the objectives of financial statements and make them adequate for a particular environment, providers of information must balance the qualitative characteristics in such a way that best meets the objectives of financial statements. The application of the principal qualitative characteristics and the appropriate accounting standards normally results in financial statements that provide fair presentation.

Elements of Financial Statements: The following elements of financial statements are directly related to the measurement of the financial position:

(a) **Assets**. Resources controlled by the entity as a result of past events d from which future economic benefits are expected to flow to the entity.

(b) **Liabilities:** Present obligations of an entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

(c) **Equity:** The residual interest in the assets of an entity after deducting all of its liabilities (may be referred to as shareholders' funds).

The following elements of financial statements are directly related to the measurement of performance:

(a) **Income**: Increases in economic benefits during the accounting period in the form of inflows or enhancements of assets, or decreases of liabilities that result in an increase in equity (other than those relating to contributions from equity participants). Income comprises both revenue and gains.

(b) **Expenses:** Decreases in economic benefits during the accounting period in the form of outflows or depletion of assets, or decreases of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Initial Recognition of Elements: Recognition is the process of incorporating in the statement of financial position or statement of comprehensive income an item that meets the definition of an element and satisfies the criteria for recognition. Elements (assets, liabilities, equity. income, and expenses) should only be recognized in the financial statements if- it is probable that any future economic benefit associated with the item will flow to or from the entity; and the item has a cost or value that can be measured with reliability.

Subsequent Measurement of Elements: Measurement is the process of determining the monetary amounts at which the elements of the financial statements are to be recognized and carried in the statement of financial position and statement of comprehensive income. The following bases are used to different degrees and in varying combinations to measure elements of financial statements:

(a) **Historical cost**: Assets are recorded at the amount paid or fair value of consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation.

(b) **Current cost:** Assets are carried at the amount of cash and cash equivalents that would have to be paid if the same or equivalent asset were acquired currently. Liabilities are carried at the undiscounted amount of cash or cash equivalents that would be required to settle the obligation currently.

(c) **Realizable (settlement) value:** Assets are carried at the amount of cash and cash equivalents that would be obtained by selling the assets in an orderly disposal. Liabilities are carried at their settlement values, that is, the undiscounted amount of cash or cash equivalents expected to be paid to satisfy the liabilities in the normal course of business.

(d) **Present value assets** are carried at the present discounted value of the future net cash inflows that the item is expected to generate in the normal course of business. Liabilities are carried at the present discounted value of the future net cash outflows that are expected to be required to settle the liabilities in the normal course of business.

Capital Maintenance Concepts: Capital and capital maintenance include:

(a) **Financial capital** is synonymous with net assets or equity; it is defined in terms of nominal monetary units. Profit represents the increase in nominal money capital over the period.

(b) **Physical capital** is regarded as the operating capability; it is defined in terms of productive capacity Profit represents the increase in productive capacity over the period.

Issues and Challenges in International Financial Reporting Standards

The International Financial Reporting Standards (IFRS), is regarded as a global GAAP and a set of principles –based and globally accepted standards published by the International Accounting Standards Board (IASB) to assist those involved in the preparation of financial statements all over the world to prepare and present high quality, transparent and comparable financial statements. According to Gambari (2010), the major strength of IFRS is that it offers a lot of benefits to corporate and public entities in terms of cost; easy consolidation of financial statements; better management control of internal consistencies of reporting; improved access to global financial capital markets; ability of international investors to make meaningful comparisons of investment portfolios in different countries and promotion of trade within regional economic groups. According to Izedonmi (2011), as cited by Awa and Abdullahi (2012), the need and feasibility for a uniform global financial reporting framework has been on for many years. He identified the following factors supporting the adoption of IFRS: continuous integration of world economy; increased interdependence of the international financial markets; absence of barriers of capital flows across national boundaries; increased mobility of capital across national boundaries; multiple listing by companies in capital markets within and outside their home jurisdiction; continuous demand by stakeholders for quality information and greater disclosures.

There is however some inherent problems with aligning with international accounting standards. Ukpai (2002) pointed out that international accounting clearly has a language problem. The word "asset" in French may also connote "active". The German language has no reasonable single-word counterpart for the term fair. Since accounting itself is not readily translatable into Dutch, people in Holland simply use the English word "accounting" as part of their native language. Accounting words are far from universally comprehensible. More so, government policy may not be in support of international standards. Adams (2004) claimed that where an accounting standard conflicts with government policy, the standard is revised. For instance, LIFO is not allowable for tax purpose in stock valuation. Another problem inherent with the adoption of IFRS is the universal tendency to resist change. Too often, co-operation comes only from compromise and sometimes to the detriment of quality (NASB 2010).

After few years of vacillation, Nigeria in 2010 formally decided to align her financial and accounting computations and reporting standards with what obtains in most economies across the world by setting January 1, 2012 as the commencement date for corporate and public entities to adopt the IFRS. Having weighted the challenges and benefits associated with IFRS, some reporting entities in Nigeria especially those with global operations such as Guaranty Trust Bank, Access Bank, EcoBank, and Oando have taken steps toward its development and implementation. To facilitate the adoption of IFRS the NASB, investors, commercial enterprises and government regulatory agencies, in collaboration with other professional bodies involved in financial reporting have organized series of workshops and seminars across the country as part of their efforts to create awareness about IFRS project conversion. The implications of this decision are as numerous as they are profound. Akinmutimi (2011), stated that corporate entities need to build capacity to drive the process and revisit their operational and internal control systems. More so, the laws need to be amended and the transition processes need to be handled efficiently, effectively and professionally in order to sustain the confidence of users of accounting services on the confidence of users of accounting services on the skills of professional accountants. Gambari (2010) stated that the successful adoption of IFRS entails assessing technical accounting, tax implications, internal processes, and statutory reporting, technology infrastructure, and organizational issues.

GAAP and IFRS - The Differences in Financial Reporting of Multinational Companies

Giant strides have been made by the Nigerian Accounting Standard Board (NASB) and the International Accounting Standard Board (IASB) to converge the content of IFRS and GAAP. The goal is that by the time the regulatory authorities allow or mandate the use of IFRS for Nigerian publicly traded companies, most or all of the key differences will have been resolved.

As a result of these ongoing convergence projects, the extent of the specific differences between IFRS and GAAP is shrinking. Yet significant differences do remain. For example: IFRS does not permit Last in First Out (LIFO) as an inventory valuation method; IFRS uses a single-step method for impairment write-downs rather than the two-step method used in GAAP, making write-downs more likely; IFRS has a different probability threshold and measurement objective for contingencies; IFRS does not permit curing' debt covenant violations after year-end; IFRS guidance regarding revenue recognition is less extensive than GAAP and contains relatively little industry – specific instruction.

The increasing acceptance of IFRS in Nigeria, United Kingdom and around the world means that now is the time to become knowledgeable about these changes. Most professional accountants will somehow be affected. Once a critical mass of companies in a certain industry sector begins to report their financial results using IFRS, there will likely be pressure for issuers to do the same, to allow investors to better compare their financial results. But this issue will have an impact far beyond just financial reports. It will affect almost every aspect of a company's operations, everything from its information technology systems, to its tax reporting requirement, to the way it tracks stock-based compensation (Yusuf, 2006).

For the accounting profession, the use of IFRS by Nigerian publicly held companies will create the need for effective training and education. Companies will use JFRS only if they and their auditors have been thoroughly trained, and if their investors and other users of their financial statements - such as analysts and rating agencies - understand IFRS as well. At the moment, most accountants in Nigeria are trained in GAAP not IFRS. Most specialists, such as actuaries and valuation experts, who are engaged by management to assist in measuring certain assets and liabilities, are also not taught IFRS. Consequently, all parties will need to undertake comprehensive training. Professional associations and industry groups will need to integrate IFRS into their training materials, publications, testing and certification programs. Colleges and universities will need to include IFRS in their curricula. If IFRS is accepted - and many think this is inevitable (Adam, 2004, FASB, 1990, IASC, 1989).

Technical Accounting

Chief executive officers, financial controllers, and chief accounting officers should expect technical accounting challenges when moving from GAAP to IFRS. Companies will need to take into account more than measurable differences between the two sets of standards – it will also be necessary to develop a framework and approach that can be used to determine appropriate accounting. According to Gambari (2010) and Feng (2000), key considerations in the transition from GAAP to IFRA include:

(i) **Principles Versus Rules:** A move to principles-based accounting will require a change in mindset and approach. In GAAP, the volume of rules is large - perhaps larger than any other GAAP in the world. However, once the correct rule is identified, there should be a sound accounting outcome. IERS has fewer detailed rules and more judgment is generally required to determine how to account for a transaction. Under IFRS, there is increased focus on the substance of transactions. Evaluating whether the accounting presentation reflects the economic reality and ensuring that similar transactions are accounted for consistently are important steps to determining the appropriate treatment under IFRS. Public company CEOs and CFOs will be required to make certifications on IFRS financial statements in filings with the SEC. Companies will need to ensure that when judgments are challenged they can sufficiently support them.

(ii) **Application Considerations**: Accounting differences between IFRS and GAAP will vary. Some differences will be significant; others will be seen in the details, or depend on the company's industry. Accounting alternatives should be evaluated from a global perspective - not only for prospective policy-setting, but also in making elections and applying exemptions related to retrospective IFRS application upon' initial adoption. Those companies that approach IFRS from the perspective of minimizing differences with US GAAP may record adjustments only where required.

(iii) **First time Adoption Considerations:** IFRS 1, First-time Adoption of International Financial Reporting Standards, grants limited exemptions from the need to comply with certain aspects of IFRS upon initial adoption, where the cost of compliance could potentially exceed the benefits to users of financial statements. Exemptions exist in many areas, such as business combinations, share-based payments, and certain aspects of accounting for financial instruments. Companies will need to decide which exemptions are the appropriate ones to use.

(iv) Others that take the "fresh start" will consider adopting new accounting policies in additional areas where the outcome is more representative of the underlying economics. Overall, the technical accounting aspects of IFRS adoption will be challenging.

The technical accounting action steps for financial executives include:

❖ Understand key areas of IFRS and GAAP differences. There will be many differences between GAAP and IFRS to assess. Some will require minor modifications and others will have a significant impact on the organization. Identifying these differences and determining the level of effort required by the organization to address these changes is an important step in developing an IFRS conversion strategy.

❖ Determine the accounting policy impact of differences. The differences between IFRS and GAAP may also impact many current accounting policies. Some areas of accounting will require different policies under IFRS as compared with U.S. GAAP due to a clear difference in standards. In other areas, there will be no differences and in others still, there may or may not be differences, depending on a company's choices under IFRS. Understanding and addressing the necessary policy changes will also be an important step towards conversion.

Tax Implications

Understanding tax consequences of IFRS will be important for finance and tax executives to consider - if they'd like to help support appropriate tax results for the organization down the road. As with any tax accounting issue, the effort for an IFRS conversion will require close collaboration between finance and tax departments. According to Deloitte (2008) and Alexander and Britton (2004), the key tax considerations include:

(i) **Conversion Timing**: Consider developments around Financial Accounting Standard No. 109, Accounting for Income Taxes (FAS 109). Should the FASB revise FAS 109, changes to the financial reporting of income taxes may occur in two stages: first the adoption of a revised FAS 109 standard for reporting under GAAP resulting from the convergence project underway by the IASB and FASB; and second the conversion to IAS 12, income

Taxes, in place of FAS 109 as a result of a full conversion to IFRS. In the absence of such a revision, adoption of IAS 12 would occur as part of a full conversion.

(ii) **Differences in Accounting for Income Taxes**: Although IAS 12 and FAS 109 have much in common, differences currently exist between the two standards. Many of these differences are expected to be eliminated as a result of the joint IASS, FASS convergence effort. However, some areas of divergence will remain, including, for example, uncertain tax positions, leveraged leases, and deferred taxes related to share-based payments.

(iii) **Tax accounting methods**: Companies that make the most of a conversion to IFRS will approach the undertaking as more than a mere "IAS 12 vs. FAS 109" exercise. It is important to address the tax consequences of the pre-tax differences between FIRS and local GAAP because a conversion to IFRS requires changes to several financial accounting methods. Since the starting point in most jurisdictions for the calculation of taxable income is book income as reported in accordance with local GAAP, companies may need to reevaluate their existing tax accounting methods.

(iv) **Global tax planning:** Global tax planning may need to be revisited to address the potential changes associated with conversion timetables in all jurisdictions and ultimately a full IFRS global conversion For example, tax planning in connection with IFRS should consider changes in the global effective tax rate that may arise as a result of the following;

❖ The requirement under AS 12 rather than FAS 109 to recognize both current and deferred taxes on the intercompany sale of inventory and other assets.

❖ The requirement under IAS 12 to recognize deferred taxes on exchange rate fluctuations for temporary differences of foreign subsidiaries that use the U.S. dollar as their functional currency.

A conversion to IFRS may also impact the calculation of the parent's basis in its foreign subsidiaries and thereby influence cash repatriation plans. Proper planning should involve an analysis of the tax results both before and after an IFRS conversion. Also, to the extent the realization of a tax benefit depends on the pre-tax statutory books, consideration should be given to the desirability and timing of conversion for individual legal entities and jurisdictions. Finally, IFRS conversion is a global phenomenon. As IFRS standards converge GAAP; the change impacts all entities in jurisdictions filing under IFRS. To the extent that local tax rules are based on accounting standards, there may be a corresponding impact on the tax attributes of a subsidiary in that jurisdiction. Nigeria is not the only jurisdiction contemplating convergence with, or conversion to, IFRS standards. Japan is undertaking several projects to converge its standards with TFRS. Any time a local or global accounting standard changes, there is a potential for an impact on tax attributes of the entities in those jurisdictions.

The following are the tax action steps for finance and tax leaders to address:

❖ Determine changes to key tax positions, provisions, processes, and technology. An IFRS tax assessment is likely to identify tax positions and tax accounting methods that may be impacted by changes to financial reporting standards. Tax professionals should consider performing a high level impact analysis that highlights potential changes to the tax provision in the following areas:

❖ Deferred income tax

❖ Current income tax on a country-by-county basis

❖ Indirect tax (VAT)

❖ Based on the results of this analysis, companies can begin to assess the impact of conversion on tax processes and technology.

- Identify and inventory tax issues and opportunities. Another important step in a conversion to IFRS involves identification of first-time adoption issues, such as conversion elections available under transitional tax rules and other IFRS accounting standards that may have an impact. Taking an inventory of tax issues and planning opportunities, as well as developing a roadmap to address overall IFRS tax conversion issues, will be important to capture the tax related costs arid benefits associated with a conversion. Additionally, a well thought out plan will help prioritize and incorporate significant tax issues into the overall conversion timeline.(Yue – chang and Xiao – Mei, 2006; Simmends and Mackenzie, 1992).

Internal Processes and Statutory Reporting

A move towards a single set of global accounting standards is expected to lead to greater efficiency and internal control improvements for multinational companies. To make this move and to realize benefits, a number of financial reporting processes will likely have to be evaluated and/or fine-tuned.

According to Marve (2001) and Skinner (1998), the key considerations in internal processes and statutory reporting include-

(i) **Close and Consolidation:** A move to FRS may require changes in charts of accounts to ensure relevant information is captured appropriately, it could involve changing current corporate consolidation processes, or adjusting the existing close calendar.

(ii) **Management Reporting:** It is likely that metrics used as the basis for measuring performance in management reporting will be impacted by a change to IFRS. There may be a need to develop new performance metrics to measure performance and benchmark against competitors.

(iii) **Internal Controls:** A move to a new basis of accounting, including a shift from rules to principles and changes to financial systems, will affect the internal control environment. Documentation will need to be updated and processes put in place to mitigate new risks.

(iv) **Statutory Reporting:** For many U.S-based multinational companies, IFRS statutory reporting is already a reality at some subsidiaries. Historically, statutory reporting has primarily been accomplished at international locations and has received less attention at a corporate level. However, in an IFRS environment, the potential for adoption of a consistent set of accounting standards at many locations causes a need for consistent application throughout the organization - it also creates an opportunity for standardizing and centralizing statutory reporting activities.

Internal processes and statutory reporting action steps include:

- Take an IFRS inventory: Inventory your current IFRS reporting requirements and locations to understand the extent to which you may already be reporting under IFRS, or where it is now permissible, and identify the resources you have within your organization to assist in the IFRS effort.
- Review IFRS application. It is also important to assess how consistently IFRS accounting policies are applied at all IFRS reporting locations. (Yue – Changs and Xiao – Mei, 2006).

Technology Infrastructure

Changes in accounting policies and financial reporting processes can also have a significant impact on a company's financial systems and reporting infrastructure. These changes may require some adjustments to financial reporting systems, existing interfaces and underlying databases to incorporate specific data to support IFRS reporting. Companies will need to collaborate with their IT counterparts to review systems implications of IFRS. Zhang (2005), identified the key issues in technology infrastructure as:

(i) **Upstream Systems**: The transition from local GAAPs to IFRS can often result in additional reporting requirements in complex areas such as taxes, financial instruments, share- based payments and fixed assets, to name a few. Not only may system adjustments be necessary to address these complex areas, but also modifications to the interfaces between these source systems and the general ledger may also be required. In instances where this information is currently being gathered through the use of complex spreadsheets, the adoption of IFRS may serve as a catalyst that some companies may need to bring about long overdue updates to these processes and make critical adjustments for supporting source systems.

(ii) **General Ledger:** IFRS conversions may require changes to the chart of accounts and modifications to capture IFRS-specific data requirements. In addition, during the transition to IFRS, general ledger reporting will likely need to accommodate multiple ledgers (under U.S. GAAP and IFRS) and the maintenance of multiple ledger structures during transition will require planning. In the long term however, conversions can also provide the opportunity to streamline your financial reporting systems by reducing the number of general ledgers previously required under a local GAAP reporting structure.

(iii) **Reporting Data Warehouse:** Current systems may not have the functionality to handle IFRS requirements, so changes in financial information requirements due to IFRS should be identified - and the impact of these requirements on the existing data models should be assessed. Valuation systems and actuarial models will also need to be evaluated to accommodate IFRS changes.

(iv) **Downstream Reporting:** The conversion to IFRS can also result in changes to the number of consolidated entities, mapping structures and financial statement reporting formats, all of which will require adjustments to the consolidation system. External reporting templates will need to be evaluated to identify changes necessary to support increased or different disclosures under IFRS.

Organizational Issues

Organizational changes that are this pervasive require planning, communication, and training throughout the organization. Another important aspect of the transition process is considering organizational issues that, when identified up front, can help pave the way and support the eventual IFRS implementation.

Key considerations for human resources and finance leaders to review include:

(i) **Organizational Readiness:** An important step to assessing the impact of IFRS is to understand the company's current awareness of IFRS and determine what type of education program will be needed. In addition to having an internal communication strategy, other awareness-building activities, such as executive briefing sessions and workshops, should also be considered to help develop consensus regarding IFRS initiatives.

(ii) **Training and Learning:** IFRS training should extend beyond the technical accounting personnel and may pose a significant challenge for organizations. A conversion to IFRS will require stakeholders throughout the company to be trained appropriately. This will require training or workshops to address ongoing learning needs.

(iii) **Stakeholder Communication:** Converting to IFRS also means anticipating the information and communication needs of external stakeholder groups, including the board, shareholders, lenders, and analysts, among others. For example, financial knowledge for board members related to IFRS will need to be supported.

The organizational action steps as indicated by Lev (1999) are:

- Conduct a key stakeholder analysis. IFRS can have many impacts on an organization. Identifying target audiences and stakeholder groups impacted by IFRS and assessing their current level of understanding and communication needs Es an important step in planning for the impacts of IFRS.
- Develop IFRS communication and training plans. Communication and training will be an essential element in effectively planning for and managing the necessary changes resulting from an IFRS conversion. Establishing a proactive plan to address the near and long-term training and communication requirements for each stakeholder group can further support the overall IFRS plan.

Conclusion and Recommendation

The conversion of financial reporting framework in Nigeria to IFRS will require an approach and timeline that can accomplish a measured transition to IFRS and ultimately achieve a sustainable IFRS reporting structure. The timeline for IFRS implementation is likely to take longer than many companies initially anticipate, as was seen in the European Union experience. Reasons for this include: the comparative financial statements that will be required upon adoption; the retrospective nature of implementation; and the pervasiveness of many of the impacts of IFRS. Ultimately, companies will have to set up a structure to implement IFRS. Developing a holistic plan now can help properly equip the company for upcoming changes. While conversion to IFRS on a consolidated basis may not be mandated for another few years, companies can start taking advantage of opportunities to convert to IFRS for statutory reporting purposes now by developing a multi-year strategy for conversion and sustainability.

Many countries already permit the use of IFRS. These provide an opportunity to develop a multi-year strategy and a detailed roadmap for conversion to IFRS. By leveraging the training and experience gained on these statutory conversions, companies will be better positioned to execute a consolidated IFRS conversion in the near future. Before a company can get to the implementation stage, the CEO, along with leaders from key areas of the organization, will need to proactively confer to: increase awareness of IFRS, assess the company's current capabilities to address IFRS smoothly, and plan the best approach and training needs. Understanding the impact to these areas will help inform the development of the roadmap. Smart planning can provide companies with advantages that global competitors may already have. In view of the above discussions, it is recommended that corporate entities in Nigeria should adapt to the International Financial Reporting Standards rather than complete adoption of the standards.

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