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CORPORATE CONSEQUENCES: ASSESSING THE IMPACT OF IFRS ON FINANCIAL HEALTH AND TAX OBLIGATIONS IN NIGERIA

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Abstract: This study evaluates the influence of mandatory International Financial Reporting Standards (IFRS) adoption on the corporate profitability and taxation of five selected companies listed on the Nigerian Stock Exchange. The study period covered 2009-2011 and the post-IFRS adoption period of 2013-2020. The study employs descriptive statistics and paired sample t-tests to analyze information from consumer goods, industrial goods, and banking sectors. The results indicate that mandatory IFRS adoption would have a significant impact on the profitability of listed firms in Nigeria. However, its impact on taxation was found to be insignificant. Significantly, there were no differences in the effects of IFRS on profitability and taxation across the selected listed companies in the three sectors. The research findings indicate that corporate managers should continue to comply with IFRS because it contributes to profitability. This study adds to the paucity of empirical research on the effect of mandatory IFRS adoption on corporate profitability and taxation in Nigeria.

Keywords: IFRS, profitability, taxation, Nigerian Stock Exchange, compliance.

INTRODUCTION

The increasing complexity of business transactions and the globalization of financial markets call for regulators of multinational companies, auditing firms and investors to realize the need for a common standard in financial reporting. The need for a uniform set of globally accepted accounting standards has prompted many countries to pursue convergence of international accounting standards with Financial Reporting Standards (FRS). As a result, the International Financial Reporting Standards (IFRS) were developed. In Nigeria, IFRS were officially adopted in 2012. Nigeria's leading private sector companies, particularly banks, voluntarily adopted IFRS in 2010. It is expected that the adoption of IFRS would reduce earnings variability and improve accounting quality (Erin, Olayinka & Adedayo, 2019; Tanko, 2012). It will reduce information asymmetry and would subsequently smoothen communications among managers, shareholders, creditors and other interested parties (Erin, Olayinka & Adedayo, 2019; Bushman & Smith, 2001), resulting in lower agency costs (Healy & Palepu, 2001). Lower information asymmetry would also lead to lower costs of equity and debt financing (Guermazi, 2022; El-Gazzar et al., 1999; Botosan & Plumlee, 2002).

There are two approaches used in IFRS adoption (Upton, 2010): convergence and full adoption. In convergence, standard setters will adjust national Generally Accepted Accounting Principles (GAAP), hence the usage of this new-adjusted national GAAP will be same or similar with IFRS. While in full adoption, all IFRS will be fully implemented. With the usage of IFRS as the new standard of financial reporting, there will be change in the financial report. One obvious impact is if there is a change to the financial report, there might be a change as well to the tax. The adoption of IFRS as the global accounting standards has impacted on some aspects of financial reporting in various countries, such as those in the European Union (EU). Deferred tax assets are able to predict future cash flows better until the next five years than compared to the EU GAAP (Marry, Sean & Connie, 2010). Zeghal, Chtourou and Fourati (2012) stated that the adoption of IFRS can improve the financial reporting, with the specification that IFRS are able to lower earnings management, improve the timeliness, conditional conservatism and value relevance of financial statements and corporate performance.

Corporate profitability is a highly effective tool, designed to give a global overview of how a company works, and to make the learning of strategic planning, marketing and financial concepts as easy and interesting as possible. Corporate profitability is fully customizable to reflect the specific terminology and drivers of value within an organization, and is suitable for managers at every level. Differences arising from the revaluation of assets that encounter a hike are recognized as revaluation surplus which is a benefit/profit for the company; the benefits recognized are reported in the income statement, thus increasing profit for the company. Though adopting IFRS is expected to facilitate growth in bilateral economic activities, the benefit may not be evenly distributed across all bilateral relations due to certain systematic challenges. The pre-adoption conformity of national GAAP to IFRS determines the significance and, therefore, the benefit of IFRS adoption. While the issue of IFRS adoption and its effect on firm's value relevance and financial statement effect has been extensively studied in literature, there is paucity of empirical research as regards the effect of IFRS on corporate profitability and taxation in Nigeria. Notable expectations include the study of Nengzih (2015) who investigated the effect of IFRS on profitability and corporate taxation in Nigeria and the study of Abedana, Kwame and Owiredu (2016) conducted on the IFRS effect on corporate taxation in Ghana.

Although the basis for the preceding is understandable, it however creates a problem of exclusion, and foresees a further comprehension of the effect of the mandatory adoption of IFRS on corporate profitability and taxation of companies listed on the Nigerian Stock Exchange (NSE). Against this backdrop, this study addresses the problem by studying the effect of the mandatory adoption of IFRS on the corporate profitability and taxation of companies listed on the NSE drawn from three sectors (consumer goods, industrial goods and banking) of the Nigerian economy.

LITERATURE REVIEW International Financial Reporting Standards (IFRS)

The IFRS are issued by the International Accounting Standards Board (IASB). IFRS are considered a principle-based set of standards in that they establish broad rules as well as dictate specific treatments. The need for a global set of high-quality financial reporting standards has long been apparent. The process of international convergence towards a global set of standards started in 1973 when 16 professional accountancy bodies from Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the United Kingdom and the United States of America agreed to form the International Accounting Standards

Committee (IASC), which in 2001 was reorganized into the International Accounting Standards Board (IASB). The IASB develops global standards and related interpretations that are collectively known as the IFRS. Alistair (2010) defined IFRS as a series of accounting pronouncements published by IASB to help prepare financial statements throughout the world, to provide and present high quality, transparent and comparable financial information. According to Fasoranti, Adelakun and Joshua (2014), IFRS comprise of IFRSs Standing Interpretations Committee (SICs) pronouncements; and International Financial Reporting Interpretations Committee (IFRICs) guidelines. On a broader note, Ikpehai (2011) relates the benefits of IFRS for multinational as thus: Ease of financial statement comparability among companies, facilitate cross border investments and access to global markets, improve reporting quality, improve transparency, investor confidence, reduce accounting complexities, cost efficiency, process and technology optimization. Countries whose reporting standards were already close to IFRS could enjoy such benefits but countries who are adopting for the first time would need to invest a lot in staff training, materials and even technology updates. Moreover, without a consensus on increased quality of accounting information, it cannot be credited to IFRS and finally, the complexities have rather increased considering the rigors of employing fair value accounting.

Statement of Accounting Standards (SAS).

Before 2012, the Statements of Accounting Standards (SAS) were used in accounting practice in Nigeria. The local accounting standards were issued in Nigeria by the Nigerian Accounting Standard Board (NASB) till 2011. NASB was established in 1982 as a private sector initiative and became a government agency in 1992, reporting to the Federal Ministry of Commerce. The NASB was given a legal backing by its inclusion in Section 335(1) of the Companies and Allied Matters Act of 1990 which mandates all companies to prepare financial statements that comply with SAS as developed and issued by NASB from time to time (Umoren & Enang, 2015). The

NASB in 2003 was given full autonomy as a legal entity with the enactment of the NASB Act of 2003. The Nigerian Accounting Standards Board Act of 2003 provided the legal framework under which NASB set accounting standards. The primary functions as defined in the Act of 10 July 2003 were to develop, publish and update SAS to be followed by companies when they prepare their financial statement, and to promote and enforce compliance with the standards. In the wake of financial crises in late 1990s, the international community emphasized the major role of the observance of international standards and codes of best practices in order to strengthen global financial systems.

The international community called for the preparation of Reports on the Observance of Standards and Codes (ROSC), an assessment of the degree to which an economy observes internationally recognized standards and codes. It was observed by the World Bank about Nigeria, that the NASB lacks the financial and human resources as well as the infrastructure for monitoring and enforcing compliance with its standards. The ROSC team observed from a review of published financial statements that there are compliance gaps between the SAS and actual practice. Among the recommendations of the ROSC team was the creation of a new independent oversight body called the Financial Reporting Council of Nigeria (FRCN) which would monitor and enforce accounting and auditing requirements with respect to generalpurpose financial statements. The FRCN Bill was signed into law on 20 July 2011.

The FRCN is a unified independent regulatory body for accounting, auditing, actuarial, valuation and corporate governance. It is expected that more meaningful and decision enhancing information can now be arrived at from financial statements issued in Nigeria because accounting, actuarial, valuation and auditing standards, used in the preparation of these statements, shall be issued and regulated by the FRCN. Although the Nigerian SAS are similar to IFRS in certain respects, many differences exist. SAS promulgated by NASB were largely based on past IAS promulgated by IASC.

Profitability

According to Tulsian (2014), the term "profitability" is composed of two words namely; "Profit and Ability". The term profit refers to the total income earned by an enterprise during a specified period of time while the term ability indicates the power or capacity of a business entity to earn profits. The ability of a concern also denotes its earning power or operating performance. Therefore, profitability can be defined as the ability of a given investment to earn a return from its use (Harward & Upto, 1951). Profitability is a relative concept whereas profit is an absolute connotation. Despite being closely related to and mutually interdependent, profit and profitability are two different concepts. In other words, in spite of their generic nature, each one of them has a distinct role in business. As an absolute term, profit has no relevance to compare the efficiency of a business organization. A very high profit does not always indicate sound organizational efficiency and low profitability is not always a sign of organizational sickness. Therefore, it can be said that profit is not the prime variable on the basis of which the operational efficiency and financial efficiency of an organization can be compared. To measure the productivity of capital employed and to measure operational efficiency, profitability analysis is considered as one of the best techniques.

Taxation

According to Ochiogu (1994), tax is a levy imposed by the government against the income, profit or wealth of the individual, partnership and corporate organizations. Ojo (1982) defines tax as: "A compulsory levy imposed by the government on individuals and business firms... It is compulsory and benefits for payment do not necessarily correspond (in magnitude) to the amount of tax paid" (p. 1). Similarly, in the case of the United States Vs. Butter, Chief Justice Roberts of the United States of America Supreme Court, said tax is "an exaction for the support of government". He debunked the continued conception of tax as the "expropriation of money from one group for the benefit of another" (USA, 1936, p. 6). The foregoing definitions try as much as possible to capture the concept of taxation. They all give and highlight the idea of necessity, compulsion, legality, object and purpose, as well as who pay tax. Also the various authors concluded that it is possible for taxpayers not to receive anything identifiable for their contribution but that they have the benefit of living in a relatively educated, healthy and safe society.

Impact of International Financial Reporting Standards

The convergence and subsequent change of accounting and reporting standards at the international level impact a number of constituents. Pologeorgis (2013) enumerated the following as the specific impact of IFRS to corporate management, investors, stock markets, accounting professionals and accounting standards setters and agencies. Corporate management will benefit from simpler, streamlined standards, rules and practices that apply to all countries and are followed worldwide. The change will afford corporate management the opportunity to raise capital via lower interest rates while lowering risk and the cost of doing business. Stock markets will see a reduction in the costs that accompany entering foreign exchanges, and all markets adhering to the same rules and standards will further allow markets to compete internationally for global investment opportunities. The shift and convergence of the current standards to internationally accepted ones will force accounting professionals to learn the new standard, and will lead to consistency in accounting practices. The development of standards involves a number of boards and entities that make the process longer, more time consuming and frustrating for all parties involved. Once standards have converged, the actual process of developing and implementing new international standards will be simpler and will eliminate the reliance on agencies to develop and ratify a decision on any specific standard. Similarly, in another perspective, Ikpehai (2011) outlined the effect of IFRS on financial reporting of banks, insurance firm and real estate by concentrating on the basic reporting changes IFRS and banking: financial instruments classification, measurement, recognition and DE recognition; financial instrument impairment; hedge accounting; definition of debt versus equity; consolidation and special purpose entities; presentation of financial statement and disclosures of financial instrument; leases; insurance contract and post-employment benefit. The adoption of IFRS will impact all aspects of operations, decision-making and communications that are dependent on reported financial results. Entities will need to consider the impact of IFRS on accounting and reporting systems, information systems, internal controls, availability and capability of resources, corporate income taxes, education and training, communication requirements, project management and tax reporting.

Wensveen (2010) concluded that IFRS is not just a finance thing but a phenomenon that cut across every aspect of an entity and further explains their impact on board, information technology, business operations, finance, investors and management. Interestingly, the impact of IFRS has been broadened as it does not only affect the accountants even though it is an accounting issue. Weenvens (2010) explains that every sector of a firm has its own role to play if the goal of IFRS must be achieved.

Theoretical Clarifications

The study made use of agency and signaling theories to explain the relationship between IFRS on financial performance and taxation of listed firms in Nigeria.

Agency Theory

The agency paradigm was developed in the economics literature during the 1960s and 1970s in order to determine the optimal amount of the risk- sharing among different individuals (Ross, 1973; Jensen & Meckling, 1976). Agency theory is a theory explaining the relationship between principals (shareholders) and agents (managers). In this relationship, the principal delegates or hires an agent to perform work in the best interest of the principal. The delegation of decision-making authority can lead to a loss of efficiency and consequently increased costs (Jensen & Meckling, 1976). It conceives disclosure as a mechanism which decreases the costs resulting from conflicts between managers and shareholders (compensation contracts) and from conflicts between the firm and its creditors (debt contracts). Therefore, disclosure works as a mechanism to control a manager's performance. As a consequence, managers are stimulated to disclose information voluntarily. According to Healy and Palepu (2001), corporate disclosure is critical for the functioning of an efficient capital market. Firms provide disclosure through regulated financial reports, including the financial statements, footnotes, management discussion and analysis, and other regulatory filings. Financial reporting is a key practice of corporate disclosure. However, there are multiple factors surrounding the quality of financial reporting. Beyer, Cohen, Lys and Walther (2010) argue that the function of the corporate information environment is the dynamic interaction as a consequence of information asymmetries and agency problems between investors, firms and managers. Therefore, in a capital market setting, the corporate information environment is shaped by the decisions made by managers' reporting and disclosure, mandated reporting and disclosures regulations, and analysts' expectations.

Signaling Theory

Signaling theory is useful for describing behavior when two parties (individuals or organizations) have access to different information. Typically, one party, the sender, must choose whether and how to communicate (or signal) that information, and the other party, the receiver, must choose how to interpret the signal. In circumstances of information asymmetry (Akerlof, 1970), signaling theory suggests that companies with superior performance (or good companies) use financial information to send signals to the market (Ross, 1977; Spence, 1973). Signaling theory suggests that the provision of voluntary IFRS disclosures would give an indication of firms' decision-making process and financial behavior (Eccles, Hertz, Keegan & Phillips, 2001). For example, voluntary IFRSs disclosure may signify the intention of firms to distinguish themselves and give positive signals to market participants about their managerial ability and performance (Watson, Shrives & Marston, 2002). Also, the violation of debt covenants would give investors a negative signal of corporate performance with negative implications for firm credibility and future financial prospects. The combination of agency and signaling theory is possible to lead to predictions about firm financial behavior and accounting choices and improve the understanding of financial statements (Morris, 1987).

The adoption of IFRS gives a positive signal of higher quality accounting and transparency (Tendeloo & Vanstraelen, 2005) and would also lead to lower information asymmetry and cost of capital (Leuz & Verrecchia, 2000). The provision of quality accounting disclosures would tend to reduce the opportunities for earnings manipulation and enhance stock market efficiency (Leuz, 2003). The higher disclosure requirements and financial reporting quality that stem from IFRSs implies that the adoption of IFRS gives a positive signal to investors as information asymmetry and agency costs tend to diminish (Tarca, 2004).

Empirical Review

Substantial body of empirical research has examined the financial reporting standard in Nigeria. Using different statistical methods and data applied have resulted into diverse results and effects across different economies. For instance, Osho, Olutayo and Olayinka (2021) examined the relationship between International Financial Reporting Quality and the financial performance in the context of listed multinational companies in the Nigerian Stock Exchange (NSE) with the use of cross-sectional, time-series data, and OLS regression techniques. Also, some control variables were introduced in order to reduce omitted variable bias. Nine (9) multinational companies were concentrated upon between the period of 2012 and 2020 (9 years). The finding in this paper indicates that the extent of corporate disclosure is significantly associated with financial performance because it showed a positive correlation and significant result. The study concludes that, the more a company complies with IFRS disclosure guidelines, the more the investors are attracted to investing in such a company and thereby improving their financial performances (return on capital employed). The study recommended among other things that, companies should also be concerned with the disclosure of relevant information at a possible minimal cost to stabilize the possible positive effect of mandatory and voluntary disclosure of financial performance.

Idowu and Bello (2021) investigates the effect of International Financial Reporting Standards (IFRS) adoption on Income Tax Expenses using a cross section of listed companies in Nigeria. The study used a secondary source of data which were cross sectional from Published Financial Statements of seventy-four (74) quoted companies in the Nigerian Stock Exchange (NSE) as at 2012 as samples. While simple percentage and mean were used to describe some of the properties of the data and provide insights about the data, Paired-Sample T-Test and Analysis of Variance (ANOVA) were inferentially used to test the two formulated hypotheses. ShapiroWilk Test and Levene Test were used to determine the normality of data and homogeneity of variances respectively. The study found and concluded that Income Tax Expenses were significantly the same for Nigerian listed firms under IFRS and the Nigerian GAAP; on the overall, IFRS has no significant effect on the carrying amounts of Income Taxes reported in the financial statements in comparison with the N-GAAP. The fact that Income Tax Expenses employed in this current study were significantly the same under IFRS and N-GAAP, suggested a high degree of convergence and comparability of the tax figures under the two financial reporting frameworks. It was recommended that relevant authorities should encourage Nigerian companies to adopt IFRS as conversion to IFRS does not affect Income Tax Expenses.

Erin and Oduwole (2019) investigate the impact of IFRS on profitability ratios of eleven (11) banks in Nigeria. The study addresses the research hypotheses by comparing the key profitability ratios computed under the Pre-FRS for the three-year period from 2009-2011, and the three-year period from 2013-2015 under the post-IFRS regime. The study used Wilcoxon Signed Rank test and Normality test as a statistical method to analyze the data. The findings revealed that IFRS adoption has not produced any meaningful impact on the profitability ratios (ROA, ROE, and ROCE) at 5% level of significance. The finding implies that the adoption of IFRS does not have significant effects on profitability ratios of listed banks in Nigeria. The study recommends that investors and financial analysts should pay particular attention to all profitability ratios under this IFRS regime. Also, investors should not base their investment decisions on banks' profitability in the short term but rather the long-term viability and performance should be taken into cognizance.

Leonard, Ulumma and Kalu (2018) examined the effect of international financial reporting standards (IFRS) adoption on the financial performance of quoted manufacturing firms in Nigeria. It utilized data on two key financial performance indicators: earning per share (EPS) and return on assets (ROA) of five selected manufacturing firms quoted on the Nigeria Stock Exchange for the period of 2007 – 2016; segregated into pre-IFRS (NGAAP) regime and postIFRS regime. Descriptive analysis (Mean) and inferential statistics (paired sample t-test) were employed in analyzing the data collected. Results from the analysis indicated that, on the one hand, IFRS adoption in Nigeria exerts insignificant negative effect on the firms' EPS while on the other hand exerting significant negative effect on the firms' ROA. The study thus concluded that manufacturing firms in Nigeria have not fared better with regards to their reported financial performance following the adoption of the new financial reporting standards. The study therefore recommended that the financial reporting council of Nigeria should consider a review of the tenets of IFRS as specified by the International Accounting Standard Board to incorporate local content; hence, instead of full adoption, convergence could be the way to go by Nigeria firms.

Ofoegbu and Odoemelam (2018) investigated disclosure practices under IFRS on the performance of firms listed on the Nigerian Stock Exchange for a period of six years, from 2012 to 2017. Data were pooled from 384 firm-year observations across 64 sampled companies listed in the Nigeria Stock Exchange (NSE). They developed a disclosure index of both IFRSs mandatory and voluntary by applying content analysis and multiple regression techniques and analyzing the association of disclosure and performance of the firms expressed return on capital employed (ROCE) as a performance index. The study also examined the relationship between market based performance, company attributes, and overall disclosure. The result indicates that the extent of overall disclosure does not associate with the financial performance of the listed

Nigerian firms. The result suggests that share price, size, and audit firm size significantly and positively related to the overall disclosure of firms. The association between leverage, company age and overall disclosure index is negative and insignificant. In the Nigeria context, audit firm size proved to be an important determinant of the extent of IFRSs disclosure.

Abedana, Kwame and Owiredu (2016) investigated the impact of IFRS/IAS adoption on corporate income taxation in Ghana. The study aimed at investigating the changes to corporate taxes, deferred tax and net tax assets (liabilities) using a sample of entities from the Ghana Stock Exchange over the period 2007/2006 to 2008/2007 which encompasses the move from GNAS to IFRS, particularly IAS 12.The research design was predominantly quantitative in nature and cross-sectional in approach. The population for the study was all companies' listed (42 companies) on the Ghana Stock Exchange (GSE) as at December 2015. The study used a sample of 22 listed entities after deducting invalid search results, companies that previously did not use GNAS as well as not using Ghana Cedis as their currencies, delisted entities since 2007 and free zone entities. The study found that the adoption of IFRS/IAS led to a few more listed companies paying less taxes and majority not having any changes in their tax burdens following the restatement of accounts from GNAS into IFRS/IAS. Overall, the paired sample t-test of GNAS and IFRS on reported tax amounts showed no differences between IFRS and GNAS computed amounts. Largely, 90.1% of firms observed did not report any changes to current tax assets. While 94.5%, 86.4% and 59.1% of observations reported negative changes in deferred tax assets, current tax liabilities and deferred tax liabilities respectively. In terms of industry sectors, the manufacturing/trading industry saw a positive change of 13% in current year tax expenses burden while the financial/insurance/information technology industry reported a decrease of 13.3% in current year tax expenses liability. The study recommended an in-depth longitudinal study to be done to study the trend of tax burdens as well as the pattern of effective tax rates of listed companies since the adoption of IFRS/IAS in Ghana.

Nengzih (2015) investigated the impact of adoption of IFRS on Profitability Rate and Tax Income, drawing evidence from companies listed in Indonesian Stock Exchange. The purpose of the study was to examine the impact of the adoption of IFRS on profitability rate and tax income before and after IFRS adoption by listed companies in Indonesia. A sample size of 43 companies was drawn from the population of 139 companies listed in the Indonesia Stock Exchange. Data analysis was done with paired samples t-test, using SPSS 20.0. Results from descriptive statistics analysis show that the average ratio of companies' profitability has increased after the adoption of IFRS. The profitability results also show that there is no significant change in the amount of profit before tax after the adoption of IFRS. This study is similar to the present study because both studies seek to examine the impact of IFRS adoption on corporate profitability and corporate tax. However, their point of divergence lies in the fact that while the study of Nengzih (2015) studied companies listed on Indonesian Stock Exchange, this present study will focus on companies listed on the Nigerian stock exchange.

METHODOLOGY

In order to achieve the set objectives of this study, the study employed descriptive statistics and paired sample t-tests in the analysis of data. Descriptive statistics is used to summarize the collected data in a clear and understandable way using numerical approach (Nsude, 2005). The paired sample t-test is used to test the hypotheses. The paired sample t-test formula is given as:

$t = \qquad \sum d$

Original Article

$$\frac{n\sum d^2 - (\sum d)^2}{n-1}$$

.1

t= value of the t-statistic;
d= the difference between the paired data values;
∑d=the sum of the difference; n=the number of the paired observations.

Data in respect of profitability and income tax in the pre IFRS adoption period (2009-2011) and post IFRS adoption period (2013-2020) are taken as separate pairs. The pre-IFRS and postIFRS profitability ratios and corporate income tax are compared using the independent paired samples t-test. This aims at finding out the effect of IFRS on corporate profitability and corporate tax and whether there exists a significant difference in respect to profitability and tax across the three sectors of the economy. Data analysis is carried out with the aid of the Statistical Package for Social Science (SPSS) version, 20.

RESULTS AND DISCUSSION Descriptive Statistics

Table 1 presents results of the descriptive statistics for all variables in respect to the pre and post IFRS period for inferences to be made. N in the table below represents the number of paired observations. Thus, the number of paired observations in the study stood at 45.

Table 1: Descriptive Statistics

	Mean	**Std. Deviation**	**Std. Error Mean**
ROA(Pre-IFRS)	13.31	16.56	2.46
1	7.85	6.75	1.01
ROA(Post-IFRS)			
ROE(Pre-IFRS)	22.35	30.53	4.55
2	36.17	93.25	13.90
ROE(Post-IFRS)			
CT(Pre-IFRS)	46687777.89	176570959.19	26321644.51
3	28747016.60	115989197.73	17290648.72
CT(Post-IFRS)			

Source: ***Researchers' Computation Using SPSS Version 20***

The mean value of the return on assets (ROA) which measures the level of return on the investments made by the firm in the pre and post-IFRS periods stood at 13.3090 % with a fluctuation of 16.56337% and 7.8451% with a fluctuation of 6.75982% respectively. This reveals a high return on assets (ROA) in the period before the adoption of IFRS (NGAAP periods) in comparison to the period after the adoption of IFRS (NGAAP periods). This indicates that due to asset intensity, firms could utilize them well to generate comparable revenue to justify the increase in assets resulting from the adoption of IFRS. This can be explained by change in the method of asset valuation in the post IFRS era. Decrease in the average of ROA in the period after IFRS happened due to the increase in the value of total assets with the profit after tax experiencing a decline based on the numbers of data samples.

The return on equity which is a ratio that measures the net profit after tax with share capital; this ratio indicates the efficient use of capital itself. The mean value of return on equity (ROE) in Table 1 for pre- and post-IFRS stood at 22.3501% with a fluctuation of 30.53663% and 36.1688% with a fluctuation of

93.25349% respectively. This reveals a high return on equity (ROE) in the period after the adoption of IFRS in comparison to the period before the adoption of IFRS. This indicates that the percentage return on each naira invested by shareholders increased in the post-IFRS period. The standard deviation also shows a higher level of volatility in firms' earnings as related to invested capital in the post-IFRS period compared to the preIFRS era. This is an indication that the risk involved in the ability of firms under study to generate more income is higher after IFRS adoption.

Finally, the mean of corporate tax (CT) which is tax levied on profit of entities, in respect of income earned or accrued during the taxable year revealed a mean of ₦46,687,777.8889 million with a fluctuation of ₦176,570,959.19212 million in respect to the pre IFRS adoption period and ₦28,747,016.6000 million with a fluctuation of ₦115,989,197.73327 million in respect to the post IFRS adoption period. This indicates a decrease in the corporate taxes in the post IFRS era. This decrease could be attributed to the difference in recording methods. This is because the tax payment was recorded based on historical cost, and when IFRS was implemented, it is now recorded based on fair value. Thus the amount of corporate tax (CT) before and after the adoption of IFRS shows a huge difference.

Based on the descriptive statistics results presented in Table I, the profitability rate as measured before and after the implementation of IFRS through return on assets (ROA) slightly decreased and the return on equity (ROE) increased. Inversely, the amount of corporate tax results after IFRS adoption experienced a decrease.

Correlation Analysis

Table 2 presents the paired sample correlation for all the variables under investigation. The correlation results reveal a strong and significant relationship between the pre and post-IFRS return on assets (ROA), return on equity (ROE) and corporate taxes (CT). This implies that the correlation for before and after the adoption of IFRS for all the variables is strong.

Table 2: Paired Samples Correlations

		Correlation	Sig.
1	ROA(Pre-IFRS) &ROA(Post-IFRS)	.495	.001
2	ROE(Pre-IFRS) &ROE(Post-IFRS)	.463	.001
3	CT(Pre-IFRS) &CT(Post-IFRS)	.780	.000

Source*: Researchers' Computation Using SPSS Version 20*

Paired Sample t-test Results for ROA, ROE and CT

Table 3 presents the result of the paired sample t-test in respect to Pre-IFRS and post-IFRS adoption period.

Table 3: Paired Sample Test Results

	Mean	Std Deviation	Std Error	t-statistics	Prob. (2-tialed)
ROA(Pre-IFRS) - ROA (Post-IFRS)	5.46390	14.46468	2.15627	2.534	.015
ROE(Pre-IFRS) - ROE(Post-IFRS)	13.81863	83.62636	12.46628	2.608	.017
CT(Pre-IFRS) - CT(Post– IFRS)	17940761.3	112639289.9	16791273.9	1.068	.291

Original Article

Source: ***Summary of SPSS Version 20 Output***

The results in the table reveal an overall mean and standard deviation in respect to return on assets (ROA) for pre-IFRS period and post-IFRS period to be 5.46390 with a fluctuation of 14.46468. The calculated t-value at a degree of freedom of 44 stood at 2.534. The level of significance is estimated at .015 or 1.5% which is below 0.05 or 5% level of significance for a two tailed test thus indicating that the test is statistically significant. The study therefore concludes that there is a significant difference in the pre- and post-IFRS profitability of listed firms using ROA ratio.

Furthermore, the result of the paired sample t-test presented in Table 3 in respect to return on equity (ROE) of pre-IFRS period and post-IFRS period revealed an overall mean and standard deviation in respect to the return on equity (ROE) to be 13.81863with a fluctuation of 83.62636. The calculated t-value at a degree of freedom of 44 stood at 2.608 and the level of significance is estimated at .017 or 1.7% which is below the 5% level of significance for a two tailed test; thus indicating that the test is statistically significant. The study therefore concludes that there is a significant difference in the pre and post IFRS adoption profitability of listed firms in Nigeria using ROE ratio.

Lastly, Table III also reveals the overall mean in respect to corporate taxes (CT) for the preIFRS periods and post-IFRS periods of listed firms to be ₦17, 940,761.3 with a fluctuation of ₦1,12,639,289.9. The calculated t-value at a degree of freedom of 44 stood at 1.068 at a level of significance of .291or 29.1% which is above the 5% level of significance for a two tailed test; thus indicating that the test is statistically insignificant. The study therefore concludes that there is an insignificant impact of IFRS adoption on the corporate tax of listed firms in Nigeria. **Paired Samples Test for ROA in 3 Key Selected Sectors**

Objective three seeks to investigate whether there are significant differences in the impact of IFRS adoption on ROA of the key sectors of listed firms (i.e. consumable goods (Cg), banking sector (Bs) and industrial goods (Ig)). The results in Table 4 reveal that the pre and post IFRS ROA in respect to the consumer goods sector, banking sector and industrial goods to be insignificant. This implies that the profitability ratio (ROA) insignificantly differs across the key sectors of listed firms in Nigeria.

Table 4: Paired Samples Test for ROA of 3 Key Selected Sectors

	Mean Deviation	Std	Std Error	t-statistics	Prob. (2tailed)
ROA(Pre-IFRS) - ROA (Post-IFRS)	16.98635	19.34085	4.99379	1.401	.124
ROA(Pre-IFRS) - ROA(Post-IFRS)	2.31123	6.32910	1.63417	1.414	.179
ROA(Pre-IFRS) - ROA(Post–IFRS)	1.71657	4.62362	1.19381	1.438	.172

Source: ***Summary of SPSS Version 20 Output***

Paired Samples Test for ROE in 3 Key Selecte

Table 5: Paired Sample Test for ROE in 3 Key

Original Article

Deviation	Mean	Std	Std Error	t-statistics	Prob. (2tialed)
ROE(Pre-IFRS) - ROE (Post-IFRS)	-38.17885	139.93968	36.13227	-1.057	.309
ROE(Pre-IFRS) - ROE(Post-IFRS)	-7.93704	35.87009	9.26162	-.857	.406
ROE(Pre-IFRS) - ROE(Post–IFRS)	4.65999	8.40597	2.17041	2.147	.150

Source: ***Summary of SPSS Version 20 Outputs***

Also, objective four seeks to investigate whether there are significant differences in the impact of IFRS adoption on ROE of the key sectors of listed firms (i.e. consumable goods (Cg), banking sector (Bs) and industrial goods (Ig)). The results presented in Table V revealed that the pre- and post-IFRS ROE for consumer goods, banking sector and industrial goods were proven to be insignificant. This thus provides evidence for the conclusion that profitability (ROE) of listed firms differs insignificantly across the three sectors after IFRS adoption

Paired Samples Test for Corporate Taxes in 3 Key Selected Sectors

Finally, objective four seeks to investigate whether there are significant differences in the impact of IFRS adoption on corporate income tax of key sectors of listed firms (i.e. consumable goods (Cg), Banking sector (Bs) and industrial goods (Ig)). The result in table VI revealed the pre- and post-IFRS taxes in respect of consumer goods sector, banking sector and industrial goods to be insignificant. This thus provides evidence for the conclusion that the pre- and postIFRS corporate taxes of listed firms differ insignificantly across the three sectors (i.e. consumable goods (Cg), banking sector and industrial goods (Ig)).

Table 6: Paired Samples Test for Corporate taxes in 3 Key Selected Sectors

statistics	Mean	Std Deviation	Std Error	t- (2-tialed)	Prob.
CT(Pre-IFRS) - CT (Post-IFRS)	432721.9	3492168.9	901674.1	.480	.639
CT(Pre-IFRS) CT(Post-IFRS)	-7379699.3	7484335.8	1932447.2	.819	.412
CT(Pre-IFRS) CT(Post–IFRS)	-46009862.7	196252524.5	50672183.9	.908	.379

Source: ***Summary of SPSS Version 20 Outputs***

CONCLUSION AND RECOMMENDATIONS

This study sought to empirically investigate the effect of the mandatory adoption of IFRS on profitability and taxation of listed firms in Nigeria. The following are the summary of findings arising from the investigation:

1. Mandatory adoption of IFRS has a significant impact on profitability of listed firms in Nigeria.
2. Mandatory adoption of IFRS has an insignificant impact on taxation of listed firms in Nigeria.
3. There are no significant differences in the impact of IFRS adoption on profitability assessment between the key sectors of listed firms.

Original Article

4. There are no significant differences in the impact of IFRS adoption on taxation between the key sectors of listed firms in Nigeria.

Conclusion

In conformity with the findings of the study, this study's investigation has therefore come to the conclusion that IFRS adoption has a significant possible impact on profitability and also concluded that taxation is significantly affected by IFRS adoption. Finally, the study concluded that significant differences do not exist between the impact of IFRS adoption on the key sectors of listed firms in Nigeria, namely consumer goods, industrial goods and the banking sector.

Recommendations

The following recommendations are made:

1. The lessons from the findings suggest that policy makers should engage in diagnostic studies of available policy choices to understand the theoretical and practical underpinnings of the models so as to make more informed strategic choices.
2. It is also recommended that corporate managers should ensure compliance with IFRS since it positively impacts on profit.
3. Since IFRS adoption does not lead to improved taxation, government reliance on IFRS adoption for tax purposes should be considered.
4. Finally, it is also recommended that listed firms should feel free to compare their financial data with other listed firms for the purpose of decision making since there are no significant differences in the impact of IFRS adoption on profitability and taxation across different sectors.

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