



EFFECT OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ON EARNINGS QUALITY OF LISTED CONGLOMERATES IN NIGERIA?

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ABSTRACT

The adoption of International Financial Reporting Standards (IFRS) in different countries of the world has become a contemporary issue, especially regarding the financial statements' reliability. Good financial reporting practices and adoption of the standard is considered as important for stakeholders and improving earnings quality. This study examines the effect of International Financial Reporting Standard adoption on earnings management towards small profit earnings to avert small losses. Besides the study used secondary data obtained from the annual report of six listed conglomerates firms in the Nigerian Stock Exchange with both pre-IFRS (2006-2010) and post-IFRS (2014-2018) information. The result indicates that earnings management towards small profit earning as a measure of accounting information quality has not significantly improved in the post-IFRS period than the pre-IFRS Regime. The study recommends that regulatory agencies, especially the Financial Reporting Council of Nigeria (FRCN.), continually monitor the adoption and compliance with all the relevant IFRS by all the listed firms in Nigeria.

Keywords: International financial reporting standard adoption, General accepted accounting principle, international financial reporting quality, Nigerian Generally Accepted Accounting Principles, earnings management.

1. INTRODUCTION

Globalization of the world's capital markets has brought the increasing need for comparable and reliable financial information to support these markets' varied transactions and operations. Transparency and relevance are attributes of financial reporting. Accounting information that meets these attributes increases investors'



confidence, leading to enhanced capital flow. The recent financial crisis has been partly blamed on the erosion of investors' confidence, owing to the perceived lack of transparency in financial markets. Devalle et al. (2010) posited that opaque markets aggravate information asymmetry between insiders and outsiders, impeding the efficient allocation of resources. The International Accounting Standards Board (I.A.S.B.) has equally acknowledged the need to improve financial reporting quality globally. Consequently, the I.A.S.B. promotes the application of a common set of financial reporting standards as a solution.

Further, extant literature suggests that applying diverse accounting standards worldwide often results in different criteria for resources accounting (I.A.S.B., 2009; Lorcher, 2015). Analysts view that this creates inconsistencies in global investors' investment information, which was narrowed by the worldwide application of IFRS. In this regard, complying with IFRS is expected to facilitate informed trading and reduce adverse selection in the market. Information asymmetry puts small investors less likely than their sophisticated counterparts to generate financial information from alternative sources at a disadvantage in the market (Ball, 2006). The notion behind promoting a common set of high-quality standards worldwide is that the risk and cost of processing financial information to investors reduce.

Shehu (2015) opined that in Nigeria, the information disclosure requirements in the financial statements under Nigerian Generally Accepted Accounting Principles (N.G.A.A.P.) were grossly inadequate to effectively bridge the information asymmetry between companies and the users of the financial statements. He further posited that financial information quality in Nigeria remains weak compared with many advanced jurisdictions. As a result, they were hampering the growth of efficient equity markets. A common complaint among investors in Nigeria is that financial information on company performance is either unavailable or, if provided, lacks reliability. Hence, he conceived that companies would disclose more of their financial information with the transition to IFRS. However, small profit earning through manipulation of the accounting information revealed, otherwise known as earnings management, has hampered the financial disclosure quality to the shareholders and other stakeholders of the listed conglomerates in Nigeria.

Earnings could be used to tell the truth and in cheating or misleading. Therefore, the difference between real and reported earnings impacts earnings quality, described by the capital markets as a summary indicator of financial reporting quality (Francis & Schipper 2008). Corporate scandals like Enron, WorldCom, Parmalat, and, more



specifically, Afribank Nigeria P.L.C., Cadbury Nigeria P.L.C., and other corporate fraud in Nigeria have continued to raise questions about earnings quality in Nigeria and the world at large.

As the debate on the effects of global IFRS adoption continues, little is known about Nigeria's outcome despite IFRS adoption, hence creating a gap. Studies like those of Houge *et al.*, 2014; Jeweher *et al.*, 2014; Umobong *et al.*, 2015, Priscilla *et al.*, 2015; Yayas *et al.*, 2019) have continued to submit empirical shreds of evidence supporting and refuting the capability of IFRS to enhance earnings quality. However, a consensus is yet to reach the efficacy of mandatory IFRS adoption's impact on earnings quality in developing countries. This realization suggests that the debate remains unsettled, and there is a need for further empirical evidence on different jurisdictions to enrich the discussion (Bruggemann *et al.*, 2013). Specifically, current studies have not looked at Africa closely in this accounting research area, even as African countries have adopted the IFRS and set timelines for mandatory adoption (PwC, 2014). This study supports the existing literature in developed economies with few in developing climes to include Nigeria with the period covered up to 2018 and with a minimal option in conglomerates in Nigeria or Africa globally.

The studies in this area in Africa include the study of Outa (2011) from Kenya, Yeboah *et al.* (2015) from South Africa, and Lorchir (2015) from Nigeria. Other Nigerian studies have focused mainly on value relevance and other attributes of earnings quality order than earnings management towards small profit-earning with very few options on conglomerates as a domain (Shehu 2015, Yahaya *et al.*, 2015; Abata, 2015; Alkali, 2016; Bello *et al.*, 2016; Adeyemi, 2016; Agir, 2017; Uwuibge *et al.*, 2017; Kenneth, 2017; Sanyaolu *et al.*, 2017; Sanni *et al.*, 2018) ignoring other metrics of accounting quality and other sectors. Thus, an empirical study of this nature is required in line to determine whether IFRS adoption influences the earnings quality of the listed conglomerates in Nigeria by providing answers to the following underlying questions: Does pre-IFRS adoption affect earnings quality in term of earnings management towards small profit earning of the listed conglomerates in Nigeria? How does post-IFRS adoption affect earnings management's earnings management towards little profit-making of the listed conglomerates in Nigeria? This remainder organizes the literature review of the prior empirical research; methodology adopted, discussion of findings, conclusion, and recommendation.



2. LITERATURE REVIEW

Earnings are the amount of profit that a company produces during a specific period, usually a year. Yields are studied because they represent a direct link to company performance. There are various views on the term earnings by many scholars. Dechow (2004) defined earnings as the summary measure of a firm's performance over a particular period, and many users rely on to make economic decisions. Some profits are in executive compensation contracts, debt covenants; initial public offerings; stock market investment, and many other investment decisions (Schipper & Vincent, 2003). The theoretical underpinning that profits (earnings) facilitate wealth accumulation and fortify the entrepreneur's commercial empire linked to firm growth theory, which closely associates profits to healthy growth (Penrose, 1995). In general, the importance of profits to the entrepreneur's volume of wealth lends credence to expectations of profitable business operations. This insight also justifies the various contract arrangements that the owners explore to align management's interest with theirs, given that the payoff is the owner's ultimate interest (Scott, 2009). The Positive accounting theory explains the importance of earnings quality and factors that determine manager choices.

Thus, because earnings are generated from the financial reporting process and based on applicable standards, standard setters view earnings quality as an indirect indicator of the quality of financial reporting and financial reporting standards (Elias, 2002). The conceptual framework for IFRS developed to enhance credible financial statements that produce sound economic decisions. The framework promotes the general notion that this particular financial statement metric is the most popular information item among users (I.A.S.B., 2009). Schipper and Vincent (2003) discuss the need for high-quality earnings for effective decision-making, concluding that contractual decisions, based on substandard earnings quality, induce inappropriate wealth transfers. Managers who overstate earnings present unreliable performance information to owners and other market users, who unknowingly overcompensate them or overprice the firm's shares.

However, it is pertinent to note that a window dressed financial report towards small profit earning in avoidance of small losses undermines the quality of its accounting information disclosed, thereby misleading the investors and other stakeholders. Therefore, concerning the effects of IFRS adoption on earnings quality, Hope et al. (2006) built their argument on the bonding theory of Contrarily, Houque *et al.* (2014), using data from 2003 to 2011, concluded that the impact of IFRS on information



quality is relatively higher in countries with low investor protection. Several studies argued that manager incentives and investor's protection strength dominate the determination of earnings quality and not accounting standards. Landsman *et al.* (2012) similarly found an increase in information quality in 16 countries during mandatory IFRS adoption, but with a more substantial effect in countries with vigorous legal enforcement. Ahmed *et al.* (2013) instead submitted that earnings quality does not increase after mandatory IFRS adoption even in countries with strong investor protection, using data from 20 countries.

Xu (2014) examined the effects of adopting International Financial Reporting Standards (IFRS) on private firms' earnings management. With a sample of the U.K. private firms from 2003 to 2010, we use discretionary accruals to detect earnings management based on the Modified Jones Model. The study also examined whether the effects of IFRS adoption are conditional on audit quality and firm size. The results showed that IFRS adoption does not reduce earnings management; on the contrary, earnings manipulation intensified after adopting new accounting standards among the U.K. private firms. Moreover, the results indicated that higher audit quality does not work as a constraint on earnings manipulation but increases earnings management level for IFRS adopters with income-decreasing earnings management. Also, larger firm size intensifies earnings management for IFRS adopters with income-increasing accruals.

Shehu (2015) investigated firm attributes from the structure, monitoring, performance elements, and the quality of earnings of listed deposit money banks in Nigeria. The study adopted a correlational research design with balanced panel data of 14 banks as a sample of the course using multiple regression to analyze. The result revealed that firms' attributes (leverage, profitability, liquidity, bank size, and bank growth) significantly influence the earnings quality of listed deposit money banks in Nigeria after adopting IFRS. Simultaneously, the pre-period shows that the selected firm attributes have no significant impact on earnings quality. It is, therefore, concluded that the adoption of IFRS is right and timely.

Lorchir (2015), using data from (eight countries in Africa), a general sample of 680 firms covering the period 2000 to 2012, documented that relative to D.A.S., IFRS managed earnings towards small profits less and less smoothed. Also, it found more timely loss recognition and an increasing frequency of large losses recognition during periods of mandatory IFRS reporting, providing evidence that compulsory adoption of IFRS is likely to improve earnings quality in countries with weak



governance. As pointed out earlier, the study period is adequate for most of the sample countries except Nigeria, which adopt IFRS in 2012. Here pre- and post-IFRS comparison may be inadequate.

Bello *et al.* (2016) also investigated the effects of IFRS adoption on earnings management of 75 nonfinancial quoted companies in Nigeria between 2010 and 2014. Using multiple regression, they found that IFRS adoption in Nigeria does not significantly affect Nigerian companies' tendency to manipulate earnings and that higher audit quality and large firm size do not create a situation where IFRS adoption affects earnings management. The only shortcoming of the study was the scope in terms of period, i.e., 2010-2014, which only represents two years after IFRS adoption. The time duration might not be sufficient to conclude and make inferences. Its strength was that it's the first published empirical studies in Nigeria that sampled nonfinancial firms' data to test earnings management and IFRS adoption.

Adeyemi (2016) determined the effects of IFRS adoption on earnings management of nonfinancial quoted companies in Nigeria. The study used a sample of 75 nonfinancial mentioned companies in Nigeria that has consistently published their audited annual financial report between 2010 and 2014. In analyzing the collected data, the study adopted descriptive statistics, correlation analysis, and a panel multiple regression data analysis to identify the possible effects of IFRS adoption on Nigerian nonfinancial quoted companies' general earnings management. The study found that IFRS adoption in Nigeria does not significantly affect Nigerian companies' tendency to manipulate earnings. The study also found that higher audit quality and large firm size do not create a situation where IFRS adoption affects earnings management.

Uwuigbe *et al.* (2017) examined whether IFRS's mandatory adoption is associated with improved banks' accounting quality listed on the Nigerian Stock Exchange (NSE). The study made use of secondary data; data was extracted from financial statements from 2010 – 2013. The data were analyzed using Ordinary Least Square (O.L.S.) from S.P.S.S. The study's findings revealed that after adopting IFRS, the rate at which Nigerian banks engage in income smoothing increased, while earnings management towards small positive earnings reduced, thus reducing the quality of accounting amount disclosed in the financial statements. The findings of this study affect the efficiency of the stock market.



Yasas & Perera (2019) examined the effect of International Financial Reporting Standards (IFRS) adoption on the quality of accounting information in terms of value relevance of listed manufacturing companies in the Colombo Stock Exchange. At present, countries are mandated or permitted to apply IFRS in preparation of their financial statements. There are many studies available on IFRS adoption internationally. However, there is no clear evidence that IFRS adoption enhances accounting information quality about the Sri Lankan context. This study employed 29 listed manufacturing companies with pre-IFRS (2009-2011) and post-IFRS (2013-2015) information. Data were analyzed using the multiple regression method. Results showed that accounting information's value relevance has not significantly improved in the post-IFRS period than the pre-IFRS period.

Overall, it is glaring from the empirical literature review that contradictory finding characterized research in this area. Thus, due to the methodological differences, datasets, and institutional variances across the research domain, as supported by Chen et al. (2010), who argued that IFRS adoption would not generate accounting information with the same quality across countries as other factors would affect accounting quality. More so, most of the studies from developed countries in Europe found a positive impact of IFRS adoption on compliance with the European Union (except U.K & Ireland), determining which co-determines the earnings quality. At the same time, Nigeria is a common law country whose domestic standards is a replica of the international standards. Lastly, this conflicting evidence creates a gap in the literature that needs empirical evidence, especially in developing nations like Nigeria. It also buttresses our claim that in Nigeria, no empirical study examined IFRS and earnings management's effect using SPEAR/SPOS. This current study differs from the above Nigerian studies' limitations by using a panel data set with modified analysis tools, a more extended period, and numerous robustness tests.

Incidentally, the study used prospect theory by Kahneman & Tversky (1979) to explain how individuals (investors) averse losses because the rate at which their utility decreases for small losses is greater than the quality at which the investor's utility increases for small gains. This study used the underpinning of the prospect theory to explain the behavior of investors in the market. Investors respond "harshly" towards a firm's stock price when there is a negative earnings shock at variance with analyst forecasts (Burgstahler & Dichev, 1997). These assumptions imply that a firm reporting an earnings decrease (or writing a loss) bears sharply higher costs in

transactions with stakeholders than if it had reported an earnings increase (or profit). Thus, managers have incentives to avoid earnings decreases and losses.

3. METHODOLOGY

This study examined the effects of IFRS adoption on the earnings quality of listed conglomerates in Nigeria. Following this objective, this section discussed the research design, population and sample size of the study, sampling technique, source and method of data collection, diagnostic checks, model specification, and variable definition and measurement. This study used ex post facto research design and descriptive statistics. An ex post facto research design as applicable to this describes the pre- and post-IFRS adoption on the listed conglomerates' earnings quality in Nigeria. Descriptive statistics show what happened in the past, evaluate the present, and predict the future. Consequently, it is most appropriate for this study because it allows for a test of expected relationships between and among variables and the predictions regarding these relationships.

Population and Sample of the Study

This study's population was the six listed conglomerates trading on the Nigerian Stock Exchange (NSE) floor as of 31 December 2018, as shown in the table below.

Table 1
Listed Conglomerate Firms in Nigeria

S/N	Firm Name	Year of Listing
1	A.G Leventis Nig. Plc	1978
2	Chellarams Plc	1977
3	John Holt Plc	1974
4	U.A.C. of Nigeria Plc	1974
5	S.C.O.A. Nig. Plc	1977
6	Transnational Corporation of Nig.	2006

Source: Compiled by the author from NSE (2021)

Therefore, the study adopted all the six listed conglomerates that constitute the study population using the census sampling technique. The study's sample size, based on criteria that all the listed conglomerates have complete data in their published annual reports and account for the periods under review.



Model Specification

The multiple regression model used in testing the hypotheses of the study was as follows:

Pre-IFRS

$$\text{SPEAR}_{it} = \beta_0 + \beta_1 \text{NGAAP}_{it} + \beta_2 \text{SIZE}_{it} + \beta_3 \text{DISSUE}_{it} + \beta_4 \text{GROWTH}_{it} + e_{it} \dots \dots \dots (1)$$

Post-IFRS

$$\text{SPEAR}_{it} = \beta_0 + \beta_1 \text{IFRS}_{it} + \beta_2 \text{SIZE}_{it} + \beta_3 \text{DISSUE}_{it} + \beta_4 \text{GROWTH}_{it} + e_{it} \dots \dots \dots (2)$$

Where:

SPEA = Earnings Management towards Small Profit Earning

NGAAP = Nigerian Generally Accepted Accounting Principles.

IFRS = International Financial Reporting Standards

FSIZ = Firm Size

DISS = Debt Issue

GROW = Growth in Revenue

β_0 = Constant or Intercept;

β_1 = Coefficient of the explanatory variable;

$\beta_2 - \beta_4$ = Coefficients of the control variables;

e_{it} = error term of firm i for time period t;

it = firm i for time period t.

Variables, Definitions, Measurements, and Sources

This section described the variables used for the study and their measurements as well as their sources. The variables covered pre and post-IFRS adoption, earnings quality (earnings management towards small profit-earning), and control variables (size, debt issue, and growth).



Table 2
Operationalization of Variables, and Measurements

Variable	Acronyms	Measurement	Source
Earnings Management towards Small Profit Earning.	SPEA	Net profit before extra-ordinary items scaled by total assets.	Lorchir (2015) & Kenneth (2017).
Nigerian Generally Accepted Accounting Principles	NGAAP	Assign the value of 0 to all firms-year observations as a dummying variable under N.G.A.A.P. reported period.	Lorchir (2015) & Kenneth (2017).
International Financial Reporting Standards.	IFRS	Assign a value of 1 to all firms-year observations as a dummying variable under IFRS reported period.	Lorchir (2015) & Kenneth (2017).
Debt Issue	D.I.S.S.E	Current year's total liabilities minus the previous year's scaled by last year.	Kenneth (2017).
Growth in Revenue	GROWTH	Current year's revenue minus previous year's scaled by previous years	Kenneth (2017).

Source: Compiled by the author from various related literature (2021)

Source and Method of Data Collection

The data of all listed sampled conglomerates for ten years ranging from 2006-2010 (pre-IFRS) and 2014-2018 (post-IFRS) periods, were used by this study. Data were extracted from secondary sources using the published annual reports of the listed conglomerates from the NSE Fact Book. The study used a secondary source of data collection. Historical data of earnings were collected from published annual report and accounts of the firms for the course to include N.G.A.A.P., IFRS, and earnings management towards small profit earning, size, debt issue, and growth. The justification for choosing these periods is based on the fact that listed conglomerates in Nigeria fully migrated from N.G.A.A.P. to IFRS in these investigating periods.

Technique for Data Analysis

In this study, panel multiple regression descriptive statistics to include mean, standard deviation, mode, and median were used by the course to analyze the panel



data gathered for pre and post-IFRS adoption and earnings quality of listed conglomerates in Nigeria. Using the estimation of General Least Square (G.L.S.) was employed to analyze the data based on a fixed-effect model and random effect model, a robustness check conducted ranging from multicollinearity, normality test, heteroscedasticity test, and Hausman specification test. For the model (S.P.E.A.) with a binary variable as the dependent variable, the linear probability model (L.P.M.) applied. L.P.M. specifies the dependent variable's conditional expectation, given that a particular condition exists (Gujarati, 2012).

4. RESULTS AND DISCUSSION

The results of this study involve descriptive statistics (encompassing the mean, standard deviation, median, minimum and maximum), Pearson's correlation coefficients, multivariate regression assumption check, multiple regression (Panel Corrected Standard Errors-PCSEs), and robustness check (Simultaneous Quantile Regression). The explanations to these are provided in the subsequent subsections.

Descriptive Statistics

Tables 3 and 4 below present the descriptive statistics of all the variables. The Nigerian Generally Accepted Accounting Principle (NGAAP) which is the proxy for a pre-IFRS period between a minimum of 0.0011, 1.14770, 8.7921, 0.0126, 0.4091, and maximum of 0.1545, 1.4771, 10.9705, 8.7099, 1.2330 within the timeframe. Likewise, the International Financial Reporting Standards (IFRS), which represents the post-IFRS period, ranges between a minimum of 0.0043, 1.4901, 9.0098, 0.0078, 0.5492, and a maximum of 0.6305, 1.4910, 10.9505, 0.9161, 1.9575, respectively.

Table 3
Descriptive Statistics of the pre-IFRS Variables

Variables	Obs.	Mean	Std. Dev.	Min.	Max.
Spea	30	0.065	0.040	0.001	0.1545
Ngaap	30	1.477	0.000	1.477	1.4771
Fsiz	30	9.868	0.669	8.792	10.971
Diss	30	0.729	1.723	0.013	8.7099
Grow	30	0.131	0.264	0.409	1.2330

Source: Authors' analysis (2017).



Table 4
Descriptive Statistics of the post-IFRS Variables

Variables	Obs.	Mean	Std. Dev.	Min.	Max.
SPEA	30	0.1285	0.1764	0.0043	0.6305
IFRS	30	1.4907	0.0004	1.4901	1.4910
FSIZ	30	10.1740	0.7182	9.0098	0.9505
DISS	30	0.2406	0.2197	0.0078	0.9161
GROW	30	0.1891	0.4097	0.5492	1.9575

Source: Authors' analysis (2017)

Note: SPEA= small profit earning; IFRS=International financial reporting standard; NGAAP= Nigerian generally accepted principles; FSIZ= firm size; DISS= Debt Issue; GROW=growth in revenue.

From the descriptive statistics in Table 3, the mean earnings management towards SPEA of the firms over the years was 0.0651, with a minimum value of 0.0011 and a maximum value of 0.1545, respectively. The standard deviation of 0.0403 shows the wide disparity in terms of the firms' pre-IFRS period over the years. The standard deviation of 4% indicates considerable variation in the firms' earnings management towards small profit-earning during the investigation periods.

Table 4, on the other hand, provides the mean earnings management towards SPEA of the firms over the years accounted for 0.1285 with a minimum value of 0.0043 and a maximum value of 0.6305, respectively. The standard deviation of 0.1764 shows the wide disparity in terms of the firms' post-IFRS period over the years. The standard deviation of 18% indicates considerable variation in the firms' earnings management towards small profit-earning during the investigation periods.

Pearson Correlation Result

Tables 5 and 6 below show the correlations between the dependent (earnings quality) and independent variables (pre- and post-IFRS). As evidenced from the table, the correlation coefficient of -0.0807 is the correlation between Nigerian Generally Accepted Accounting Principles (NGAAP) and earnings quality proxies by earnings

management towards small profit earning (SPEA). The firms show a negative relationship in the pre-IFRS period. Likewise, the correlation coefficient -0.0227, as shown in Table 6, accounts for the relationship between Internationally Financial Reporting Standards (IFRS) and earnings quality represents by earnings management towards small profit earning of the firms and shows a negative relationship post-IFRS period. The values obtained from the Pearson correlation.

Table 5
Correlation matrix for the variables used in the study (Obs=30)

VAR.	SPEA	NGAAP	SIZE	DISS	GROW
SPEA	1.0000				
NGAAP	-0.0807	1.0000			
SIZE	-0.0132	-0.1239	1.0000		
DISS	0.3042	-0.1366	0.2742	1.0000	
GROW	0.3378	0.0899	0.1568	-0.0009	1.0000

Source: Authors' analysis

Table 6
Correlation matrix for the variables used in the study (Obs=30)

VAR.	SPEA	IFRS	SIZE	DISS	GROW
SPEA	1.0000				
IFRS	-0.0227	1.0000			
SIZE	-0.3677	-0.2118	1.0000		
DISS	0.6525	-0.0818	-0.1964	1.0000	
GROW	-0.1471	-0.2829	0.2008	-0.0501	1.0000

Source: Authors' analysis

Regression Results

This section presents the regression results of the Model in Table 7 below. The independent variable (NGAAP) coefficient in the pre-IFRS Regime, which explains the pre-IFRS period's power on earnings quality of the firms in earnings management towards small profit-earning alongside the probability values, is provided in the table. The pre-IFRS regression result revealed an adjusted R^2 of 0.1173 (12%) as the multiple coefficients of the dependent variable (earnings quality) on the independent variable (IFRS) determination.



Table 7
Summary of Regression Results (Random effect) – pre-IFRS Regime

	Coefficients	P-values
Constant	108.9877	0.614
Ngaap	-73.68202	0.615
Size	-0.0106209	0.341
Diss	0.0079572	0.063
Grow	0.056979	0.036
No. of observation		30
R-squared		0.2390
Adj R-squared		0.1173
Wald		7.85
Wald Chi2		0.0972
<u>R-squared:</u>		
Within		0.1901
Between		0.6996
Overall		0.2390

Source: Authors' analysis (2021).

Pre-IFRS period and Earnings Quality

The regression result revealed that Nigerian Generally Accounting Principles (NGAAP), as depicted in Table 7, has a coefficient value of -73.68202 with a p-value of 0.615, which is harmful and insignificant 5% significant level. It indicates that "NGAAP" has a negligible negative effect on earnings quality in small profit earnings to avert small losses through earnings management of the listed conglomerates in Nigeria. Also, it implies that the pre-IFRS period of the listed conglomerates in Nigeria influences about =N=73.68 in every =N=1,000 reported earnings through earnings manipulation.

Similarly, the other segment of this section presents the regression results of the Model in Table 8 below. The independent variable (IFRS) coefficient in the post-IFRS Regime explains the power of the post-IFRS period on earnings quality of the firms in terms of earnings management towards small profit earnings to avert small losses alongside the probability values are provided in the table. The adjusted R² (0.4109) is the multiple coefficients of determination, indicating the proportion of the total variation in the dependent variable (earnings quality) explained by the



independent variable (IFRS) jointly. Hence, it signifies that 41.09% of the total variation in earnings management towards small profit earning of the listed conglomerates in Nigeria was occasioned by its post-IFRS period.

Table 8
Summary of Regression Results (Random effect) – post-IFRS Regime

	Coefficients	P-values
Constant	21.68742	0.821
Ifrs	-14.15396	0.825
Size	-0.0562863	0.304
Diss	0.5005245	0.000
Grow	-0.0424928	0.538
No. of observation		30
R-Squared		0.4922
Adj R-Squared		0.4109
Wald		23.18
Wald Chi2		0.0001
<u>R-squared:</u>		
Within		0.4737
Between		0.5850
Overall		0.4914

Source: Authors' analysis (2021)

Post-IFRS period and Earnings Quality

The regression result revealed that International Financial Reporting Standards (IFRS), as provided in Table 8, has a coefficient value of -14.15396 with a p-value of 0.825, damaging and insignificant at a 5% significant level. It shows that "IFRS" has a negligible negative effect on earnings quality in terms of small profit earnings to avert small losses through earnings management of the listed conglomerates in Nigeria. Also, it implies that the post-IFRS period of the listed conglomerates in Nigeria influences about =N=14.15 in every =N=1,000 reported earnings through earnings manipulation.

Test of Hypotheses

This section presents the analysis carried out to test the hypotheses stated in the introduction: Ho1: pre-IFRS period (NGAAP) has no significant effect on earnings quality in earnings management towards small profit earning the listed



conglomerates in Nigeria. The coefficient value of "NGAAP" at -73.68202 from table 7 above is negative and insignificant at 0.615 at a 0.05 significant level. It indicates that the pre-IFRS period negatively affects earnings quality measured by earnings management towards small profit earning of the listed conglomerates in Nigeria. Of course, it called for the acceptance of the null hypothesis formulated in the introductory section of this paper, which states that the pre-IFRS period has no significant effect on the listed conglomerates' earnings quality in Nigeria.

Ho₂: post-IFRS period (IFRS) has no significant effect on earnings management in earnings management towards small profit earning of the listed conglomerates in Nigeria. The coefficient value of "IFRS" at -14.15396 from table 8 above is negative and insignificant at 0.825 at a 0.05 significant level. Therefore, the post-IFRS period negatively affects earnings management measured by earnings management towards small profit earning of the listed conglomerates in Nigeria. Thus, call for accepting the null hypothesis formulated in the introductory section of this paper, which states that the post-IFRS Regime has no significant effect on the listed conglomerates' earnings quality in Nigeria.

CONCLUSION

The first finding indicates that the pre-IFRS Regime (NGAAP) has a negative and insignificant effect on the listed conglomerates' earnings quality in Nigeria. The second finding shows that the post-IFRS period (IFRS) also has a negative and little impact on the earnings quality of the listed conglomerates in Nigeria. The control variables in both pre- and post-IFRS Regime pooled mixed effects on the listed conglomerates' earnings quality in Nigeria. Likewise, the coefficients of both "NGAAP" and "IFRS" represent the manipulation in the financial statements of the firms during pre- and post-IFRS Regime by the management to earn the firms small profit to avert small losses by way of income smoothening, thereby compromising the earnings quality of the firms. However, this manipulation in the firms' management's financial statements to aggressively retain the existing investors and lure new ones is well, whereas all is not well, which could be misleading.

Based on the empirical analysis precluding this section, the study concluded that both pre- and post-IFRS regimes negatively affect the earnings quality of the listed conglomerates in Nigeria though the negative effect was noticed to have reduced post-IFRS Regime. Therefore, the study concludes that firms migrating from Generally Accepted Accounting Principles (GAAP) to International Financial Reporting Standards (IFRS) by firms could improve the quality of the financial



information disclosed to the public. Further studies are recommended on the effect of IFRS adoption on accounting information quality by engaging more nonfinancial companies.

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