ISSUES AND CHALLENGES IN THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS IN NIGERIA

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Abstract

The mandatory adoption of International Financial Reporting Standard (IFRS) has come with a number of challenges that need to be studied so that solutions from other countries will not be imported into our country. The decision to adopt IFRS is observed to have some weaknesses, as such, implementation of policy results in a lot of challenges. The study explores the challenges on the mandatory adoption of IFRS in Nigeria. The study adopts the questionnaire survey method to seek responses from five hundred and fifty-four respondents on their perception on the subject matter. Structured questionnaire was administered to capture the main questionnaire items. Pearson product moment correlation was employed to test the hypotheses. In testing the hypotheses, the overall result shows the significant relationship on technical related issues and logistic related issues experienced by stakeholders on adoption of IFRS, there is significant relationship between complexity and compliance with IFRS and NG-GAAP but compliance so as to increase or have access to foreign capital and complexities was not found significant. We recommend the need for training and retraining of staff to ease the challenges and in turn reduce cost of IFRS adoption. Accounting infrastructure should be strengthened.

Keywords: International financial reporting standards, issues, challenges, accountants

Introduction

The adoption of International Financial Reporting Standards (IFRS) is significantly on the increase since its inception in 1973. Bansal and Bansal (2010) noted that more than one hundred countries around the world have either adopted or intend to adopt IFRS for their domestic companies for financial reporting purposes. The accounting and auditing environment credibility and practices have been doubted due to corporate collapse and related fraud in the world. Lack of credibility in the financial report necessitated regulators finding a way of addressing the issues of standards in financial reporting.

According to Christensen, Lee and Walker (2007) the mandatory adoption of IFRS is one of the largest regulatory experiments in the financial reporting ever undertaken and may prove to be an imperative action towards global GAAP harmonization. The International Accounting Standards Committee (IASC) was established in 1973, it was taken over by International Accounting Standard Board (IASB) and has brought about 40 international accounting standards. However not all countries have adopted IFRS and there have been an increase in the fall of many organizations due to lack of compliance with accounting standards. Ezeani and Oladele (2012) noted that the collapse of the United State (US) giant mandated the search for global accounting standards captured as IFRS as accounting profession came under scrutiny and led to global issues on audit experience, integrity, non-compliance with accounting principles and existence of standards in the world. Cases of similar financial and accounting scandals in Nigeria include the collapse of the banking sector with liquidation of 26 banks in 1997 and the falsification of financial statement in Cadbury Nigeria Plc in 2006. Corporate collapse and related fraud has raised doubts about the credibility of operating and financial practices in the world. It is in recognition of the need to have a quality financial reports that IFRS adoption is gaining ground across the globe.

Accounting standards are of two types, domestic or national standards and international standards.
Countries have exhibited various attitudes toward the adoption of IFRS which is the international standard. These attitudes could be grouped into three namely, countries that do not want having anything to do with IFRS, secondly, those that believe in themselves like the US and lastly, countries that have fully adopted IFRS. In 2002, the adoption process received a major advance when the European Union (EU) approved a regulation requiring public companies to adopt IFRS commencing in 2005. In Nigeria, the Government signed into law the Financial Reporting Council of Nigeria (FRCN) Act, 2011 formerly named as Nigerian Accounting Standard Board (NASB) with the emphasis that the country’s adoption roadmap of IFRS will commence by 1 January, 2012 for compliance by all publicly listed entities and significant public entities (NASB, 2011). Isenmila and Adeyemo (2013) noted that the CBN and SEC also adopted this date for compliance and has issued guidance compliance circulars to ensure full implementation of IFRS in Nigeria. Most organizations reported their financial statement based on local standards set in their countries which made interpretation of the financial statement difficult across the globe. The decision to adopt IFRS is observed to have some weaknesses, as such, implementation of policy results in a lot of challenges. For instance deficiencies in our educational systems, infrastructures and political undertone have defeated the express given. It is believed that there was no adequate consultation before the implementation policy of IFRS in Nigeria.

Lack of credibility in the financial report made regulators to find a way of addressing the issues of standards in financial reporting. Many countries have adopted IFRS since its inception. It is imperative to study the challenges peculiar to Nigeria so as to avoid adopting foreign based solutions. The solution to other countries where there are heterogeneous factors, situations and solutions not meant for the Nigerian economy will not yield to maximum result thus defeating the purpose of IFRS and making the problems of setting a global accounting standards unresolved.

The accounting and auditing environment credibility and practices have been doubted due to corporate collapse and related fraud in the world. It was stated by World Bank (2004) that the accounting and auditing practices in Nigeria suffer from institutional weaknesses in regulation, compliance, and enforcement of standards and rules. Various weaknesses exist in the regulation and enforcement of financial reporting. Poor education and training have contributed to the weakness in financial reporting. Most financial statements are not in full compliance with accounting standards and the activities of the enforcement bodies have been seen to be insufficient so as to monitor compliance.

The differences in the economic, political, cultural and legal environment in countries may pose challenges. Countries have different systems thus a generalized solution to identified challenges may not be favourable to all nations. If challenges peculiar to Nigeria is not addressed things will be done in archaic ways and the educational institution may not be atoned with the reality of IFRS to delivering accounting curriculum to students as a result Nigerian graduates may not be world congruent and may lag far behind than other countries. The challenges in IFRS implementation may pose a risk to some organizations who may delay in its implementation process. Little empirical evidence in Nigeria documents the challenges of IFRS implementation. The mandatory adoption of IFRS in Nigeria makes this study necessary, desirable and increases the relevance of this research.

The aim of this research is to study the challenges in the process of implementation of mandatory adoption of IFRS in Nigeria. To achieve this aim, the following objectives will be considered to: examine the challenges of adoption of IFRS in Nigeria; and investigate the complexities in the adoption of IFRS in Nigeria;

The fact that Nigeria is currently undergoing the transition period makes the study timely. The adoption of IFRS accrues some benefits despite the challenges on its implementation. However, there is no success without overcoming obstacles. These challenges are worth studying in order to overcome them, so as to have a successful transition. This study will be of importance to organizations adopting IFRS, interested stakeholders and professional associations.

**Literature review**

**An overview of IFRS**
IFRS is accounting standards issued by the International Accounting Standard Board (IASB) for the purpose of financial reporting in the world. The International Accounting Standard Committee (IASC) was founded in 1973 by a group of professional practitioners from Australia, Canada, France, Germany, Japan, Mexico, Netherlands, United Kingdom and Ireland, and the United States of America to formulate uniform and global accounting standards aimed at reducing the discrepancies in GAAP. According to Nyor (2012) on April 1, 2001 the IASB took over the setting of International Accounting Standards from IASC. Thenceforth, the IASB updated the already existing IAS and developed new standards known as IFRS. As noted by Soderstrom and Sun (2007) some firms in European countries were allowed to use IAS as a substitute for local accounting standards. Other countries with prominent capital markets such as Australia, Hong Kong, Singapore and South Africa have also decided to adopt IFRS or have already adopted an accounting regime that is essentially equivalent to IFRS. Prior to the adoption of IFRS, countries had their various standards developed and issued by their various local bodies. In Nigeria, accounting standards were developed and issued by Nigeria Accounting Standard Board (NASB). The standards developed and issued were known as Statement of Accounting Standards (SAS). SAS were adaptation of the International Accounting Standards (IAS). However, NASB has been redesignated as Financial Reporting Council of Nigeria (FRCN). FRCN is a regulatory body designed to oversee the mandatory adoption and implementation of IFRS in Nigeria. Many countries are replacing their local standards with IFRSs while other countries have adopted a strategy of reviewing IFRS and then adopting them either literally or with little amendment as their local standards. Nigeria has decided to adopt IFRS beginning January 1, 2012. The IFRS adoption road map in Nigeria according to Ernst and Young (2010) specifies the adoption into three (3) phases.

Phase 1: With effect from 1 January, 2012 all public listed entities and significant public entities such as government business entities, financial and other credit organizations, insurance companies.
Phase 2: The phase takes effect from 1 January, 2013 and comprises of other entities which are significant public interest because of their natures of business, size, or number of employees or their corporate status, not for profit entities, pension funds and other publicly owned entities.

Phase 3: This will take effect from January 1, 2014 and includes small and medium-sized entities. Small and Medium-sized Entities (SMEs) refer to entities that may not have public accountability.

IFRS is considered principle based approach rather than rule based. A principle based entails that goal of each standard is arrived at a reasonable valuation and that there are many ways to get there, broad rules are established with emphasis on interpretation and entails the use of judgment while rule based would ensure that all organizations are valuing their financial statement the same way and rely on specific rules.

Empirical evidence on IFRS
Several studies investigate the challenges on adoption of IFRS in countries. Larson and Street (2004) examined convergence with IFRS in an expanding Europe: progress and obstacles identified by large accounting firm survey finds that two most significant impediments to convergence identified by the survey appear to be insufficient guidance on first time application with tax driven nature of national accounting requirements and the complicated nature of certain IFRS. The case study of South Africa surveys carried out in 2005 and 2006 by the accountancy firm Ernst & Young on the preparedness of entities to implement IFRS and Turkey discusses similar findings. These surveys indicate that implementation of IFRS is a complex process that requires extensive preparations, including staff training and changes in information systems. Thus, an IFRS implementation plan needs to take into account the time and resources needed for efficient and effective implementation at the entity level (UNCTAD 2007).

Jermakowicz (2004) examined the effect of adoption of IFRS by BEL-20 companies in Belgium finds that 85% of the respondents agreed that the task of implementing IFRS is complex and costly and 75% of the respondents agreed that some of the IFRS are difficult. Among standards that are complex in nature is IAS 39 – financial instrument and IAS 36 –
impairment of assets. Jermakowicz and Tomaszewski (2006) examined the implementation of IFRS by European Union (EU) companies based on questionnaire sent to EU-listed companies in 2004. The findings from 112 respondents suggested the following:

i. Majority of respondent have adopted IFRS for more than consolidated purpose.

ii. The process of adoption to IFRS is costly, complex and cumbersome.

iii. Companies do not expect to lower their cost of capital by implementing IFRS.

iv. Respondent tends to agree with volatility in financial result.

v. The complexity of IFRS as well as lack of implementation guidance and uniform interpretation is key challenge to convergence.

vi. Majority of respondents will not adopt IFRS if not required by the EU Regulation.

The respondents also listed various obstacles to implementing IFRS in their organizations such as complexity nature of IFRS, lack of implementation guidance, lack of uniform interpretation, impact on profit and loss, continuing debate of IAS 39, lack of knowledge among employees and auditors, training of accounting staff and management and change of IT structure etc. The standards that were listed to be most complex include IAS 32 and IAS 39 both on financial instruments.

Findings by Jones and Higgins (2006) revealed that respondents have not been well prepared for the transition and were skeptical about the claimed benefit of IFRS as enunciated in the government’s Corporate Law Economic Reform Program (CLERP). Some respondent see the cost of adoption to outweigh the benefits especially for small companies. Many respondents were vocal in their criticism of CLERP agenda on harmonization, particularly over the generally inadequate consultation between the government and the business community on the CLERP proposals. In their findings Christensen, Lee and Walker (2007) concluded that mandatory adoption do not benefit all firms in a uniform way but results in relative winners and losers. Rather than portraying IFRS as uniformly good thing or a uniformly bad thing, it is important to recognize that some firms gain and some lose from complex, mandatory-accounting changes such as IFRS. Mir and Rahaman (2005) examined the factors that influence the recent decision of the Bangladeshi government and accounting profession to adopt IASs. The findings suggested that institutional legitimization is a major factor that derives the decision to adopt IASs because of the pressure exerted by key international donors/ lending institutions on the Government and professional bodies. There appears to be very little consultation with various interested parties and this has resulted to dissension. However, the perceived undemocratic nature of the adoption process appear to be creating and enhancing conflict among various constituencies resulting in very low compliance with standards.

Wahyuni and Lay (2010) revealed in their study of 275 accountants and auditors that language issue is perceived as a problem more to accountants that work in company rather than auditors, fair-value application were considered as the major challenge in applying IFRS, training of staff as issues for implementation of IFRS in Indonesia. Callao, Jame and Lainez (2007) suggested local comparability to be worsened and adversely affected if both IFRS and local accounting standards are applied in the same country at the same time. Isenmila and Adeyemo (2013) examined perceived impact of Nigerian institutional infrastructure on mandatory adoption of IFRS and they suggested the need of regulators of financial reporting in Nigeria to wake up to their responsibility in ensuring that the ongoing effort at mandatory adoption of IFRS do not become a mere label or nominal adoption. Winney, Marshall, Bender and Swiger (2010) examined the roadblocks to IFRS adoption in the US and identified five roadblocks including differences in principle based versus rules based interpretations, designation of the ruling governing body, distinction in company size, type or phased integration, cost of implementation and education and training gap. Nyor (2012) study on challenges on converging to IFRS in Nigeria finds that IFRS will be cumbersome and create problem. This includes huge cost of outlay involving cost of training personnel, cost of acquiring new packages suitable for IFRS implementation and concluded that cost is the price tag of the forgone SAS to adopt IFRS. Sidik and Abd-Rahim (2012) examined benefits and challenges of financial reporting standards in Malaysia from the perspective of accounting practitioners using questionnaire survey and finds that convergence with financial reporting standards brings a lot of benefits to the business organization but sacrifices need to be made especially on
additional cost to ensure compliance. These challenges include, extra cost incurred to ensure smooth transition, engaging external specialist, upgrading the system and higher audit fees to higher costs on staff training. Akman (2011) examined the role of culture on financial disclosure on adoption of IFRS and concluded that though the disclosure in the financial statements improves after the use of IFRS, the impact of culture on disclosure level continues to play an important role.

The challenges on adoption of IFRS vary by countries and cannot be generalized. Generalizing these challenges may not yield to maximum solution to specific countries.

**Compliance with IFRS in countries**

Al Mutawaa (2010) investigated the extent of compliance of Kuwaiti listed companies with IAS/IFRS disclosure and provided evidence of factors associated with the level of compliance and concluded that only company size and type of industry have positive association with IAS required disclosures. Al-Shammari, Brown and Tarca (2008) investigated the extent of compliance in the Gulf Co-operation Countries (GCC) member state (Bahrain, Oman, Kuwait, Qatatar, Saudi Arabia and the United Arab Emirates – UAE) based on sample of 137 companies and findings suggest that compliance increased over time. Non compliance reflected some ineffectiveness in the function of external auditors and enforcement bodies. Abd-Elsalam and Weetman (2002) examined effect of relative familiarity and language disclosure on international accounting standards and they find that for relatively less familiar aspect of IASs the extent of compliance is related to the type of audit firm but that otherwise a lower degree of compliance with IASs disclosure is observed consistently across a range of company characteristics.

Outa (2011) revealed that Kenyan companies have not achieved full compliance and disclosure is low. However, this is not only peculiar with Kenyan companies but studies have revealed that most countries compliance with accounting standards is not full. Okafor and Ogiedu(2011) noted that adopting IFRS increases reporting complexities and increase compliance with accounting standards. Nararro-Garcia and Bastida (2010) in their study in Spain finds the perception of the respondents on IFRS to be of high quality though significantly different from Spanish standards troublesome and in some cases failure to meet a cost-benefit trade-off. Consequently, applying IFRS could lead to less compliance by organizations thus lowering the quality of financial report.

**The theoretical concept of isomorphism**

The concept that best captures the process of homogenization is isomorphism. The theory of isomorphism as described by Hawley (1968) in DiMaggio and Powell (1983) is the “constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions”. DiMaggio and Powell (1983) developed the concept of institutional isomorphism. They pointed out that “organizational characteristics are modified in the direction of increasing compatibility with environmental characteristics, the number of organizations in a population is a function of environmental carrying capacity and the diversity of organizational forms is isomorphic to the environment diversity”. This signifies that some aspects of an organization can be influenced to an extent for the sake of compatibility and uniformity to suit the surrounding environment of the organization in question. The concept of institutional isomorphism is related to organizational competition for political power, economic fitness and institutional legitimacy. The interdependence of organization can result to certain influences. Institutional isomorphic as identified by DiMaggio and Powell are of three types, these are:

**Coercive isomorphism:** This is related to political influence and the problem of legitimacy. This depicts the influence on mandatory adoption of IFRS in various countries. The consequences as a result of mandatory adoption of IFRS are borne entirely on the organization in question.

**Mimetic isomorphism:** This could be as a result of uncertainty as not all institutional isomorphism is derived from coercive authority. This is a powerful force that encourages imitation. The reason for the mandatory adoption of IFRS is as a result of following the current trend and for Nigeria not to be left out.

**Normative isomorphism:** It is associated with professionalization ensuring that members conform to the authorities and rules. This shows the roles professional associations play in assisting in the readiness of accountant in the mandatory adoption of IFRS.
Methodology

Conceptual model
Organizations are often faced with difficulties in the process of implementing the mandatory adoption of IFRS. The difficulties could stem from technical or logistics challenges. As discussed in the study, the decision of mandatory adoption of IFRS is made by the superior authority which is the Government. Pfeffer and Salancik 1978 in DiMaggio and Powell 1983 observed that organizations faced with unmanageable interdependence seek to use the greater power of larger social system and its Government to eliminate difficulties or provide for needs. They further noted that politically constructed environment have two characteristics features, firstly, political decision makers often do not experience directly the consequences of their action, and secondly, political decisions are applied across the entire classes of organization thus making such decision adaptive and less flexible. Sometimes change could result as a mandate from the Government and the fact that changes may be ceremonial does not signify they are inconsequential. However, those at the helm of affairs that have the direct consequence may be different thus the need to overcome the challenges so as to have a successful transition.

Institutional isomorphism has three distinctive pressures. These include: coercive, mimetic and normative. This decision of mandatory adoption of IFRS could result from institutional isomorphism which may be interdependent as can be seen from the three types of pressures as discussed in the study. The decision to adopt IFRS however not made by organizations, has attracted a lot of consequential effect that needs urgent solution. The professional associations can assist in passing information to assist accountants by organizing mandatory application strategies to assist, such as reinforced training and supporting programs to aid successful transition.

The target population are accountants in Nigeria. There are thirty two thousand seven hundred and twenty-two (32,722) chartered accountants with the Institute of Chartered Accountants of Nigeria (ICAN) as at 2011 (http://en.wikipedia) and sixteen thousand two hundred and seven (16,207) chartered accountants with the Association of National Accountant of Nigeria as at 2010 (http://en.wikipedia). It is assumed that the number of accountants that are not qualified is above the total number of ICAN and ANAN members and assumed to be approximately 2 million. Questionnaire was administered to nine hundred accountants in Nigeria. Questionnaire was administered to nine hundred accountants in Nigeria. The sample size was calculated using the formula

\[ n = \frac{N}{1 + (Ne^2)} \]

Where:
- \( n \) is the sample size,
- \( N \) is the population,
- \( e \) is the error limit (0.05 on the basis of 95% confidence level)

Therefore,

\[ n = \frac{2,048,929}{1 + 2,048,929 (0.05^2)} \]

\[ n = \frac{2,048,929}{5,123} \]

\[ n = 400 \]

Using a population of approximately 2.049 million Nigerians with an error limit of 5%, a sample size of 400 is considered adequate as computed above. A total of nine thousand copies of the questionnaire were distributed. The probability sampling method was employed.

Data analysis and discussion

Technical and logistic challenges of adoption of IFRS in Nigeria

What technical and logistic related issues are experienced by organizations on adopting IFRS? In order to answer the above question, thirteen (13) questionnaire items were put forward to the respondents. Below are the responses that were obtained.
Table 1: Pearson correlation on technical and logistic challenges

<table>
<thead>
<tr>
<th>Technical challenges associated with IFRS</th>
<th>Logistic challenges associated with IFRS</th>
<th>High cost of IFRS implementatio</th>
<th>Timing too short to fully equip staff</th>
<th>Huge cost on staff training</th>
<th>Adequate consultation of relevant professional bodies</th>
<th>Resistance to change to IFRS by organizatio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>.304(**)</td>
<td>.240(**)</td>
<td>.149(**)</td>
<td>.186(**)</td>
<td>.074</td>
<td>.115(**)</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.082</td>
<td>.007</td>
</tr>
<tr>
<td>Shortage of IFRS technically competent staff</td>
<td>Pearson Correlation</td>
<td>.243(**)</td>
<td>.184(**)</td>
<td>.141(**)</td>
<td>.115(**)</td>
<td>.017</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.001</td>
<td>.007</td>
<td>.689</td>
<td>.007</td>
</tr>
<tr>
<td>Financial instrument most complex standard in IFRS</td>
<td>Pearson Correlation</td>
<td>.175(**)</td>
<td>.193(**)</td>
<td>.163(**)</td>
<td>.144(**)</td>
<td>.080</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.001</td>
<td>.661</td>
<td>.000</td>
</tr>
<tr>
<td>Impairment of asset most complex standard in IFRS</td>
<td>Pearson Correlation</td>
<td>.176(**)</td>
<td>.090(*)</td>
<td>.141(**)</td>
<td>.020</td>
<td>.127(**)</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.034</td>
<td>.001</td>
<td>.631</td>
<td>.003</td>
<td>.000</td>
</tr>
<tr>
<td>Fair value determination difficult and poses challenge in IFRS implementatio</td>
<td>Pearson Correlation</td>
<td>.239(**)</td>
<td>.170(**)</td>
<td>.146(**)</td>
<td>.121(**)</td>
<td>.045</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.004</td>
<td>.290</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>Need to engage specialist in standards application</td>
<td>Pearson Correlation</td>
<td>.234(**)</td>
<td>.254(**)</td>
<td>.076</td>
<td>.169(**)</td>
<td>.089(*)</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.073</td>
<td>.000</td>
<td>.036</td>
<td>.000</td>
</tr>
<tr>
<td>Need to change to or enhancement of IFRS compliant IT</td>
<td>Pearson Correlation</td>
<td>.152(**)</td>
<td>.065</td>
<td>.172(**)</td>
<td>.060</td>
<td>.110(**)</td>
</tr>
</tbody>
</table>
The items in the questionnaire used to test hypothesis one shows positive correlation at 0.01 level of significant and P value of 0.05 with the exception of technical challenges associated with IFRS adoption with adequate consultation of relevant professional bodies, shortage of technically competent staff in application of IFRS with adequate consultation of relevant professional bodies by the government before policy implementation, financial instrument considered most complex standards with adequate consultation of relevant professional bodies by the government before policy implementation, impairment of asset considered the most complex standard with high cost of training staff on IFRS matter, fair value determination is difficult and poses challenge in IFRS adoption with adequate consultation of relevant professional bodies by the government before policy implementation, need to engage specialist in application of standards and high cost of IFRS implementation with Pearson correlation of 0.254 and P value of 0.000. However, few of the items listed above were not found to be significant.

Complexity and compliance with IFRS than NG-GAAP

What are the complexities and compliance with the adoption of IFRS compared to NG-GAAP? In order to answer the above question, eleven (11) questionnaire items were put forward to the respondents. Below are the responses that were obtained.
Table 2: Pearson correlation on complexity and compliance with IFRS than NG-GAAP

<table>
<thead>
<tr>
<th></th>
<th>Competitive organizations increase level of compliance to have an edge in their industry</th>
<th>Multinational under pressure to comply with IFRS than NG-GAAP</th>
<th>Organizations intending to increase or have access to foreign capital comply with IFRS than NG-GAAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>More accounting complexities under IFRS than NG-GAAP</td>
<td>Pearson Correlation: .072</td>
<td>.102(*)</td>
<td>.078</td>
</tr>
<tr>
<td>Determination of fair value makes IFRS complex than NG-GAAP</td>
<td>Pearson Correlation: .148(**)</td>
<td>.085(*)</td>
<td>.049</td>
</tr>
<tr>
<td>Difficulty in applying professional judgment under IFRS than NG-GAAP</td>
<td>Pearson Correlation: .119(**)</td>
<td>.127(**)</td>
<td>.063</td>
</tr>
<tr>
<td>Application of standards more difficult in IFRS than NG-GAAP</td>
<td>Pearson Correlation: .138(**)</td>
<td>.101(*)</td>
<td>.061</td>
</tr>
<tr>
<td>Disclosure requirement more complex in IFRS than NG-GAAP</td>
<td>Pearson Correlation: .153(**)</td>
<td>.094(*)</td>
<td>.065</td>
</tr>
<tr>
<td>Recognition criteria for items more difficult under IFRS than NG-GAAP</td>
<td>Pearson Correlation: .091(*)</td>
<td>.091(*)</td>
<td>-.033</td>
</tr>
<tr>
<td>Presentation of financial statement more complex under IFRS than NG-GAAP</td>
<td>Pearson Correlation: .065</td>
<td>.124(**)</td>
<td>.019</td>
</tr>
<tr>
<td>Measurement of items complex under IFRS than NG-GAAP</td>
<td>Pearson Correlation: .168(**)</td>
<td>.161(**)</td>
<td>.103(*)</td>
</tr>
<tr>
<td>Source: Authors’ Computation, (2013) **Significant @ 0.01 level. * Significant @ 0.05 level.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The items in the questionnaire used to test hypothesis two shows positive correlation at 0.01 level of significant and P value of 0.05 with the exception of more accounting complexities exit under IFRS than NG-GAAP with increase in compliance so as to have edge by competitive industry, presentation of financial statement more complex under IFRS with increase in compliance so as to have edge by competitive industry. Compliance so as to increase or access
foreign capital is not correlated with any of the item exception of measurement of items is complex under IFRS as shown in Table 4.38 above.

The decision rule according to Frederick and Larry (2003), states that when $P < \alpha$, it implies there is a significant relationship, but when $P > \alpha$, it infers there is no significant relationship. That is, when the calculated $P$ value is less than 0.05 level of significance, then the null hypothesis is rejected and the alternative hypothesis is accepted and vice versa. The overall result of Pearson correlation employed in the test of hypothesis two shows that the null hypothesis is rejected and the alternative hypothesis accepted which states that: There is significant relationship between complexity and compliance with IFRS and NG-GAAP. This decision is based on the calculated $P$ values as shown in Table 4.38 with the highest correlation between measurement of items are complex under IFRS and increase in compliance so as to have edge by competitive industry with Pearson correlation of 0.168 and $P$ value of 0.000.

However, compliance so as to increase or have access to foreign capital and complexities as shown in Table 2 were not found to be significant.

Conclusion
There are various issues and challenges that come with the mandatory adoption of IFRS. The numerous technical challenges on adoption of IFRS includes need to engage specialist due to difficulty of standards, shortage of technical competent staff in application of standards, financial instrument considered to be the most difficult standards and change or enhancement of present IT system to be IFRS compliant. The logistic challenges includes huge cost of staff training on IFRS matters, high cost on IFRS implementation, resistance to change to a new system of financial reporting that is conformity with IFRS and timing too short to fully equip the required staff on IFRS implementation. We concluded that the most difficult technical and logistic challenges associated with the mandatory adoption of IFRS are the need to involve specialist due to complexity of standards in IFRS and high cost of training staff on IFRS matters respectively.

The adoption of IFRS though challenging will place Nigeria on a level playing ground with other international economies.

Recommendations
The technical and logistic challenges involved in the mandatory adoption of IFRS need to be properly handled so as to reduce the cost associated with the adoption of IFRS. There is the need to focus on massive qualitative training on IFRS matters by professional bodies so as to reduce the technical and logistic challenges perceived on IFRS adoption. Tackling the challenges is paramount to curb resistance by stakeholders. Future research can consider increasing the sample size as this will provide additional evidence on the issues and challenges of mandatory IFRS adoption.

References


