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Financial Reporting Quality of Listed Oil Companies in Nigeria: an Empirical Investigation Using Ohlson Model

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Abstract

The quality of financial reporting is to promote transparency and deliver high quality annual report through comprehensive disclosure. This has contributed to the accounting standards setting and laws regarding financial reporting. Quality of financial reporting has always been an issue of interest among regulatory bodies, shareholders, researchers and the accounting profession and stakeholders. This study provides empirical investigation on the value relevance of financial reporting quality reported by oil firms in Nigeria and how such information influences the share value of the firms. The study uses the Ohlson Model to establish the degree to which the accounting information of oil firms influences the share price valuation of the firms. Listed firms in Nigeria under the oil sector are used in the study and five-year statistical data (2011-2016) relative to share prices, market values, and earnings per share of the firms are used. The findings from the study revealed that financial reporting quality of listed oil firms in Nigeria has significant value relevance to the users of the information. The conclusion drawn from inference here is that the accounting information published by listed oil firms in Nigeria has value relevance to the investors in making their investment decisions on the firms. For the accounting information of listed oil firms in Nigeria to have higher value relevance, the firms should consider improving their financial reporting quality. This will increase their share prices on the floor on Nigerian Stock Exchange. It will also accord the various stakeholders of the firms more valuable information and can improve on the value relevance of the accounting information reported by the firms. This study has also contributed to the theory by validating financial reporting quality and Ohlson Model of share valuation using Nigerian data. It has also contributed to policy recommendations by recommending to regulatory authorities, board and management to ensure that companies comply with regulatory provisions in preparing their financial statements and quality assurance index which Financial Reporting Council of Nigeria should provide. This will bring confidence in investors and attract more investments both local and foreign which will improve sustainable economic growth and development and good governance.

Keywords: *Oil firms, Financial reporting quality, Value relevance, Ohlson model, Share price.*

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Background of the Study

Corporate financial reporting has become a global concern particularly in recent time due to the reported cases of corporate failures arising from improper, false and misleading financial reporting in firms which hitherto had enjoyed good reputation due to the track record of great success in their lines of business. A financial statement is said to be misleading if its lacks a qualities of accuracy, relevancy, comparability, reliability, compatibility and it contains fundamental errors or is prepared with the intention to deceive and/or confuse the users. Such deception can be carried out in a number of ways among which are distortions of accounting records, falsification and omission of transactions, or misapplication of accounting principles (Shehu, 2012). The quality of financial reporting is to promote transparency and deliver high quality annual report through comprehensive disclosure. This has contributed to the accounting standards setting and laws regarding financial reporting. Quality of financial reporting has always been an issue of interest among regulatory bodies, shareholders, researchers and the accounting profession and stakeholders.

Accounting is an information system that is used for communication purposes and for the purpose of aiding decision making. According to Bello (2009), accounting is believed to be an information infrastructure used by economic units to achieve various economic decisions. Corporate organizations use accounting to communicate to all stakeholders about their operating performance and position at a particular time period. The process through which companies communicate to the public about their operations is called financial reporting. Corporate financial reporting is the medium through which companies communicate to the external society about their operational performance in terms of profitability, efficiency, and responsibility (Abubakar, 2010; Nzekwu, 2009). Financial reporting of a corporate entity constitutes a combination of qualitative and quantitative financial reports, which are referred to as a firm's bill of health. Various stakeholders take their decisions relative to a firm's performance and position based on the accounting information supplied by it in its annual financial reports and accounts.

Financial reporting by companies is effected via the preparation and publication of financial statements. These financial statements are required to exhibit certain degree of quality in terms of their information contents. Mines & Wahlen (2006) and Belkaoui (2002) opined that accounting information contained in the financial reports should possess certain qualities as relevance, verifiability, understandability, neutrality, timeliness, comparability, and completeness. When the financial reports disclose quality accounting information, according to Benston (2007), the decision of the users (investors, management, government, employees, creditors, analysts) of the reports could as well be qualitative and informed. The users of the financial reports use the reports frequently in passing judgments Mahmoud & Adebisi (2017) and Izedonmi, Obgaisi & Oshdin (2017) on the viability of a company. According to Ghofar & Saraswati (2008), investors in many cases are too dependent on the quality of accounting disclosure. However, the quality of information disclosure in the financial reports of companies has been an area of debate by both accounting theoreticians and those in practice (Van Beest, Braam & Boelens, 2009). In view of the above, it is necessary to carry out an empirical study on the subject of financial

reporting quality and share price. Oil sector is chosen as the domain of the study because it is the major source federal government revenue in Nigeria and contribute more 70% of our GDP.

Statement of the Problem

The experience of advance countries had demonstrated a positive marriage of convenience between well coordinated wealth management and economic development. Lack of framework to manage wealth continues to plague and plunge less developed countries like Nigeria into the vicious circle of poverty. Nigeria has a lot of resources being the 6th largest oil producer in the world but lack the ability to manage wealth by effectively developing and encouraging indigenous and foreign investments. This inability has a direct relationship with the need for efficient corporate financial reporting quality in Nigeria for sustainable development. The lack of effective financial reporting quality corporate governance in Nigeria has worked to the detriment of shareholders and created a class of stakeholders who have lost interest in the system (Mahmoud, 2016). Most of the studies relate financial reporting and firm characteristics usually taken the listed companies on Nigerian stock exchange. This study is concerned with financial reporting and share price of oil subsector.

A more recent debate in the financial accounting literature regards the relevance of accounting information for firms of the so-called Oil (Lopes, 2001). Due to the failure of traditional accounting measures to recognize and measure the intangible assets especially relevant for oil firms, it is argued that accounting will lose relevance for valuation and users' investment decision purposes (Barth, Landsman & Lang, 2008; Iu & Clowes, 2004). Where a firm is listed in the stock exchange market, the various stakeholders of the firm accord more attention to the accounting information revealed by the firm in its financial reports. Is accounting information of oil firms contained relevant information for decision making purposes? To what extent does the accounting information of listed oil firms in Nigeria dictate or influence the share price of the firms? This study therefore investigates empirically the financial reporting quality (value relevance) of accounting information of oil firms in Nigeria and its influence on their share prices.

Objective of the Study

The objective of this study is to examine the relationship between financial reporting quality and share prices using Olhson Price Model of listed oil companies in Nigeria.

Hypotheses of the Study

In achieving so, a null hypothesis is formulated and tested during the course of the study. The hypothesis reads:

H_0: The financial reporting quality information published by the listed oil firms in Nigeria does not significantly affect their share prices.

Literature Review

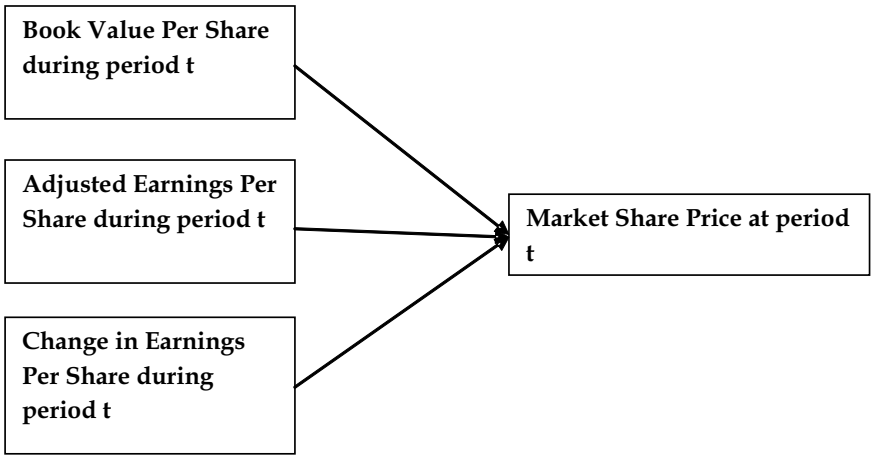
Many researchers have measured predictive value as the ability of past earnings to predict future earnings (Francis, LaFond, Olsson & Schipper 2004, Lipe, 1990; Schipper & Vincent,

2003). Predictive value explicitly refers to information on the firm's ability to generate future cash flows, information about an economic phenomenon has predictive value if it has value as an input to predictive processes used by capital market providers to form their own expectations about the future (IASB, 2008). Predictive value is considered as most important indicator of relevance in terms of decision usefulness and measure of predictive value using three items. The first item measures to what extent the annual reports provide forward looking statements. The forward looking statement usually described management's expectations for future years of the company. For capital providers and other users of annual report this information is relevant since management has access to private information to produce a forecast that is not available to other stakeholders (Bartov & Mohanram, 2004).

The second item measures to extent the annual reports discloses information in terms of business opportunities and risk. Jonas & Blanchet (2000) refer to the complementation of financial information by non-financial information, when referring to predictive value, and the knowledge that can be obtained of business opportunities and risk, since it provides insight into possible future scenarios for the company.

The third item measures company's use of fair value. Prior literature usually refers to the use of fair value versus historical cost when discussing the predictive value of financial reporting information (Hirst, Hopkins, & Wahlen 2004; McDaniel, Martin & Maines, 2002; Schipper & Vincent, 2003 and Bello,2009). It is often claimed that fair value accounting provides more relevant information than historical cost because it represents the current value of assets, instead of the purchase price (Maines & Wahleh, 2006; Schipper & Vincent, 2003).

In addition to predictive value, confirmatory value Mahmoud & Adebisi (2017) and Izedonmi, Obgaisi & Oshdin (2017) contributes to the relevance of financial reporting information. Information has confirmatory value if it confirms or changes past (or present) expectations based on previous evaluations (IASB, 2008). Jones & Blanchet (2000) argue that if the information in the annual report provides feedback to the users of the annual report about previous transactions or events, this will help them to confirm or change their expectations. Many studies exist in the area financial reporting quality which is the determinant of value relevance of accounting information. This in turn determines the market share price at any period. Although the studies differ in their conclusion, their difference mostly lies in the country of research, operation industry or specific factors considered. The following is the Olhson Price Model which is adapted in this study.



Source: Olhson Price Model 1995

Book Value and Financial Reporting Quality

Financial information reporting may be either mandatory or voluntary. Mandatory disclosure may arise from a number of sources, such as stock exchange listing requirements, professional promulgations, and statutes. Voluntary disclosure represents disclosure in excess or mandatory disclosure, and in efficient markets is likely to be provided where the marginal benefits to the provider exceed the marginal costs. Adelopo, (2010) finds a significant positive relationship between voluntary disclosure and firm size, measured as the natural logarithm of total asset. Significant positive relationship was also found between market based definition of firm performance and voluntary disclosure.

Ali and Hwang (2000) conducted a study on the value relevance of accounting information based on country specific factors. Their study found strong relationships between the value relevance of accounting and some country-specific factors. On one hand, their study found lower value relevance of accounting information under some factors; while on the other hand found higher value relevance of accounting information under other factors. Specifically, they found that value relevance is lower for countries with bank-oriented (as opposed to market oriented) financial systems; for countries where private-sector bodies are not involved in the standard setting process; for countries that adopt a Continental model than for British-American model countries; and for countries where tax rules significantly influence financial accounting rules. Additionally, they found that value relevance is higher when more is spent on external auditing. The study was based on the data from manufacturing firms in 16 countries, 11 of which are European. Their findings demonstrated that the value relevance of accounting information is lower for countries where accounting practices follow the Continental as opposed to the Anglo-Saxon model.

This result is consistent with arguments and findings in La Porta, Lopes-de-Silanes, Shleifer, & Vishny (2000) conducted a study on law and finance in Anglo-Saxon and Continental countries. Their study was tailored towards the impact of law provisions on

improving the quality of accounting systems and shareholders protection. The findings from their study revealed that Anglo-Saxon countries have both better accounting systems and better shareholder protection than Continental countries. Their findings contrasted both the findings of Joos & Lang (1994) and Arce & Mora (2002). The study conducted by Joos & Lang (1994) and Arce & Mora (2002) compare the value relevance of accounting numbers in different European countries but they fail to find evidence of a higher value relevance of accounting information in Anglo-Saxon than in Continental countries. These mixed results could be explained by the lack of control for the industry variable in these two studies (Lopes, 2001).

Adjusted Earnings and Financial Reporting Quality

Alsaeed (2006) have contended that financial information has a dual role in the capital market which aids in establishing a set of equilibrium share prices that affects the allocation of resources and the production decisions implemented by companies and enables individuals to exchange claims to present and future consumption and the sharing of social risks. The use and usefulness of financial accounts to the market participants in estimating a company's value has been proven by previous studies. Markets have shown to react to the annual audited accounts produced by companies. They have also shown that markets react positively to favourable earnings in the financial accounts. As it provides value-relevant information to external parties of the organization, the heavy reliance placed on accounting numbers create powerful incentives for manager to manipulate earnings to their own advantage (Alsaeed 2006). Therefore, since the nature of quarterly accounts which are not generally audited and contain less disclosure as compared to annual audited accounts, many have concerns on their quality. This is because, due to this nature, managers may be more able to manage quarterly accounts as opposed to annual accounts and may have relatively more latitude to manipulate the quarterly numbers than annual numbers. While Ali and Hwang (2000) used data only from manufacturing firms, Joos and Lang (1994) and Arce and Mora (2002) used data from all the sectors ignoring that significant difference in the value relevance of accounting data across industries could be found and affect the results.

Change in Earnings and Financial Reporting Quality

Firms' profitability has also been argued to have an influence on the quality of financial reporting. Alsaeed (2006) argued that a profitability firm may feel proud of its achievements and therefore would wish to disclose more information to the public in order to promote positive impressions of its performance. However, even though a study by Hanifa & Cooke (2002) did find a significant positive relationship between return on equity (ROE) with voluntary disclosure, a study by Alsaeed (2006) on the other hand, found insignificant relationships. Besides that, the level of profit has also been argued to have an influence on the manipulation of accounting accruals because managers may manage earnings to increase their bonus rewards did not find any significant relationships between the level of net income and discretionary accruals. This inconsistency and insignificance in the result is probably due to the use of current profitability, instead of changes in profits. Therefore, studies by Klein (2002) and Davidson, Stewart & Kent (2005) have argued that the changes in profit influence the manipulation of accounting accruals.

Both studies have found support for this argument. Their studies indicate a significant positive relationship between changes in net income and accruals in financial accounts.

Other studies in the area of value relevance of accounting information included the studies of Lourenço & Curto (2008), Hung & Subramanyan (2007), Bartov, Goldberg & Kim (2005), Lopes (2001) and Hung (2001). Lourenço and Curto (2008) results provided evidence of the change from a context where accounting numbers are significantly more value relevant in the Anglo-Saxon than in Continental countries (pre-IFRS period) to a context where the value relevance of accounting numbers differs significantly between countries with different levels of shareholder protection (IFRS period). This finding suggests the importance of considering shareholder protection when promoting the adoption of IFRS instead of Local accounting standards. The conclusion in the study of Hung and Subramanyan (2007) and Bartov, Goldberg & Kim (2005) revealed that the book value, net income and comparative value relevance are no more value relevant under IFRS than under German accounting rules. Lopes (2001) showed that accounting numbers are more relevant for companies of the so-called Oil than for companies of the Old Economy. His results, however, are contrary to what is normally supposed in the literature, which assumes that Oil companies have more intangible assets that are not measured by traditional GAAP measures causing accounting numbers to lose relevance. Hung (2001) found that managers in countries with a weak shareholder protection are more likely to manipulate accruals.

Theoretical Framework

In order to investigate the relationship between financial reporting quality and share price, signaling theory is adapted. Signaling theory offers an intriguing opportunity for reconciling the strategic-actor and materialist approaches in the social sciences with approaches centered on meaning, social value, and ritual. Signaling theory is one theory that underlies the voluntary disclosure of where the company was driven to provide information to outside parties.

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. Accordingly, signaling theory holds a prominent position in a variety of management literatures, including strategic management, entrepreneurship, and human resource management.

Signaling theory in science communication in the disciplines of accounting is used to explain and predict the behavior patterns of communication to the public managers. Signaling theory in accounting for one of its functions is to assess any private information that will be issued by the management to shareholders. The manager seeks to communicate private information which tends to contain good news is to increase shareholder wealth (Jaswadi, 2004).

According to signal theory, companies with high earnings quality will result in persistent earnings, and are entitled to a high valuation from investors. Instead, the company will produce low-quality earnings are not persistent, and deserves a low valuation of investors indicated a low stock market prices (Bandi, 2009). The theory of signals related to the capital market response in response to good news and bad news coming from a company that has been listed in the investment portfolio of the investor. With the information released by management to be addressed as good news or bad news can help investors to make upward revisions to earnings and performance of the company in the coming and decided to buy the company's stock. Conversely, if the prediction is higher than actual, which means bad news, investors will revise down and immediately sell the shares of the company because the company's performance does not match the expected (Ambarwati, 2008).

This signaling theory is most widely used to assess financial reporting quality are accrual models, value relevance models, research focusing on specific elements in the annual report, and methods operationalizing the qualitative characteristics. Financial reporting value relevance studies in the area of accounting information only focus on information disclosed in financial statements to assess the financial information quality (Dechow, Sloan & Sweeny, 1995; Choi, Collins & Johnson, 1997; Healy & Wahlen, 1999; Barth, Beaver & Landsman, 2001; Holthousen & Watts, 2001; Leuz, Nanda & Wysocki, 2003; Nichols & Wahlen, 2004). The models proffered under this theory focus on the associations between accounting figures and stock-market reactions in the measurement of the quality of financial reporting information (Choi et al., 1997; Jonas, & Blanchet, 2000; Barth et al., 2001; Nichols & Wahlen, 2004). The stock price is assumed to represent the market value of the firm, while accounting figures represent firm value based on accounting procedures. According to Nichols & Wahlen (2004) and Dechow & Dichev (2002), when both concepts are strongly correlated, it is assumed that earnings information provides relevant and reliable information. This method is also used to examine earnings persistence, predictive ability, and variability, as elements of earnings quality (Lee, Strong, Kahn, & Wang, 2002; Schipper & Vincent, 2003; Francis, La Fond, Olsson & Schipper, 2004).

Due to the pursuit of finding the extent to which accounting information prepared and published by the listed oil firms in Nigeria are relevant; and to achieve the objective of this study, signaling theory is used via the application of Price Model as advocated by Ohlson (1995). The Ohlson Price Model uses book values, earnings and change in earnings to determine how they affect the share price. The next subsection provides adequate explanations on the model development and the modeling process. This model was initially developed by Ohlson. It is also referred to in the literature as the Edwards – Bell – Ohlson (EBO) model or Residual Earnings model by Bernard (1994) and Lee (2006). The model states that firm value is a function of book value and future earnings.

Methodology

This study is a descriptive research that ascertained the value relevance of accounting information published by listed oil firms in Nigeria. The study used secondary data collected from the Nigerian Stock Exchange Fact Book 2016 for five years from 2012 to

2016. The hypothesis formulated was tested using the Ohlson Model. The population of this study consisted of the eighteen (16) oil firms listed in the Nigerian Stock Exchange (NSE) as at December 31, 2016. All the firms are adopted as the sample of the study. Regression is utilized as the tool of analysis.

Model Specification

In order to find the value relevance accounting information of listed oil firms in Nigeria, Ohlson (1995) Model was used. The objective here is to show empirically the extent to which accounting information contained in the financial statements of listed oil firms in Nigeria are relevant. In line with this, the study formulated the following equations to find the multiple regression results using the Ohlson (1995) Model.

F (stock market value) = f (Accounting figures)…….. (1)
Stock Price = Market Value of the firm…….. (2)
Accounting Figures = Firm Value…….(3)

When equations (2) & (3) are correlated, earnings information provides relevant and reliable information which is the determinant Nichols & Wahlen (2004) and Dechow & Dichev (2002) of stock price.

From equation (2)
Stock Price = Market Value……..(4)
Olhson Price Model = α_t + β_{t1}BVSH + β_{t2}AEPS + β_{t3}CEPS + ε_t ……(5)

Substituting equation (4) in (5) where stock price = Market Value. This provides the following *Olhson Price Model* which guides the study.

$$MKTP_t = \alpha_t + \beta_{t1}BVSH + \beta_{t2}AEPS + \beta_{t3}CEPS + \varepsilon_t \ldots\ldots\ldots\ldots\ldots (6)$$

Where:
$MKTP_t$ = Market Share Price at period t.
BVSH = Book Value Per Share during period t.
AEPS = Adjusted Earnings Per Share during period t.
CEPS = Change in Earnings Per Share during period t.
α = The intercept
β = The coefficients of independent variables
ε = Statistical error

Adjusted Earnings per Share (AEPS) instead of Basic Earnings per Share was used in the regression equation so that the effect of shareholding dilution is adequately accommodated. The Book Value per Share (BVSH) was arrived at by dividing the shareholders' fund of each firm with the latest outstanding ordinary shares in issue. As for the Market Share Prices, the study made use of the firms' market share prices at exactly three months after accounting year ends. The reason behind the choice of these share prices is to ensure that the share prices adequately reflect the accounting information

published by the selected firms. Moreso, the Companies' and Allied Matters Act (CAMA) in Nigeria clearly stipulate that a company operating in Nigeria shall publish and present its annual reports and accounts at an Annual General Meeting not later than three months after the accounting year ends. So share prices at three months after accounting year ends are prices reflective of all accounting information accessed by the investors. The results obtained from the regression analysis are used as decision rules in rejection of or failure to reject the hypothesis formulated in this study.

Results and Discussions

The regression result of the data obtained from the NSE Fact Book 2016 and Daily Stock Prices report are presented in Table 1. The data was used to compute the coefficients of the regression and Ohlson model variables as presented in Table 1 below. The objective here is to provide explanations on the value relevance of accounting information of the selected oil firms in Nigeria.

Table 1: Descriptive and Inferential Statistics Results

Variables	Beta	Standard Error	T-Values	P-Values	Tolerance Value	Variance Inflation Factor
CONSTANT	8.572	2.001	0.652	0.050		
BVSH	0.621	2.322	0.333	0.001	0.692	1.445
AEPS	0.141	9.100	0.457	0.004	0.811	1.233
CEPS	0.253	8.967	0.721	0.009	0.711	1.406
MKTP	0.721	7.521	3.981	0.007	0.628	1.592
R				0.812		
R Square				0.659		
Adjusted R Square				0.642		
Std. Error of the Estimate				8.127		
F statistics				10.00		
F Sig.				0.000		
Durbin – Watson				2.011		

Source: Review Regression Results

The statistical results indicate significant correlation between MKTP, (dependent variable) and BVSH, AEPS & CEPS with R^2 64%. This adjusted coefficients of determination (R^2) of 64% revealed the overall fitness of the Ohlson Price Regression Model. This means that only 64% of the variations in the market share prices of selected listed oil firms in Nigeria are explained by BVSH, AEPS & CEPS. This showed that BVSH, AEPS & CEPS have high significant influence on the share price of the firms. The remaining 36% are explained by other factors.

In order to assess the multicollinearity and autocorrelation of the variables considered, the Tolerance, VIF (Variance Inflation Factor) and Durbin–Watson (DW) values are used. Whereas the Tolerence and VIF values assess the multicollinearity of the values, DW is used to assess autocorrelation of the values. From table 1 above, the Tolerance values of

the variables are consistently smaller than 1.0. This shows that there is complete absence of multicollinearity as inferred by Tobachnick & Fidell (1996) and Musa (2005). The VIF values, moreover, reaffirm the complete absence of multicollinearity among the variables considered since the values are consistently lower than ten (10) as suggested by Neter, Kutner, Nachtsheim & Wasserman, (1996), Cassey & Anderson (1999) and Musa (2005). As for autocorrelation of the values, the DW value of 1.826 signifies complete absence of autocorrelation since the value falls within the range of 1.5 – 3.5.

The regression equation as stated earlier is restated below:

$$MKTP_t = a_t + \beta_{t1}BVSH + \beta_{t2}AEPS + \beta_{t3}CEPS + \varepsilon_t \quad \text{---------- (7)}$$

Substituting the computed beta values of the variables in the equation, we have:

$$MKTP_t = 8.572 + 0.621BVSH + 0.141\,AEPS + 0.253CEPS + 7.411 \quad \text{------- (8)}$$

From equation (8) BVSH, AEPS and *CEPS* have positive beta coefficients and can influence a positive change in the market price whenever there is an increment in them. Though the F statistics gives a positive value of 10.00, the value indicates a strong significant relationship. The overall significance (sig. F change) of BVSH, AEPS & CEPS on the MKTP is 0.000, which is significant at 1% level of significance. These results, however, provided evidence that the regression model is well fitted; the variables are well selected, combined and utilized. And that the accounting information published by listed oil firms in Nigeria has positive significant impact on the share price value of the firms. The inference here is that the accounting information published by listed oil firms in Nigeria has high value relevance to the investors in making their investment decisions on the firms. This means that the study fails to reject the null hypothesis as formulated.

Conclusion and Policy Recommendations

In view of the findings from this study, which revealed that the accounting information published by the listed oil firms in Nigeria has high value relevance. This means that investors rely on financial information in order to make decisions on investing in the shares of listed oil firms in Nigeria. This finding substantiates the fact that the oil firms' major asset is invaded in the intangibles value, which is not usually reported by the firms in their financial statements. Although this study confirms the findings of Joos & Lang (1994), Arce & Mora (2002), Mahmoud & Adebisi (2017) and Izedonmi, Obgaisi & Oshdin (2017). there is a total contrast of the findings when compared with the findings of Lopes (2001). This could be as a result of differences in law provisions relating to accounting information or other specific factors. For the accounting information of listed oil firms in Nigeria to have higher value relevance, the firms should consider the inclusion of their value of intangibles in the financial statements. This can accord the various stakeholders of the firms more valuable information and can improve on the value relevance of the accounting information reported by the firms. the findings of this study make the following policy recommendations

1. Investors should carefully analyse financial reports of companies before investing their funds.

2. Accounting standard setters should pay attention to earnings management practices by the board and management in order to monitor their activities and improve the quality of financial reports.
3. Auditors both internal and external should excurse due diligence in checking the transactions very with care.
4. Financial analysts should analyse financial statement very well in order to give good advise to their clients.
5. Capital market regulators should ensure compliance of regulatory provisions by companies.
6. Further, this study has implications on corporate governance practices due to the impact of corporate governance on managerial opportunistic behaviour as well as financial reporting credibility.
7. Also Financial Reporting Council of Nigeria should provide quality assurance index of financial reporting and compliance enforcement.
8. Further research is recommended in this area of financial reporting quality.

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