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The International Financial Reporting Standard (IFRS) Adoption and the Profitability of Selected Quoted Oil and Gas Companies in Nigeria

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Abstract

The country decided to make a mandatory adoption of the International Financial Reporting Standard (IFRS) on 1st January, 2012, this lead the researcher to examined the effect that IFRS adoption have on the profitability of selected quoted oil and gas companies in Nigeria. The area of focus is the liquidity, profitability and leverage, of these companies when using the Nigerian GAAP and IFRS. To assess whether there is any significant difference on performance measurement. The work employ secondary source of data using the financial report of fire (5) selected quoted oil and gas companies. The analysis of data was done by using pair sample test statistics to compare the period when NG-GAAP was in use and the period the companies moved to International Financial Reporting Standard. The period covered by the study was from 2009-2014. 2009-2011 the period when the companies use the Nigerian Generally Accepted Accounting Principles (NG-GAAP) and 2012-2014 is the period when IFRS was used to present these financial statements. The findings show that there was no significant statistical difference in report of the key performance indicators (KPIs) that was used in assessing the company's performance. It is therefore recommended that further study should be done to cover more period after the IFRS adoption, so as to examine the reporting quality of the companies after the adoption of the global standard. In order to make the study of international financial reporting standard to be well implemental in Nigeria especially in the oil and gas sector, Oil and Gas should be included in the curriculum of tertiary institutions especially in the Polytechnic, where the study of technological education and advancement is very crucial.

Keywords: *IFRS, NG-GAAP, Adoption, Financial statement, KPIs*

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Background to the Study

In the past few years, many developed and developing countries have adopted International Financial Reporting Standards (IFRSs) as their basis for financial reporting. The European Union (EU) took the lead when they mandated all listed companies in the European Union to start the adoption and implementation of the IFRS in their financial reporting since 2005. IFRSs are sets of accounting standards that are gaining rapid acceptance among nations. Ball (2005) concludes that internationalization will reduce some or most of the diversity in accounting rules and practices across nations, though it might not eliminate all differences in reporting completely. Ball (2009) expresses concerns that the application of IFRS will not be uniform and that this might affect the presentation and perception of IFRS quality by users.

Since globalization of the capital markets have become an irreversible process, and many potential benefits are to be enjoyed from global International Accounting Standards. The desire to develop an acceptable universal high quality financial reporting standards started in 1973, when the International Accounting Standards Committee (IASC) was formed by professional accounting bodies from Canada, United States of America, United Kingdom, Germany, France, Netherlands, Australia, Mexico and Japan. The IASC was to formulate uniform and global accounting standards aimed at reducing the discrepancies in international accounting principles and reporting practices. IASC was established to actively champion the uniformity and standardization of accounting principles for more than 20years as reported by Carson in Madawaki, (2012). IFRSs are referred to as a set of high quality, general purpose and understandable accounting standards for preparation of financial statement. Which are based on principles and are not ruled by approach?

The desire of businesses to have a globalized economy breeds the challenges in comparability, objectivity, reliability, understandability of accounting records. These difficulties accelerated the need to have a globalized accounting standards and a single set of high quality and generally accepted accounting standards..

Azobu in Akhidime (2011) explained that IFRS comprises IAS (41); IFRSs (18); the Standing Interpretation Committee Statements, SICs (11); and the International Financial Reporting Issues Committee Statement, IFRICS (18). Currently the world is moving towards the direction of International Financial Reporting Standards (IFRS), as some developed countries that have been using these standards for decades, Nigeria commenced the mandatory adoption in 2012, the roadmap for the implementation of IFRS was launched in September 2010, by the Honorable Minister, Federal Ministry of Commerce and Industry, Senator Jubril Martins-Kuye (OFR). The adoption was organized in way that every stakeholder by January 2014 would have migrated to IFRS reporting standard in the presentation of accounting reports. The adoption was scheduled to begin with Public Listed Entities and Significant Public Interest Entities, who were required to adopt the IFRS by January, 2012. All Other Public Interest Entities are expected to mandatorily adopt the IFRS for statutorily purposes by January 2013 and Small and Medium-Sized Entities by January 2014, Jubril & Michael, (2010). This study focused on the adoption the IFRS in Nigeria as a developing economy, the benefits and challenges of IFRS, bearing in mind the prevailing domestic legal and regulatory framework of accounting.

Objectives of the Study

The Objective of the study is to evaluate the implication of the adoption of IFRS on the performance of the selected quoted companies in the Oil and Gas industry in Nigeria. The specific objectives are to:

1. To identify the effect of adopting IFRS on the profitability of selected quoted Oil and Gas industry in Nigeria.
2. To identify the effect of adopting IFRS on the liquidity of selected quoted Oil and Gas industry in Nigeria.
3. To identify the effect of adopting IFRS on the leverage of selected quoted Oil and Gas industry in Nigeria
4. To identify the effect of taxation on adopting IFRS of the selected quoted Oil and Gas industry in Nigeria.

The advocates of single set of accounting principles stipulated difference merits to the adoption such as the believe that it will increase comparability of financial information, enhance investment decisions and ensure a more optimal allocation of resources across the world economy. Cai and Wong (2010) added that having one set of internationally acceptable financial reporting standards will remove the need for restatement of financial statements, and guarantee accounting diversity among countries. This consequently facilitates international movement of capital and greater integration of the global financial markets. Also it was argued that a single set of financial reporting standards will increase market liquidity, decrease transaction costs for investors, lower cost of capital and facilitate international capital formation and flows (Epstein, 2009). These attributes motivate the researchers to examine the Oil and Gas sector of the Nigeria economy after the adoption of IFRSs, to assess the effect of the changes in the principle of presenting accounting statement and how these changes had affected Key Performance Indicators (KPI) in the sector.

Hypotheses of the Study

$H_0$1: The adoption of IFRS has no significant effect on the profitability of the selected quoted Oil and Gas companies in Nigeria.

$H_0$2: The adoption of IFRS has no significant effect on the liquidity of the selected quoted Oil and Gas companies in Nigeria.

$H_0$3: The adoption of IFRS has no significant effect on the leverage of the selected quoted Oil and Gas companies in Nigeria.

$H_0$4: The adoption of IFRS has no significant effect on the taxation of the selected quoted Oil and Gas companies in Nigeria.

Literature Review

The general review of this debate on IFRS mandatory adoption reveals two competing notions. The first notion emphasizes a technical point of view of accounting standards and asserts the usefulness of using one set of accounting standards worldwide on comparability, transparency, information contents and efficiency. The second notion relies on a holistic view and asserts the importance of institutional factors in shaping observed practical reporting and disclosure. Quite a number of research studies have reported findings supporting the capital market benefits following adoption of IFRS. Specifically, some papers have reported that the adoption of the IFRS increases market liquidity (Daske, Hail, Leuz & Verdi, 2008; Muller, 2011), facilitates cross-border investments by mutual funds (Mark, Xuesong, Mingyi & Siqu, 2011), decreases cost of equity capital and increases investment efficiency (Schleicher et al., 2010).

Other studies report that the adoption of the IFRS improves information content of earning announcements (Landsman, et al., 2011), information transfers among countries and increases stock price synchronicity in the longer run (Beuselinck, et al., 2010).the desire to have an accounting standard that is of international status encourage Nigeria to also adopt IFRS. The adoption of IFRS had its own benefits as mention above and as discussed in Odia and Ogiedu (2013). Easier movement of accounting experts across borders and assist multinational organizations to fulfill the requirement of stock exchanges around that expected full financial disclosure from corporate businesses. While critics of IFRS argued that having a single set of accounting standard globally might not have the same effects across nations, for example IFRS adoption in European countries results in positive inflow of foreign direct investments (Mark et al, 2010). In Nigeria TFRS adoption gave a negative inflow of foreign direct investment in the post adoption period (Okpala, 2012; Adelusi, Ojeka and Iyoha, 2016)

Oil and Gas Industry in Nigeria

Nigeria possessed lot of natural resources, most importantly the black gold knows as the hydrocarbons and the country is third largest producer in Africa and the highest oil producer in Sub-Saharan Africa. Nigerian revenue from the oil sector provides 95% of the country's foreign exchange earnings (Mories, 2010). Nigeria is a member of OPEC and is about the 12th largest producer. The petroleum industry in Nigeria is regulated by the Ministry of Petroleum Resources. The federal government exercise full control over the oil industry with the activities of the Nigeria National Petroleum Corporation (NNPC).

Until 1960, government participation in the oil industry was limited to the regulation and administration of fiscal policies. By1971, oil has became the most important natural resources to the country, Nigeria joined OPEC as the 11th member and in line with OPEC resolutions; the Nigerian National Oil Corporation (NNOC) was established which was later named in April 1977, NNPC. It acquired 33 1/3% in Nigerian Agip and 35% in Elf. NNPC ran as an upstream and downstream company and the petroleum ministry had a regulatory function.

The upstream oil industry is seen as the single most important sector in the Nigeria economy and provides about 90% of its total exports (Mories, 2010). Oil is produced from five of Nigeria's seven sedimentary basins: the Niger Delta, Anambra, Benue Trough, Chad, and Benin. The Niger Delta, the Onshore and Shallow Offshore basins can be considered fairly well to well explored. Ventures here are low risk and the basins contain about 80% of producing wells drilled in Nigeria. During the later 1990s exploration focus turned to high risk ventures in the frontier basins of the deep water offshore with encouraging success. These ventures are becoming increasingly attractive with developments in deep-water exploration and production technology. Nigeria's crude oils have a gravity between 21·API and 45·API. Its main export crudes are Bonny Light (37·) and Forcados (31·). About 65% of Nigeria's oil is above 35·API with a very low sulphur content. The Nigerian government plans to expand its proven reserves to 40 billion barrels by 2010. Most of this is produced from Niger River Delta (Mories, 2010). Despite problems associated with ethnic un- rest, border disputes and government funding, Nigeria's wealth of oil makes it most attractive to the major oil-multinationals, most of whom are represented in Nigeria, with the major foreign stakeholder being Shell.

Another key sector in the Nigeria economy is the downstream oil industry and has four oil refineries with a combined capacity of about 445,000 bpd but they have never reached full production because of sabotage attacks and poor maintenance (Mories, 2010). The refineries

often operate at 40% of full capacity, if at all. This has resulted in shortages of refined product and the need to increase imports to meet domestic demand.

There are eight oil companies and 750 independents all active in the marketing petroleum products. The government through its 100% state-owned national oil company, Nigerian National Petroleum Corporation (NNPC) has had an all-encompassing control over the industry through its shareholding in all the companies involved and in the setting of wholesale and retail prices. Nigeria has a robust petrochemicals industry based on its substantial refining capacity and natural gas resources. The petrochemical industry is focused around the three centers of Kaduna, Warri and Eleme (Mories, 2010). The review of the literature also revealed that there are two (2) accounting methods used in the Oil and Gas sector of the economy which each of them has impact on the performance. These are the Successful Effort (SE) and Full Cost (FC) method. There has been an argument to which methods should companies to adopt. Some proponents believed that under the Successful Effort (SE) method, generally only those costs that lead directly to the discovery, acquisition, or development of specific, discrete oil and gas reserves are capitalized and become part of the capitalized costs of the cost centre. Costs that are known at the time of incurrence to fail to meet this criterion are generally charged to expense in the period they are incurred. When the outcome of such costs is unknown at the time they are incurred, they are recorded as capital work-in- progress and written off when the costs are determined to be non-productive (Bala, 2013)

Accountability in Oil and Gas Industry

Given the importance of the oil and gas industry to the Nigerian economy and the complexity of accounting for extractive activities, the Nigerian standard setter issued in 1993 Statement of Accounting Standards dealing with upstream activities and later completed the task by issuing standards for downstream activities. In the 1990's there being no international Accounting Standard (IAS) for the oil and gas, but national standard setters, such as in the US, had issued standards and guidance in respect of the sector (Mories, 2010).

As the country moves to the adoption of IFRS, it is important that the oil and gas industry companies take on a leadership role, in line with the importance of the industry in the economy, to demonstrate best practice in financial reporting.

However, argument in respect to Full Cost (FC) method all costs incurred in prospecting, acquiring mineral interests, exploration and development are capitalized and accumulated in large cost centres that may not be related to geological factors. The cost centre, under this method, is not normally smaller than a country except where warranted by major difference in economic, fiscal or other factors in the country. In respect of a cost center, all acquisition costs, all exploration costs and all development costs should be treated as capital work-in-progress when incurred; all costs other than the above should be charged as expense when incurred (Bala, 2013).

Similarly, reporting under the IFRS regime requires companies especially in the Oil and Gas sector to make more disclosures regarding their reserves, discoveries and other key variables necessary for investment decision and to meet objective of financial statements, which is to show a true and fair view of the activities of a company. It is therefore envisaged that the companies will disclose more of their financial information with the transition from the NG-GAAP to IFRS. These key variables are often refers to as Key Performance Indicators (KPIs) which are profitability, liquidity and gearing ratio mostly used by firms to determine their financial strengths, weaknesses and ability to honor their obligation as they fall due.

Lantto and Sahlstrom (2009) examine the impact of IFRS adoption on key financial ratios of Finnish listed firms, shows that the adoption of IFRS changes the magnitude of the key accounting ratios of Finnish companies. He reported a substantial change in the KPIs of these firms post IFRS adoption. All the three profitability ratios significantly increased current ratio (CR) and price-to-earning (P/E) ratios have not shown such significant change. Hung and Subramanyan (2004) investigate the effect of IFRS adoption on the financial statement of German listed firms. They reported that the total assets and book values of equity as well as variability of book value and net income are significantly higher under IAS/IFRS than the under the German GAAP. Blanchette, Racicot & Girard, (2011 however examined the impact of transition from Canadian GAAP to IFRS on financial ratios in the areas of liquidity, leverage coverage and profitability. They reported a significantly higher volatility to most of the ratios under IFRS when compared to those derived under pre-changeover Canadian GAAP. In Nigeria, Tanko (2012) reported that firms in Nigeria (some selected banks) under IFRS tend to exhibit higher values on a number of profitability measures such as EPS.

Most importantly the bulk of the studies that concentrate on Oil and Gas industry were carried out in developed countries such as Finland (Lantto and Shalstrom, 2009); United Kingdom (Lantto and Shalstrom, 2009); Germany (Hung, Mingyi & Subramanyan, 2004); Canada (Blanchette et al (2011) Michel *et al* 2011; Robert, Ronald & Paul, 2014); Belgium, Finland, France, Italy, The Netherlands, Sweden, Switzerland and UK (Aubert and Gruduitski, 2011).

There is also need to research on performance of the quoted Oil and Gas in Nigeria and this research work will examine the effect of IFRS on their performance using the Key Performance Indicators (KPIs) such as Profitability ratios, Liquidity ratios, Leverage ratios and Taxation.

Due to today's dynamic and globalization of accounting and financial information and interpretation, openness and transparency of annual reporting in an unprecedented scale that is inevitable with the use of International Financial Reporting Standards (IFRS) make this research intends to add to the store of knowledge by evaluating how adoption of IFRS in disclosure of financial statement affects the performance of Oil and Gas Companies in Nigeria. This study will serve as a point of reference for future researchers on this study as there are very few existing literatures on this form of study.

Theoretical Framework

Theories are analytical tools for understanding, explaining, and making predictions about a given subject matter (Owolabi and Iyoha, 2012). Two theories were used to examine the impact of IFRS adoption on Oil and Gas firms. These consist of established theories that relate to this topic.

Accounting Quality Theory

The adoption of IFRS around the world is occurring rapidly to bring about accounting quality improvement through a uniform set of standards for financial reporting. However, accounting quality is a function of the firm's overall institutional setting, including the legal and political system of the country in which the firm resides (Bhattacharjee& Islam, 2009).

Land & Lang (2002) document that accounting quality has improved worldwide since the beginning of the 1990s, and suggest that this could be due to factors such as globalization and anticipation of international accounting harmonization. IFRS is contingent on at least two

factors. First, improvement is based upon the premise that change to IFRS constitutes change to a GAAP that induces higher quality financial reporting. For example, Barth, Landsman, & Lang (2006) find that firms adopting IFRS have less earnings management, more timely loss recognition, and more value relevance of earnings, all of which they interpret as evidence of higher accounting quality. Second, the accounting system is a complementary component of the country's overall institutional system (Ball, 2001) and is also determined by firm's incentives for financial reporting.

Theory of Value Maximization

This paper adopts the value maximization theory for situating the study. The value maximization theory holds that the single objective of a firm's existence is to maximize profits in the short run and maximize shareholders wealth in the long run (Friedman, 1970; Jensen, 2001). The theory therefore explains that all the activities of organization, even when they seem eleemosynary, are profit-seeking. The theory explains further that the long run wealth maximization does not portend the maximization of shareholders' wealth alone but also the maximization of other financial claimants like debt and warrant holders. Therefore, I argue that the essence of the firm's disclosure of IFRS compliant financial statements is to maximize firm's value. This assertion is further explained by the theories I explain herein in the next paragraphs.

Signaling Theory

Signaling theory holds that buyers of companies' shares are not in a position to distinguish between the quality of various products (companies' stock) if all firms choose to disclose standard and mandatory information alone. Hence sellers may provide additional voluntary information to show their betterment with respect to other firms in the market (see Akelof, 1970; Strong & Walker, 1987). This theory may also explain the reason for the firm's disclosure of IFRS compliant financial statements.

Methodology

The population of this study covered twelve (12) quoted Oil and Gas companies in Nigeria whereby five (5) will be chosen. The sample size taken from the population is a total number of five companies using their financial statement and other relevant information in 2009-2014. Below is the list of quoted companies whose financial statement has been used for the purpose of this research. They were chosen based on easy access to information:

Eternal Oil & Gas Plc, Forte Oil Plc, Oando Plc., MRS Oil Nigeria Plc., Mobil Oil Nigeria Plc.
The data collected, presented, analyzed and discussed in this study were from secondary source. The secondary source of data for this study was extracted from the published annual reports and account from the period 2009-2014. The other sources for this study are from some useful websites, articles, journals, and previous research.

Data Analysis involves the procedures adopted in analyzing the hypothesis of this research. Since the source of the data collection is through the secondary means, the Statistical Package for Social Sciences (SPSS) was used for analyzing the hypothesis. SPSS is a computer software or program used for statistical analysis in social sciences. The sample for this study consists of 5 Oil and Gas firms listed on the Nigerian Stock Exchange that prepared and presented their financial reports in compliance with the provision of the IFRS in 2012. Financial reports of Oil and Gas firms prepared and presented from 2009 to 2011 under the NG-GAAP or SAS

(Pre-adoption period) and those prepared and presented from 2012 to 2014 under the IFRS (Post-adoption period) will be used for the analysis. A case study research method which involves the use quantitative will be employed for the purpose of this research. The quantitative method will be applied to investigate the impact of IFRS adoption on the Key Performance Indicators (KPIs) of the selected quoted Oil and Gas firms in Nigeria.

The research method adopted for the purpose of the study is based on the secondary data which have been obtained from the selected companies' annual report and accounts ranging from 2009-2014. Sample Pair t-test was adopted in analyzing the collected data

Model Specification

The model specification used for this research work is;

$$t = \frac{\bar{d}}{Sd/\sqrt{n}} \quad \text{..... Equation 1}$$

Where:

d is the mean difference between the paired groups and *sd* is the standard deviation of the differences *di* and *n* the number of pairs.

Under the null hypothesis, the test-statistic has a *t*-distribution with $n-1$ degree of freedom.
A $100(1-\alpha)\%$ confidence interval can be constructed as follows:

$$\bar{d} \pm t\alpha Sd/\sqrt{n} \quad \text{..... Equation 2}$$

Where $t\alpha$ is the critical value for a two-sided test with $n-1$ degrees of freedom.
The two equations has been summarized thus by

$$t_{cal} = \frac{\bar{X}_p}{\sqrt{\frac{\sigma_p^2}{n_p}}} - \frac{\bar{X}_b}{\frac{\sigma_b^2}{n_b}} \quad \text{..... Equation 3}$$

Where:

t_{cal} = t calculated.

$\bar{X}p$ = Mean of post adoption period.

$\bar{X}_b$ = Mean of pre- adoption period.

σ_p^2 = Variance of post adoption period.

σ_b^2 = Variance of pre-adoption period.

n_p = Number of post adoption period.

n_b = Number of pre-adoption period.

Findings and Hypotheses Testing

Table 1

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
Pre-IFRS adoption Profitability Ratio	15	.01	5.24	6.80	.4535	1.32862
Post-IFRS adoption Profitability Ratio	15	.00	.13	.70	.0463	.04166
Pre-IFRS adoption Quick Ratio	15	.41	1.32	12.78	.8520	.28939
Post-IFRS adoption Quick Ratio	15	.45	4.29	18.09	1.2060	1.08595
Pre-IFRS adoption Leverage Ratio	15	.41	10.57	52.13	3.4753	3.04829
Post-IFRS adoption leverage Ratio	15	1.25	6.67	45.27	3.0180	1.49762
Pre-IFRS adoption Taxation	15	.01	3.50	6.26	.4173	.86752
Post-IFRS adoption Taxation	15	.01	.55	4.36	.2907	.14023
Valid N (listwise)	15					

Computed with SPSS 20

Table 1 shows the descriptive properties of the ratios used for this research work. The table shows the minimum, maximum, sum, mean and standard variation of the observed items.

Table 2

Paired Samples Correlations

	N	Correlation	Sig.
Post-IFRS adoption Profitability Ratio & Pre-IFRS adoption Profitability Ratio	15	.367	.178

Computed with SPSS 20

Table 2 above shows that the correlation between the trends of the two periods is very weakly positive. The Pearson's correlation coefficient is given as 0.367. Coefficients greater than or equal to -1 and less than or equal to -0.5 means strong negative relationship. Coefficients between -0.5 and 0 mean weak negative relationship. Zero (0) coefficient means no relationship. Coefficients between 0 and 0.5 mean weak positive relationship while coefficients greater than that but less than or equal to 1 mean strong positive relationship.

Table 3

Paired Samples Test

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Post-IFRS adoption Profitability Ratio - Pre-IFRS adoption Profitability Ratio	-.40713	1.31389	.33924	-1.13474	.32047	-1.200	14	.250

Computed with SPSS 20

The results in table 3 show the difference in mean, standard deviation and standard error of mean of Post-IFRS adoption Profitability Ratio - Pre-IFRS adoption Profitability Ratio periods to be -498.6117 and -.40713 and 1.31389 respectively. The mean of the post-period was less than that of the pre-period. The confidence intervals of the difference in means were between -1.13474 and .32047. The t_{cal} value was given as 1.2 which was less than the t_{tab} value, 2.131 with an insignificant p-value of 0.250 (>0.05 at 95% confidence interval).

$H_0$1: The adoption of IFRS has no significant effect on the profitability of the selected quoted Oil and Gas companies in Nigeria.

The paired sample statistics in table 3 shows an insignificant p-value of 0.250 (>0.05 at 95% confidence interval. The researcher therefore accepts the null hypothesis and rejects the alternative hypothesis and concludes that the adoption of IFRS has no significant effect on the profitability of selected Oil and Gas companies in Nigeria.

Table 4

Paired Samples Correlations

	N	Correlation	Sig.
Post-IFRS adoption Quick Ratio & Pre-IFRS adoption Quick Ratio	15	.042	.881

Computed with SPSS 20

Table 4 above shows that the correlation between the trends of the two periods is very weakly positive. The Pearson's correlation coefficient is given as 0.042

Table 5

Paired Samples Test

	Paired Differences					T	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Post-IFRS adoption Quick Ratio - Pre-IFRS adoption Quick Ratio	.35400	1.11195	.28711	-.26178	.96978	1.233	14	.238

Computed with SPSS 20

The results in table 5 show the difference in mean, standard deviation and standard error of mean of Post-IFRS adoption Quick Ratio - Pre-IFRS adoption Quick Ratio periods to be .35400,1.11195 and .28711 respectively. The mean of the post-period was less than that of the pre-period. The confidence intervals of the difference in means were between -.26178 and .96978. The t_{cal} value was given as 1.2 which was less than the t_{tab} value, 0.238 with an insignificant p-value of 0.250 (>0.05 at 95% confidence interval).

$H_0$2: The adoption of IFRS has no significant effect on the liquidity of the selected quoted Oil and Gas companies in Nigeria.

The paired sample statistics in table 5 shows an insignificant p-value of 0.238(>0.05 at 95% confidence interval. The researcher therefore accepts the null hypothesis and rejects the

alternative hypothesis and concludes that the adoption of IFRS has no significant effect on the profitability of selected Oil and Gas companies in Nigeria.

Table 6

Paired Samples Correlations

	N	Correlation	Sig.
Pre-IFRS adoption Leverage Ratio & Post-IFRS adoption leverage Ratio	15	.162	.564

Computed with SPSS 20

Table 6 above shows that the correlation between the trends of the two periods is very weakly positive. The Pearson's correlation coefficient is given as 0.564

Table 7

Paired Samples Test

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pre-IFRS adoption Leverage Ratio - Post-IFRS adoption leverage Ratio	.45733	3.17098	.81874	-1.29869	2.21336	.559	14	.585

Computed with SPSS 20

The results in table 7 show the difference in mean, standard deviation and standard error of mean of Post-IFRS adoption leverage Ratio - Pre-IFRS adoption leverage Ratio periods to be 0.45733,3.17098 and 0.81874 respectively. The mean of the post-period was less than that of the pre-period. The confidence intervals of the difference in means were between -1.29869 and 2.21336. The t_{cal} value was given as .559 with an insignificant p-value of 0.585 (>0.05 at 95% confidence interval).

$H_0$3: The adoption of IFRS has no significant effect on the leverage of the selected quoted Oil and Gas companies in Nigeria.

The paired sample statistics in table 7 shows an insignificant p-value of 0.585 (>0.05 at 95% confidence interval. The researcher therefore accepts the null hypothesis and rejects the alternative hypothesis and concludes that the adoption of IFRS has no significant effect on the profitability of selected Oil and Gas companies in Nigeria.

Table 8

Paired Samples Correlations

	N	Correlation	Sig.
Post-IFRS adoption Taxation &Pre-IFRS adoption Taxation	15	.028	.920

Computed with SPSS 20

The table 4.8 above shows that the correlation between the trends of the two periods is very weakly positive. The Pearson's correlation coefficient is given as 0.028.

Table 9

Paired Samples Test

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Post-IFRS adoption Taxation - Pre-IFRS adoption Taxation	-.12667	.87484	.22588	-.61114	.35781	-.561	14	.584

Computed with SPSS 20

The results in table 9 show the difference in mean, standard deviation and standard error of mean of Post-IFRS adoption to Pre-IFRS adoption taxation periods to be -0.12667, 0.87484 and 0.22588 respectively. The mean of the post-period was less than that of the pre-period. The confidence intervals of the difference in means were between -0.61114 and 0.35781. The t-value was given as -0.561with an insignificant p-value of 0.584 (>0.05 at 95% confidence interval).

$H_0$4: The adoption of IFRS has no significant effect on the taxation of the selected quoted Oil and Gas companies in Nigeria.

The paired sample statistics in table 4.9 shows an insignificant p-value of 0.584 (>0.05 at 95% confidence interval. The researcher therefore accepts the null hypothesis and rejects the alternative hypothesis and concludes that the adoption of IFRS has no significant effect on the profitability of selected Oil and Gas companies in Nigeria.

Conclusion

Information (financial report) is seen as the bedrock of effective management function. Where there is no appropriate and reliable IFRS based financial statement, decision makers might find it difficult to plan well, hire the right labour, provide effective control and leadership skill, not been able to identify managerial problems, find solutions and take decisive decisions.

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While some studies have shown a significant difference in the financial ratios of the respective local GAAPs and IFRS as in Blanchette et al., (2011); Lantto & Sahlstrom, (2009), this result does not show a significant difference. The reason might perhaps be attributed to the fact that such local GAAPs were independently developed by the respective local Accounting Standards Setting bodies. Nigerian GAAP has always been an adaptation of IASs (now IFRS). This is evident in standards issued by the defunct Nigeria Accounting Standard Board (NASB) which had a section detailing the compliance of each Nigerian standard with IAS (NASB, 2009).

Furthermore, the non-existence of a significant difference between Nigerian GAAP and IFRS based financial ratios implies that the company's disclosure of IFRS compliant set of financial statements may not be attributable to a short-term performance evaluation of the company's

achievement using a number of financial ratios computed from IFRS rather, the theoretical inclinations of the firm may be to the capital needs theory and the signaling theory as discussed under the review of literature. Conclusively my result adds to the body of literatures that have examined the impact of IFRS on various financial ratios in different spheres.

Recommendations

The paper has shown the overall effect of mandatory IFRS adoption on the financial measures of selected Oil and Gas companies in Nigeria. the findings is used to make a generalization which can be hampered since only five companies form source for data. Nonetheless, this study gives an insight into the likely outcome of future research covering a wider spectrum. Future research may identify the specific provisions of IFRS that are responsible for the positive impact on financial performance measures. Such detailed knowledge is useful to standard setters who may wish to improve existing accounting standards. Further research should extend the sample size and the time horizon of the study in order to add to the findings reported here. For further awareness on the oil and gas sector of the economy and understanding of International Financial Reporting Standard by the preparers of financial statement, study on oil and gas should be included in the curriculum of tertiary institutions in the country especially in the Polytechnics.

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