International Journal of
Advanced Research in Statistics, Management and Finance
p-ISSN: 2315-8409 | e-ISSN: 2354-1644

IJARSMF

September, 2026
Vol.12, No. 1

Intangible Assets, Financial Reporting Quality and Firm Performance: A Qualitative Exploration of Nigerian Firms

Samuel Sunday Charlie
Department of Accounting
Faculty of Management Sciences,
University of Uyo, Uyo

Article DOI:
10.48028/iiprds/ijarsmf.v12.i1.01

Abstract

This study explores the relationship between intangible assets, financial reporting quality and firm performance in Nigerian firms. It adopts a qualitative research approach based exclusively on secondary data, drawing on peer-reviewed journal articles, accounting standards, corporate annual reports and relevant institutional publications. The study is guided by four objectives: to examine the nature and accounting treatment of intangible assets; explore their influence on financial reporting quality; investigate their contribution to firm performance; and identify challenges affecting their recognition, reporting and utilisation. Data are analysed thematically, focusing on asset recognition and measurement, disclosure and transparency, organisational value creation, and institutional constraints. The literature indicates that intangible assets contribute to innovation, operational efficiency and competitive advantage, while appropriate recognition and disclosure strengthen financial reporting quality. However, measurement difficulties, recognition restrictions and inadequate disclosure remain significant challenges. The study recommends improved IFRS compliance, transparent reporting and strategic management of intangible resources to enhance corporate accountability and sustainable performance in Nigeria.

Keywords:
Intangible assets, Financial reporting quality, Firm performance, Nigerian firms.

Corresponding Author:
Samuel Sunday Charlie

Background of the Study

The structure of contemporary business organisations has undergone considerable transformation, with increasing emphasis on knowledge-based resources, technological capabilities, intellectual property, innovation, organisational expertise and brand reputation. Unlike traditional business resources, which are predominantly physical and financial, intangible assets represent non-physical economic resources capable of generating future economic benefits. These assets include goodwill, patents, trademarks, copyrights, software, licences, customer relationships, proprietary technology and other identifiable non-monetary resources without physical substance.

The growing importance of intangible assets reflects the transition from traditional resource-based production systems towards knowledge-driven and innovation-oriented economies. In many contemporary organisations, competitive advantage is increasingly determined by the capacity to develop, protect, utilise and commercialise intangible resources. Consequently, intangible assets have become important considerations in corporate strategy, investment decisions, financial reporting and organisational performance assessment. The accounting treatment of intangible assets is particularly important because their economic value is not always easily identifiable or measurable. Unlike tangible assets, which can often be valued through observable acquisition costs and market transactions, intangible assets may derive their value from innovation, organisational knowledge, reputation, technological capabilities and relationships developed over time. This creates significant challenges for accountants, auditors, investors and corporate managers.

International Accounting Standard 38 (IAS 38) provides the principal accounting framework for the recognition and measurement of identifiable intangible assets. Under the standard, an intangible asset must be identifiable, controlled by the entity and expected to generate future economic benefits. Recognition also depends on whether the cost of the asset can be measured reliably. However, internally generated goodwill, brands, customer lists and similar items are subject to important recognition restrictions. These requirements create a distinction between the economic resources available to an organisation and the resources recognised in its financial statements.

The distinction is important because financial statements may not fully reflect the economic resources responsible for organisational competitiveness and value creation. For instance, investments in employee training, organisational culture, research capabilities and internally developed brand reputation may contribute significantly to corporate success without necessarily qualifying for recognition as assets under existing accounting standards. Consequently, the financial statements of knowledge-intensive organisations may present only part of their underlying economic value.

Financial reporting quality is therefore an important consideration in the accounting treatment of intangible assets. High-quality financial reporting provides relevant, faithful, comparable, understandable and transparent information to stakeholders. The

quality of reporting influences the extent to which investors, creditors, regulators and other users can understand an organisation's financial position, resource utilisation and future economic prospects. The relationship between intangible assets and financial reporting quality is particularly relevant in Nigeria, where firms operate within an evolving financial reporting and corporate governance environment. The adoption of International Financial Reporting Standards (IFRS) has strengthened the framework for financial reporting and created common accounting requirements for corporate entities. Nevertheless, the practical application of accounting standards, particularly in areas involving valuation, impairment, disclosure and internally generated intangible resources, remains an important reporting concern.

Nigerian firms increasingly operate in sectors where intangible resources are central to business activities. These include telecommunications, banking, information technology, manufacturing, pharmaceuticals, professional services and other knowledge-intensive industries. In these sectors, software, licences, patents, customer relationships, trademarks, technical expertise and proprietary systems may contribute substantially to organisational performance. However, the economic significance of intangible assets does not automatically translate into their adequate representation in financial statements. Differences in accounting judgement, managerial incentives, disclosure practices, valuation expertise and organisational reporting capacity may influence the extent to which intangible resources are recognised and communicated to stakeholders.

Firm performance also extends beyond conventional financial indicators. Although profitability, revenue growth, return on assets and market value remain important measures, organisational performance increasingly incorporates innovation, productivity, operational efficiency, competitive positioning, organisational resilience and long-term sustainability. Intangible assets may contribute to these outcomes through improved production processes, customer loyalty, technological innovation, knowledge transfer and organisational differentiation.

The relationship among intangible assets, financial reporting quality and firm performance is therefore multidimensional. Intangible resources may contribute to organisational performance, while the quality of financial reporting determines how effectively the economic implications of these resources are communicated to stakeholders. Transparent reporting may also strengthen accountability, improve investment decisions and enhance stakeholder confidence. This study undertakes a qualitative exploration of intangible assets, financial reporting quality and firm performance in Nigerian firms. Rather than relying on statistical relationships among financial variables, it examines existing academic evidence, accounting standards, corporate disclosures and institutional publications to understand the accounting practices, reporting implications and organisational significance of intangible assets.

The study adopts a qualitative exploratory research design based exclusively on secondary data to examine the recognition, reporting and utilisation of intangible assets

and their implications for financial reporting quality and firm performance in Nigerian firms. Data are obtained from peer-reviewed journal articles, relevant accounting standards, corporate annual reports, regulatory publications and other credible academic and professional materials. Documentary sources are purposively selected based on their relevance, credibility, availability and applicability to the Nigerian corporate environment, with particular emphasis on empirical studies published between 2018 and 2026, alongside foundational theoretical and accounting documents. Data collection involves extracting relevant information on intangible asset recognition, measurement, amortisation, impairment, disclosure, research and development expenditure, and organisational performance. The collected evidence is organised according to the research objectives and analysed thematically through familiarisation, coding, theme development, comparative interpretation and synthesis. This process enables the identification of recurring patterns, differences and contradictions in the literature, providing a basis for interpreting the relationship between intangible assets, financial reporting quality and firm performance.

Statement of the Problem

The increasing significance of intangible assets in contemporary business organisations has created important challenges for corporate financial reporting. Although intangible resources contribute to innovation, technological advancement, customer relationships, brand development and organisational competitiveness, their identification, valuation and recognition remain difficult compared with conventional tangible assets. One major concern is the gap between the economic significance of intangible resources and their representation in corporate financial statements. Existing accounting standards establish specific recognition requirements, which may exclude certain internally generated resources despite their potential contribution to future economic benefits. This situation may limit the extent to which financial statements communicate the full range of resources supporting organisational performance.

Another concern relates to the quality and consistency of intangible asset disclosures. Differences in accounting judgements, impairment assessments, useful-life estimation and disclosure practices may affect the relevance, comparability and faithful representation of financial information. Where disclosures are inadequate, stakeholders may experience difficulties in evaluating the resources, capabilities and long-term prospects of organisations. In Nigeria, these concerns are particularly important because firms operate within different institutional and operational environments, with varying levels of reporting expertise, technological development and access to valuation professionals. Although IFRS provides a common financial reporting framework, the practical application of its requirements may differ across organisations and industries.

Furthermore, the relationship between intangible assets and firm performance is not always sufficiently understood through conventional financial reporting indicators. The contribution of intangible resources may extend beyond immediate profitability to include innovation, operational efficiency, market positioning, customer retention and

long-term organisational sustainability. Consequently, examining intangible assets exclusively through their recognised monetary values may provide an incomplete understanding of their organisational significance.

Although existing empirical studies have examined intangible assets, intellectual capital, financial reporting quality and firm performance, much of the literature adopts quantitative approaches based on regression analysis, financial ratios and panel data. While these approaches provide useful statistical evidence, they may not adequately explain the accounting processes, disclosure decisions, institutional constraints and organisational experiences underlying the observed relationships. The problem, therefore, is not merely whether intangible assets are associated with improved firm performance, but how their recognition, measurement, utilisation and disclosure shape financial reporting quality and organisational outcomes. This study addresses this gap through a qualitative examination of secondary documentary evidence relating to Nigerian firms.

Research Objectives

The broad objective of the study is to qualitatively explore intangible assets, financial reporting quality and firm performance in Nigerian firms. The specific objectives are to:

1. Examine the nature, recognition and accounting treatment of intangible assets in Nigerian firms.
2. Explore how the recognition and disclosure of intangible assets influence financial reporting quality.
3. Investigate the contribution of intangible assets to firm performance and organisational competitiveness.
4. Identify the challenges affecting the effective recognition, reporting and utilisation of intangible assets in Nigerian firms.

Research Questions

The study seeks to answer the following questions:

1. What is the nature of intangible assets, and how are they recognised and accounted for in Nigerian firms?
2. How do the recognition and disclosure of intangible assets influence the quality of financial reporting?
3. In what ways do intangible assets contribute to firm performance and organisational competitiveness?
4. What challenges affect the effective recognition, reporting and utilisation of intangible assets in Nigerian firms?

Literature Review

Conceptual Review

Intangible Assets

Intangible assets are identifiable non-monetary assets without physical substance. They represent resources controlled by an organisation as a result of past events and from

which future economic benefits are expected. Their defining characteristics distinguish them from tangible resources such as buildings, machinery, equipment and inventories. According to IAS 38, an intangible asset must satisfy the requirements of identifiability, control and expected future economic benefits. Identifiability generally arises where an asset is separable or results from contractual or other legal rights. Control relates to the organisation's ability to obtain economic benefits from the resource and restrict other parties' access to those benefits. Intangible assets can be broadly classified into several categories:

1. Technological assets: Computer software, databases, technological processes, patents and proprietary systems.
2. Marketing-related assets: Trademarks, trade names, brand-related rights and marketing agreements.
3. Contractual assets: Licences, franchises, distribution rights and contractual customer relationships.
4. Artistic and creative assets: Copyrights, publishing rights, designs and other creative property.
5. Goodwill: The residual value arising from business combinations after recognising identifiable assets acquired and liabilities assumed.

It is important to distinguish recognised intangible assets from the broader concept of intellectual capital. Intellectual capital may include human capital, structural capital and relational capital. However, not every element of intellectual capital qualifies for recognition as an intangible asset under IAS 38. Human capital includes employee knowledge, competencies, experience and professional expertise. Structural capital covers organisational processes, systems, databases and institutional knowledge. Relational capital encompasses customer relationships, supplier networks and other stakeholder connections. These resources may contribute significantly to corporate performance, even when they cannot be separately recognised in financial statements.

The distinction is particularly important when evaluating the relationship between intangible assets and organisational performance because the accounting value of recognised intangible assets may not represent the total economic value of an organisation's intellectual resources.

Recognition and Measurement of Intangible Assets

The recognition of intangible assets is governed principally by IAS 38. The standard establishes the criteria that must be satisfied before an identifiable intangible resource can be recognised in financial statements. An organisation must demonstrate that the asset is identifiable, that it controls the resource, that future economic benefits are probable and that its cost can be measured reliably. Intangible assets may arise from separate acquisition, business combinations, government grants, exchanges of assets or internal development activities. However, the accounting treatment differs according to the circumstances under which the assets are generated or acquired. A particularly important distinction exists between research and development expenditure. Research expenditure

is generally recognised as an expense because the organisation may not yet demonstrate that the activities will generate future economic benefits. Development expenditure may be capitalised when the organisation satisfies the specific recognition conditions established under IAS 38.

These include demonstrating technical feasibility, intention and ability to complete the asset, availability of adequate resources, probable future economic benefits and the ability to measure development expenditure reliably. This distinction has implications for financial reporting quality. Excessive capitalisation of expenditure that does not satisfy the recognition requirements may overstate assets and reported earnings. Conversely, inappropriate expensing of qualifying development expenditure may understate recognised assets and current profitability. Consequently, professional judgement, appropriate documentation, internal controls and audit oversight are essential to the reliable reporting of intangible assets.

Financial Reporting Quality

Financial reporting quality refers to the extent to which financial statements provide useful, reliable and transparent information that enables stakeholders to evaluate an organisation's financial position, performance and prospects. The Conceptual Framework for Financial Reporting identifies relevance and faithful representation as fundamental qualitative characteristics of useful financial information. Comparability, verifiability, timeliness and understandability further enhance the usefulness of reported information (International Accounting Standards Board [IASB], 2018).

Financial reporting quality can therefore be understood through several dimensions:

1. Relevance: Financial information should influence the economic decisions of users.
2. Faithful representation: Information should reflect the underlying economic substance of transactions and events.
3. Comparability: Financial information should enable meaningful comparisons across organisations and reporting periods.
4. Verifiability: Reported information should be capable of being independently examined and corroborated.
5. Timeliness: Financial information should be made available when it can influence decisions.
6. Understandability: Financial statements and accompanying disclosures should be presented clearly.

In relation to intangible assets, reporting quality depends on the appropriateness of recognition, measurement, impairment assessment and disclosure. For example, the failure to disclose material information about software assets, patents, goodwill impairment or development expenditure may limit stakeholders' understanding of the organisation's financial position.

Similarly, inconsistent accounting judgements and inadequate explanations of valuation assumptions may reduce the comparability and verifiability of reported information. Financial reporting quality is therefore not determined exclusively by the amount of intangible assets recognised in the statement of financial position. It also depends on the quality of explanations, supporting disclosures and accounting judgements accompanying the reported figures.

Firm Performance

Firm performance refers to the extent to which an organisation achieves its financial, operational and strategic objectives. It represents a multidimensional concept involving the effective utilisation of organisational resources to generate economic benefits and maintain competitive advantage. Traditional approaches to performance evaluation emphasise financial indicators such as profitability, return on assets, return on equity, earnings per share, revenue growth and market value.

However, these measures may not adequately capture the long-term contributions of intangible resources. For example, investments in software, employee expertise, research capabilities and customer relationships may improve organisational efficiency and market positioning without producing immediate financial returns. A broader assessment of firm performance should therefore incorporate:

1. Financial performance, including profitability and revenue generation.
2. Operational performance, including productivity and process efficiency.
3. Innovation performance, including product development and technological advancement.
4. Market performance, including customer retention, reputation and competitive positioning.
5. Organisational sustainability, including adaptability and long-term value creation.

The broader approach is particularly relevant to knowledge-intensive organisations because the economic benefits of intangible resources may emerge gradually and through several organisational processes.

Relationship between Intangible Assets and Financial Reporting Quality

The relationship between intangible assets and financial reporting quality is reflected in the way organisations identify, recognise, measure and disclose their intangible resources. Appropriate accounting treatment strengthens the relevance and faithful representation of financial statements. When intangible assets are properly recognised and disclosed, stakeholders are better positioned to understand the resources supporting an organisation's operations and future economic prospects.

However, the measurement uncertainty associated with certain intangible resources may create opportunities for inconsistent accounting judgements. For example, determining whether development expenditure satisfies capitalisation requirements requires

considerable professional judgement. Similarly, impairment testing of goodwill and other intangible assets may depend on assumptions concerning future cash flows, discount rates and growth expectations.

These judgements can influence reported earnings, asset values and the perceived financial position of organisations. Financial reporting quality is therefore strengthened when organisations maintain adequate documentation, apply consistent accounting policies, disclose material assumptions and comply with relevant reporting standards.

Relationship Between Intangible Assets and Firm Performance

Intangible assets may contribute to firm performance through several mechanisms. Technological resources can improve operational processes, reduce transaction costs and enhance productivity. Patents and proprietary technologies may provide opportunities for innovation and product differentiation. Brand-related resources may strengthen customer loyalty and market positioning. Similarly, software and information systems may improve decision-making, operational coordination and the efficiency of organisational processes.

The resource-based view provides a useful explanation of these relationships. Barney (1991) argues that resources capable of generating sustained competitive advantage are valuable, rare, imperfectly imitable and non-substitutable. Intangible resources may possess these characteristics, particularly when they are embedded in organisational routines, specialised knowledge and unique business processes. However, the relationship is not automatic. Intangible resources must be effectively managed, integrated into organisational activities and aligned with strategic objectives before their potential economic benefits can be realised.

Financial Reporting Quality as a Link Between Intangible Assets and Firm Performance

Financial reporting quality provides an important information channel through which the economic significance of intangible assets can be communicated to stakeholders. Where intangible resources are properly recognised and disclosed, investors and other stakeholders can better understand the organisation's resource base, investment priorities and potential for future value creation. High-quality reporting may also strengthen managerial accountability by requiring organisations to explain their accounting judgements, impairment assessments and resource utilisation decisions.

Nevertheless, financial reporting quality should not be interpreted as automatically improving operational performance. Rather, it can support better-informed decisions, reduce information asymmetry and strengthen stakeholder confidence, which may indirectly contribute to organisational performance. The relationship can therefore be understood as an interaction between resource development, accounting representation, information transparency and organisational value creation.

Theoretical Framework

The study is anchored on the Resource-Based View (RBV) and Agency Theory. These theories provide complementary explanations of the strategic importance of intangible resources and the role of financial reporting in corporate accountability.

Resource-Based View

The Resource-Based View, principally associated with Barney (1991), explains organisational performance and competitive advantage through the resources and capabilities controlled by firms. According to the theory, organisations achieve sustainable competitive advantage when they possess resources that are valuable, rare, difficult to imitate and non-substitutable. Intangible resources are particularly relevant to this perspective because they may be embedded in organisational knowledge, proprietary technologies, business processes, customer relationships and corporate reputation.

For Nigerian firms, investments in software, technological capabilities, innovation, patents, organisational systems and specialised knowledge may provide opportunities for improved productivity, market differentiation and long-term competitiveness. The theory is relevant to the present study because it explains why intangible assets should be viewed not merely as accounting items but as strategic resources that contribute to organisational value creation.

However, the theory also suggests that the acquisition of intangible assets alone does not guarantee improved performance. Their strategic value depends on effective utilisation, organisational integration and managerial capabilities.

Agency Theory

Agency Theory, developed in the corporate governance literature by Jensen and Meckling (1976), examines the relationship between principals and agents, particularly the potential conflicts arising when managers control resources on behalf of shareholders. In corporate organisations, managers possess information about business operations and asset utilisation that may not be readily available to external stakeholders. This information asymmetry creates opportunities for managerial discretion and potentially misleading financial reporting.

Intangible assets introduce additional reporting complexities because their valuation, useful lives, impairment and development costs may involve significant professional judgement. Managers may therefore have incentives to influence the recognition and disclosure of intangible resources to present a favourable financial position or reported performance. High-quality financial reporting, independent auditing, effective internal controls and regulatory oversight can reduce these information asymmetries and strengthen accountability. Agency Theory is relevant to the study because it explains why transparent accounting treatment and adequate disclosure of intangible assets are important for protecting stakeholder interests.

Relevance of the Theoretical Framework
The two theories provide complementary explanations of the subject.

Table 1.

Theoretical perspective	Central argument	Relevance to the study
Resource-Based View	Organisational resources and capabilities create competitive advantage.	Explains how intangible assets contribute to innovation, productivity and firm performance.
Agency Theory	Information asymmetry and conflicting interests create reporting and accountability challenges.	Explains the importance of transparent recognition, measurement and disclosure of intangible assets.

The Resource-Based View explains the economic and strategic value of intangible resources, while Agency Theory explains the need for reliable financial reporting and corporate accountability. Together, they provide an appropriate theoretical foundation for examining intangible assets, financial reporting quality and firm performance in Nigerian firms.

Empirical Review
Empirical research on intangible assets, intellectual capital and organisational performance has expanded considerably. Existing studies have examined the contribution of intellectual capital to financial performance, the value relevance of recognised intangible assets, the disclosure of intellectual resources and the implications of accounting treatment for financial reporting quality. Although many of these studies adopt quantitative methodologies, their findings provide important documentary evidence for the present qualitative investigation.

Intangible Assets and Firm Performance
Ebe et al. (2023) examined the effect of IAS 38 intangible assets on the performance of selected consumer goods manufacturing companies listed in Nigeria. The study employed secondary data obtained from the published financial statements of 15 companies over the period 2011–2021. Using descriptive and inferential statistical techniques, the researchers found that intangible assets had positive and significant effects on earnings per share and returns on shareholders' funds. The study concluded that compliance with IAS 38 was important for strengthening the relevance and faithful representation of financial statements. This finding demonstrates the potential contribution of recognised intangible assets to financial performance, although the quantitative approach does not fully explain the organisational processes through which such contributions occur.

Vitalis (2018) investigated the effect of intellectual capital on the performance of firms listed on the Nigerian Stock Exchange. Using secondary data from 40 companies and the

Value Added Intellectual Coefficient model, the study examined human capital efficiency, structural capital efficiency and capital employed efficiency. The findings indicated that intellectual capital significantly influenced selected measures of corporate performance, including company process and market-to-book value, although its relationship with asset turnover was not statistically significant. The findings suggest that the performance implications of intellectual capital may differ according to the particular organisational outcome being considered.

Essien and Aniekan (2022) examined intellectual capital and corporate performance among listed non-financial firms in Nigeria between 2012 and 2021. Their study adopted an ex-post facto design and used secondary data from 85 companies. The findings indicated that structural and relational capital had significant positive effects on return on total assets, whereas human capital had a positive but statistically insignificant effect. These results demonstrate that different dimensions of intellectual capital may have varying implications for organisational performance.

Adegbayibi (2021) investigated intellectual capital and performance measures of listed non-financial companies in Nigeria over the period 2007–2017. Using information obtained from audited annual reports and Nigerian Stock Exchange publications, the study examined the contribution of human, structural and capital-employed efficiency to financial performance. Its findings provide further evidence of the relevance of intellectual capital to corporate performance assessment.

Salman and Oyebanji (2024) examined intellectual capital and financial performance among non-financial firms listed on the Nigerian Exchange Group. The study used secondary data from 20 selected firms over the period 2016–2021, applying the Value-Added Intellectual Coefficient approach and regression analysis. The findings indicated that the three components of intellectual capital did not have statistically significant effects on return on assets. This contrasts with some earlier Nigerian studies and suggests that the contribution of intellectual capital to financial performance may depend on the nature of the resource, industry conditions, investment efficiency and the period under consideration.

Igyuse et al. (2025) investigated intellectual capital and the performance of listed non-financial firms in Nigeria between 2019 and 2023. Their findings indicated that human capital had positive and significant effects on return on assets, return on equity and Tobin's Q, whereas relational capital had negative and statistically insignificant effects on the three performance measures. This provides further evidence that the different dimensions of intellectual capital may not contribute equally to organisational outcomes.

Intangible Asset Disclosure and Financial Reporting Quality

Adeyemi et al. (2019) investigated impairment testing of intangible assets and the quality of financial reporting among Nigerian manufacturing companies. The study used audited annual reports for 2012 and 2013 from 50 listed manufacturing companies. Its

focus on impairment testing provides important insights into the relationship between accounting judgements, asset valuation and financial reporting quality. The study is particularly relevant because impairment assessment is an important mechanism for ensuring that the carrying amounts of intangible assets do not exceed their recoverable amounts.

Ahmadu and Suleiman (2020) examined the value relevance of intangible assets among listed manufacturing firms in Nigeria. Their study focused on intellectual property, computer software costs and goodwill, using financial information obtained from listed manufacturing companies over the period 2013–2019. The study examined whether reported intangible asset categories provided relevant information to capital market participants. This contributes to understanding how intangible asset recognition and disclosure may influence the usefulness of accounting information.

Ntim et al. (2021) examined the influence of selected company characteristics on voluntary disclosure of intangible assets in Nigerian listed companies between 2011 and 2018. Their findings showed that firm performance and industry size were significant determinants of voluntary intangible asset disclosure, whereas leverage and listing age did not demonstrate significant effects. The study highlights the importance of organisational characteristics in explaining differences in intangible asset disclosure practices.

Adeyemi et al. (2025) examined intellectual capital and financial reporting quality among listed Nigerian industrial goods firms over the period 2015–2023. The researchers employed the Value-Added Intellectual Coefficient as a measure of intellectual capital and the Modified Jones model's absolute discretionary accruals as a proxy for financial reporting quality. The study provides more direct evidence concerning the interaction between intellectual capital and the quality of financial reporting in Nigeria.

Ofoegbu et al. (2018) examined IFRS disclosure and the performance of Nigerian listed companies. Using 384 firm-year observations from 64 listed companies over the period 2012–2017, the study investigated the implications of IFRS disclosure practices for corporate performance. Although its focus was broader than intangible assets, the study provides relevant evidence concerning the role of accounting disclosure in corporate reporting and organisational outcomes.

Seedat et al. (2026) examined the use and disclosure of intangible assets among companies listed on the London Stock Exchange and the Nigerian Exchange. Using content analysis of audited annual financial statements, the researchers found insignificant increases in recognised intangible asset disclosures over the period examined, alongside substantial increases in disclosures relating to unrecognised intangible resources. The study raises important questions concerning the ability of IAS 38 to reflect the information needs of contemporary knowledge-based businesses. Its comparative Nigerian and British context make it particularly relevant to the present study.

Comparative Review of Empirical Studies

The reviewed studies demonstrate that intangible assets and intellectual capital have important implications for organisational performance and financial reporting. However, their findings differ according to the conceptualisation of intangible resources, measurement approaches, industry characteristics and research methodologies. The following table provides a comparative assessment of selected empirical studies.

Table 2.

Author(s) and year	Focus and geographical context	Methodology and data	Major findings
Vitalis (2018)	Intellectual capital and performance of Nigerian listed firms	Quantitative; secondary data from 40 firms; VAIC and regression	Intellectual capital significantly influenced selected performance measures but not asset turnover.
Ofoegbu et al. (2018)	IFRS disclosure and performance of Nigerian listed companies	Quantitative; 384 firm-year observations from 64 companies	Examined the relationship between IFRS disclosure and corporate performance.
Adeyemi et al. (2019)	Impairment testing and financial reporting quality in Nigerian manufacturing firms	Quantitative; audited reports of 50 listed firms for 2012–2013	Examined the reporting implications of intangible asset impairment testing.
Ahmadu and Suleiman (2020)	Intangible assets and value relevance in Nigerian manufacturing firms	Quantitative; secondary financial statement data, 2013–2019	Examined the value relevance of intellectual property, software costs and goodwill.
Adegbayibi (2021)	Intellectual capital and performance of Nigerian non-financial firms	Quantitative; audited annual reports, 2007–2017	Examined human, structural and capital-employed efficiency in relation to firm performance.
Essien and Aniekan (2022)	Intellectual capital and corporate performance of Nigerian non-financial firms	Quantitative; secondary data from 85 firms, 2012–2021	Structural and relational capital had significant positive effects on return on assets; human capital was positive but insignificant.
Ebe et al. (2023)	IAS 38 intangible assets and performance of Nigerian consumer goods firms	Quantitative; financial statements of 15 firms, 2011–2021	Intangible assets positively and significantly influenced earnings per share and returns on shareholders' funds.
Salman and Oyebanji (2024)	Intellectual capital and financial performance of Nigerian non-financial firms	Quantitative; secondary data from 20 firms, 2016–2021	Intellectual capital components did not have significant effects on return on assets.
Igyuse et al. (2025)	Intellectual capital and performance of Nigerian non-financial firms	Quantitative; panel data, 2019–2023	Human capital had positive significant effects; relational capital had negative insignificant effects.
Adeyemi et al. (2025)	Intellectual capital and financial reporting quality of Nigerian industrial goods firms	Quantitative; 13 listed firms, 2015–2023	Examined intellectual capital in relation to discretionary accruals and financial reporting quality.
Seedat et al. (2026)	Use and disclosure of intangible assets in Nigerian and British listed companies	Documentary content analysis of audited financial statements	Identified limited increases in recognised intangible asset disclosures and substantial increases in disclosures of unrecognised intangibles.

Note. The table summarises the published studies' reported research designs and findings. The studies are not directly comparable in every respect because they employ different measures, samples, periods and definitions of intangible assets and intellectual capital.

The empirical literature provides substantial evidence that intangible assets and intellectual capital are relevant to corporate performance and financial reporting. However, the findings are not uniform. Studies such as Ebe et al. (2023), Vitalis (2018) and Essien and Aniekan (2022) report positive contributions of selected intangible or intellectual capital components to organisational performance. In contrast, Salman and Oyebanji (2024) report statistically insignificant effects of intellectual capital components on return on assets. Igyuse et al. (2025) further demonstrate that the relationship differs across the components of intellectual capital, with human capital producing positive significant effects and relational capital producing negative insignificant effects. These differences suggest that intangible assets should not be treated as a homogeneous category. Their economic contributions may depend on how they are developed, managed, integrated into organisational processes and utilised in specific industry environments.

The literature also identifies important reporting concerns. Adeyemi et al. (2019) draw attention to impairment testing and financial reporting quality, while Ntim et al. (2021) highlight the influence of organisational characteristics on voluntary intangible asset disclosure. The comparative findings of Seedat et al. (2026) further demonstrate the limitations associated with the recognition and disclosure of intangible resources under existing accounting requirements.

Despite these contributions, three important gaps remain.

1. First, much of the Nigerian empirical literature adopts quantitative approaches that examine relationships through financial ratios, regression models and intellectual capital efficiency indicators. Such methods are useful for measuring statistical associations but provide limited explanations of the institutional and organisational processes influencing the recognition and reporting of intangible assets.
2. Second, several studies examine intellectual capital and firm performance without sufficiently distinguishing between recognised intangible assets under IAS 38 and broader intellectual resources that may not qualify for recognition. This distinction is necessary for understanding the differences between accounting values and the wider economic resources supporting organisational performance.
3. Third, there remains a need for an integrated examination of intangible asset recognition, financial reporting quality and organisational performance. These issues are often examined separately, despite their interdependence in contemporary corporate reporting.

The present study addresses these gaps through qualitative documentary analysis. It brings together accounting standards, published empirical findings, corporate reporting materials and relevant institutional publications to explore the processes through which intangible assets are recognised, disclosed and utilised, and how these processes relate to financial reporting quality and firm performance in Nigeria.

Thematic Analysis and Discussion

1. Nature, Recognition and Accounting Treatment of Intangible Assets in Nigerian Firms

The first objective examines the nature, recognition and accounting treatment of intangible assets in Nigerian firms. The documentary evidence indicates that intangible assets constitute an increasingly important component of contemporary corporate resources. Their importance is particularly evident in industries that depend on technology, innovation, intellectual property, specialised knowledge and customer relationships.

Under IAS 38, intangible assets are identifiable non-monetary assets without physical substance. Their recognition requires the satisfaction of specific conditions relating to identifiability, control and future economic benefits. These requirements provide an accounting framework for distinguishing identifiable intangible assets from broader organisational resources.

One important issue emerging from the documentary review is the distinction between recognised intangible assets and unrecognised intellectual resources. For instance, acquired computer software, patents, licences and identifiable contractual rights may qualify for recognition where the relevant requirements are satisfied. However, internally generated goodwill and certain internally generated brands and customer lists are not recognised as assets under IAS 38. This distinction creates a reporting gap between the economic resources available to an organisation and the resources reflected in its statement of financial position.

In Nigerian firms, this issue is particularly relevant to telecommunications, banking, manufacturing and technology-related organisations. Such firms may depend extensively on software, proprietary systems, customer relationships, technical expertise and organisational knowledge. However, the economic importance of these resources does not necessarily mean that all of them can be recognised as accounting assets.

The empirical findings of Ebe et al. (2023) demonstrate the importance of IAS 38 in accounting for identifiable intangible assets among Nigerian consumer goods manufacturing firms. Their findings indicate that recognised intangible assets can have important financial implications, particularly in relation to earnings per share and returns on shareholders' funds.

Similarly, Ahmadu and Suleiman (2020) highlight the relevance of intellectual property, software costs and goodwill in examining the value relevance of intangible asset information among Nigerian manufacturing firms. The evidence suggests that the recognition and accounting treatment of intangible assets are important not only for regulatory compliance but also for the usefulness of corporate financial information. Another important issue concerns research and development expenditure. The distinction between research and development phases requires careful accounting

judgement. Research expenditure is generally expensed, while development expenditure may be capitalised when the recognition requirements are satisfied.

Where these requirements are not properly applied, organisations may either overstate their assets through inappropriate capitalisation or understate their recognised intangible resources through the incorrect expensing of qualifying development expenditure. The recognition and accounting treatment of intangible assets in Nigerian firms should be understood as both a technical accounting responsibility and an important component of corporate resource management. Compliance with IAS 38 provides a basis for reliable reporting, although the recognition restrictions associated with certain internally generated resources mean that accounting values may not fully reflect the broader economic significance of intangible resources.

2. Recognition and Disclosure of Intangible Assets and Financial Reporting Quality

The second objective explores how the recognition and disclosure of intangible assets influence financial reporting quality. The documentary evidence suggests that the quality of financial reporting depends not simply on the recognition of intangible assets but also on the completeness, consistency and transparency of the accompanying disclosures.

IAS 38 establishes requirements concerning the disclosure of recognised intangible assets, including whether their useful lives are finite or indefinite, amortisation methods, gross carrying amounts, accumulated amortisation and impairment losses. These disclosures enable stakeholders to understand how intangible resources are accounted for and how their carrying amounts change over time. Similarly, IAS 36 provides requirements for impairment testing to ensure that assets are not carried at amounts exceeding their recoverable values. These requirements are particularly important for goodwill and intangible assets that are not yet available for use or have indefinite useful lives.

Adeyemi et al. (2019) provide relevant evidence concerning impairment testing and financial reporting quality in Nigerian manufacturing companies. Their study found that although listed firms demonstrated compliance with relevant impairment-testing requirements under IFRS 3, IAS 36 and IAS 38, compliance with disclosure requirements remained relatively low. This finding is important because conducting impairment tests without adequately disclosing their outcomes may limit the usefulness of financial statements.

The disclosure challenge is also reflected in Eneh et al. (2021), who examined voluntary disclosure of intangible assets among listed Nigerian companies. Their findings indicate that company performance and industry size influence voluntary disclosure practices, whereas leverage and listing age did not demonstrate significant effects. The implication is that organisational characteristics and managerial disclosure decisions may influence the availability of information concerning intangible resources.

Furthermore, Adeyemi et al. (2025) provide evidence of a significant positive relationship between intellectual capital and financial reporting quality among listed Nigerian industrial goods firms. Their study suggests that the quality of intellectual capital may be associated with improved financial reporting outcomes.

The relationship can be explained through the organisational capabilities required to maintain reliable accounting systems, competent finance departments, effective internal controls and appropriate reporting procedures. Financial reporting quality also has an important accountability dimension. Where managers provide adequate information about intangible assets, stakeholders are better positioned to assess management decisions, asset utilisation and the potential economic benefits associated with organisational resources.

Nevertheless, disclosure should not be confused with the recognition of assets. Organisations may provide useful narrative information about resources that do not qualify for recognition under IAS 38, provided that the information is appropriately presented and does not mislead users. The quality of financial reporting in Nigerian firms is influenced by the extent to which intangible assets are properly recognised, measured and disclosed. Compliance with accounting standards, adequate impairment disclosures, reliable supporting documentation and transparent explanations of accounting judgements are essential for improving the credibility and usefulness of financial information.

3. Contribution of Intangible Assets to Firm Performance and Organisational Competitiveness

The third objective investigates the contribution of intangible assets to firm performance and organisational competitiveness. The documentary evidence indicates that intangible resources contribute to corporate performance through several organisational mechanisms.

a) First, technological intangible assets, including software, proprietary systems and databases, may improve operational efficiency by facilitating information processing, reducing transaction costs and strengthening managerial decision-making.
b) Second, intellectual property and innovation-related resources may support product development, process improvements and market differentiation.
c) Third, brand-related resources and customer relationships may strengthen market positioning, customer retention and revenue-generating capacity.
d) Fourth, organisational knowledge and specialised competencies may improve productivity, operational coordination and the capacity to respond to changing market conditions.

These contributions are consistent with the Resource-Based View, which explains how unique organisational resources and capabilities can support competitive advantage (Barney, 1991).

The empirical literature provides further support for these arguments, although the findings are not entirely consistent. Ebe et al. (2023) report positive and significant relationships between recognised intangible assets and selected financial performance indicators among Nigerian consumer goods manufacturing firms. Essien and Aniekan (2022) also report that structural and relational capital significantly improve return on total assets among listed Nigerian non-financial firms. Adegbayibi (2021) similarly identifies positive contributions of selected intellectual capital components to financial performance among listed non-financial companies.

However, Salman and Oyebanji (2024) report that intellectual capital components did not have significant effects on return on assets among selected Nigerian non-financial firms. Igyuse et al. (2025) also demonstrate differences across intellectual capital components, finding positive and significant performance effects for human capital but negative and statistically insignificant effects for relational capital. These contrasting findings are important because they indicate that intangible resources do not automatically translate into improved organisational performance.

Their contribution depends on the quality of investment decisions, the effectiveness of organisational management, the relevance of the resources to business activities and the ability of firms to convert intangible capabilities into economic benefits. For example, an organisation may invest significantly in information technology without achieving improved profitability if the technology is poorly integrated into its operational processes. Similarly, expenditure on employee training may not produce the expected benefits where employees lack opportunities to apply their acquired knowledge.

This suggests that the management and utilisation of intangible resources are as important as their acquisition. The analysis also indicates that the contribution of intangible assets should be examined beyond immediate financial returns. Their benefits may include innovation capacity, operational resilience, improved customer experience, stronger reputation and long-term organisational sustainability. Intangible assets contribute to firm performance through innovation, productivity, market differentiation and organisational capabilities. However, their economic contribution depends on effective management and utilisation. Nigerian firms therefore need to move beyond the mere acquisition of intangible resources towards developing the organisational capabilities required to convert these resources into sustainable economic value.

4. Challenges Affecting the Recognition, Reporting and Utilisation of Intangible Assets in Nigerian Firms

The fourth objective identifies the challenges affecting the effective recognition, reporting and utilisation of intangible assets in Nigerian firms. The documentary evidence reveals several interrelated challenges.

1. Measurement and Valuation Difficulties: One major challenge is the difficulty associated with measuring the value of intangible assets. Unlike tangible assets, intangible resources may lack observable market prices, making their valuation

dependent on specialised techniques, professional judgement and assumptions about future economic benefits. For example, determining the recoverable amount of goodwill may require management to estimate future cash flows, discount rates and growth expectations. Where these assumptions are inadequately supported, the reliability of the reported carrying amounts may be affected.

2. Recognition Limitations Under Accounting Standards
   Certain resources, including internally generated goodwill, brands and customer lists, may contribute substantially to organisational value but cannot be recognised as assets under IAS 38. This creates a distinction between the economic value of an organisation and the accounting values reflected in its financial statements. Seedat et al. (2026) provide relevant evidence by highlighting the reporting gap associated with recognised and unrecognised intangible resources among Nigerian and British listed companies.

3. Inadequate Disclosure Practices
   The quality of intangible asset reporting may also be affected by inadequate disclosure practices. The findings of Adeyemi et al. (2019) demonstrate that weaknesses in impairment-related disclosures can persist even where firms undertake impairment testing. Similarly, Eneh et al. (2021) identify differences in voluntary disclosure practices among Nigerian listed firms. Inadequate disclosure may limit the ability of investors, creditors and other stakeholders to assess the nature and economic significance of organisational resources.

4. Limited Professional and Technical Expertise
   The recognition, valuation and reporting of intangible assets require specialised accounting and technical expertise. Organisations may face difficulties in estimating useful lives, evaluating impairment indicators, assessing development expenditure and determining whether internally generated resources satisfy the recognition requirements. Where appropriate expertise is unavailable, accounting judgements may become inconsistent, resulting in weaknesses in reporting quality.

5. Managerial Discretion and Information Asymmetry
   The recognition and measurement of intangible assets involve areas of managerial judgement. These judgements may create opportunities for information asymmetry between corporate managers and external stakeholders. Agency Theory explains that managers may possess superior information concerning organisational resources and may have incentives to influence reported financial information. This makes independent auditing, effective internal controls, corporate governance and regulatory oversight important for ensuring accountability.

6. Limited Integration of Intangible Assets into Corporate Strategy
   Some organisations may concentrate on acquiring tangible assets and achieving immediate financial targets without sufficiently considering the strategic importance of intangible resources. This may result in inadequate investment in innovation, research and development, technological infrastructure, organisational knowledge and employee competencies. The mixed findings of Nigerian empirical studies suggest that the benefits of intellectual capital depend on how effectively organisations manage and integrate these resources into their operations. The effective recognition, reporting and utilisation of intangible assets in Nigerian firms are constrained by measurement uncertainty, accounting recognition limitations, inadequate disclosure, limited professional expertise, managerial discretion and weaknesses in strategic resource management. Addressing these challenges requires coordinated improvements in accounting capacity, corporate governance, regulatory compliance and organisational investment practices.

Conclusion

This study explored intangible assets, financial reporting quality and firm performance in Nigerian firms through a qualitative examination of secondary documentary evidence. The study was guided by four objectives focusing on the nature and accounting treatment of intangible assets, their implications for financial reporting quality, their contribution to organisational performance and the challenges affecting their effective recognition, reporting and utilisation. The analysis establishes that intangible assets constitute important strategic resources in contemporary corporate organisations. Their contributions extend beyond conventional accounting values to include innovation, technological advancement, organisational knowledge, customer relationships, productivity and competitive positioning.

The study also demonstrates that the recognition and disclosure of intangible assets are important determinants of financial reporting quality. Compliance with IAS 38 and related accounting standards provides a framework for appropriate recognition, measurement, impairment assessment and disclosure. However, the restrictions associated with certain internally generated intangible resources create a gap between the economic value of organisations and the assets represented in their financial statements.

Furthermore, the reviewed empirical literature indicates that intangible assets and intellectual capital can contribute to firm performance, although the nature and extent of their contributions differ across organisations and industries. While some Nigerian studies report positive relationships between selected intellectual capital components and financial performance, others identify insignificant effects. These differences suggest that the acquisition of intangible resources does not automatically guarantee improved organisational performance. Their economic benefits depend on effective management, strategic integration and appropriate utilisation.

The study also identifies important challenges relating to measurement uncertainty, accounting recognition restrictions, inadequate disclosure, limited professional expertise, managerial discretion and weaknesses in organisational resource management. The study concludes that intangible assets, financial reporting quality and firm performance should be understood as interconnected dimensions of corporate value creation and accountability. Intangible resources provide the strategic capabilities for organisational development, financial reporting quality communicates their accounting significance to stakeholders, while effective utilisation determines their contribution to organisational performance. Consequently, Nigerian firms should strengthen their intangible asset management practices and reporting systems to improve transparency, accountability, competitiveness and long-term corporate sustainability.

Recommendations

Based on the findings and documentary evidence, the study makes the following recommendations:

1. Strengthening compliance with accounting standards: Nigerian firms should strengthen compliance with IAS 38, IAS 36 and other relevant IFRS requirements governing intangible asset recognition, measurement, impairment and disclosure. Management should ensure that accounting policies are consistently applied and supported by adequate documentation.
2. Improving intangible asset disclosure: Corporate organisations should improve the completeness and transparency of disclosures relating to intangible assets. In addition to mandatory accounting disclosures, firms should provide relevant supplementary narrative information concerning material intellectual resources, innovation activities, technological capabilities and other organisational resources, where such information can be disclosed without misleading stakeholders or compromising legitimate commercial interests.
3. Developing professional and technical expertise: Organisations should invest in continuous professional development for accounting and finance personnel, particularly in areas involving intangible asset valuation, impairment testing, research and development accounting and IFRS compliance. The engagement of qualified valuation professionals should also be encouraged where specialised expertise is required.
4. Integrating intangible assets into corporate strategy: Management should recognise intangible resources as important components of organisational strategy. Investment in software, research and development, innovation, intellectual property, organisational systems and employee competencies should be integrated into corporate planning and performance management.
5. Strengthening corporate governance and internal controls: Boards of directors, audit committees and external auditors should strengthen oversight of intangible asset recognition, valuation and disclosure. Effective internal controls should be established to reduce inappropriate capitalisation, earnings manipulation and inconsistent reporting judgements.
6. Enhancing regulatory monitoring and professional guidance: The Financial

Reporting Council of Nigeria and other relevant regulatory institutions should strengthen monitoring of corporate financial reporting practices, particularly in relation to impairment disclosures, development expenditure and the recognition of identifiable intangible assets. Professional accounting bodies should also promote specialised training and guidance in this area.

References

Adegbayibi, A. T. (2021). Intellectual capital and firms' performance measures of listed non-financial companies in Nigeria. *The Journal of Accounting and Management, 11(2*), 161–175.

Adeyemi, A. O., Olagunju, A., & Adeyemi, A. T. (2025). Intellectual capital and financial reporting quality: Evidence from listed Nigerian industrial goods firms. *UMYUK Journal of Economics and Development, 2(2), 47–60*. https://doi.org/10.70861/ujed20250202004

Adeyemi, S. B., Omobude, S. I., & Udofia, I. E. (2019). Impairment testing of intangible assets and quality of financial reporting of Nigerian manufacturing companies. *Global Journal of Accounting, 5(1), 1–15.*

Ahmadu, E. O., & Suleiman, S. (2020). Effect of intangible assets on value relevance: Evidence from listed manufacturing firms in Nigeria. *Journal of Economics and Sustainability.* https://doi.org/10.32890/jes2020.2.2.4

Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management, 17(1), 99–120.* https://doi.org/10.1177/014920639101700108

Dechow, P. M., Ge, W., & Schrand, C. (2010). Understanding earnings quality: A review of the proxies, their determinants and their consequences. *Journal of Accounting and Economics, 50(2–3), 344–401.* https://doi.org/10.1016/j.jacceco.2010.09.001

Ebe, C. O., Salawu, R. O., & Aguguom, T. A. (2023). IAS 38 intangible assets and firm performance: Empirical evidence from selected consumer goods manufacturing companies listed in Nigeria. *International Journal of Innovative Research and Scientific Studies, 6(3*), 570–577. https://doi.org/10.53894/ijirss.v6i3.1607

Eneh, S., Emengini, E., Nnam, I., & Nwekwo, N. (2021). Influence of selected company characteristics on voluntary disclosure of intangible assets in listed companies. *Cogent Business & Management, 8(1)*, Article 1959006. https://doi.org/10.1080/23311975.2021.1959006

Essien, S. P., & Aniekan, U. O. (2022). Intellectual capital and corporate performance of listed non-finance firms in Nigeria. *AKSU Journal of Administration and Corporate Governance, 2(4), 42–56*. https://aksujacog.org.ng/articles/22/11/intellectual-capital-and-corporate-performance-of-listed-non-finance-firms-in-nigeria/

Igyuse, S., Zayol, P. I., Soomyol, M. T., & Korna, M. J. (2025). Effect of intellectual capital on performance of listed firms in the non-financial sector in Nigeria. *UMM Journal of Accounting and Financial Management, 5(2)*, 119–133.

International Accounting Standards Board. (2018). Conceptual framework for financial reporting. IFRS Foundation.

International Accounting Standards Board. (2021). IAS 38: Intangible assets. IFRS Foundation.

International Accounting Standards Board. (2021). IAS 36: Impairment of assets. IFRS Foundation.

International Accounting Standards Board. (2021). IFRS 3: Business combinations. IFRS Foundation.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behaviour, agency costs and ownership structure. *Journal of Financial Economics, 3(4)*, 305–360. https://doi.org/10.1016/0304-405X(76)90026-X

Ofoegbu, N. G., & Odoemelam, N. (2018). International financial reporting standards (IFRS) disclosure and performance of Nigeria listed companies. Cogent Business & Management, 5(1), Article 1542967. https://doi.org/10.1080/23311975.2018.1542967

Salman, R. T., & Oyebanji, D. (2024). Intellectual capital and financial performance of non-financial firms in Nigeria. *International Journal of Innovative Research in Accounting and Sustainability, 9*(2), 42–50.

Seedat, T., Burnham, K., & van Zijl, W. (2026). An analysis of the use and disclosure of intangible assets by LSE- and NGX-listed companies. *South African Journal of Accounting Research, 203–224.* https://doi.org/10.1080/10291954.2026.2644757

Vitalis, E. (2018). Effect of intellectual capital on performance of firms listed on Nigeria Stock Exchange. *Research Journal of Finance and Accounting, 9(8).*