Efforts and challenges in adopting international financial reporting standards (IFRS) in Nigeria

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Abstract

Financial reporting in emerging and developed economies has been a challenging debate, due to the frequent changes as well as updates on accounting rules and regulations. Nigeria, being an emerging economy has witnessed a dramatic change and improvement on the accounting reporting since after political development of the country in 1960. The establishment of Nigerian Security Exchange (NSE) in 1982 and the establishment of Nigerian Accounting Standard Board (NASB) in 1984 by the Institute of Chartered Accounting of Nigeria (ICAN) who were the pioneer legislations on the road map to financial reporting in Nigeria. Even though laws and regulations were also issued by the regulatory bodies in Nigeria to ensure quality(value relevance) financial reporting, the level of compliance with the regulations have been very low as reported by the World Bank in the 2004 and 2011(ROSC report). Subsequently, professionals, regulatory bodies and government made the first effort by establishing the road map and the World Bank committee for the adoption of the International Financial Reporting Standards (IFRS) in 2010. Secondly, the formation of the Financial Reporting Council (FRC) in 2011 and FRC training institute in 2012. However, these efforts by the government, World Bank and regulators were faced with the challenges on the development of regulatory and legal framework as well as training of professionals and regulators on the new accounting standard (IFRS). Therefore, this paper explores two main issues: (i) the efforts of government, professional bodies, and regulatory agencies by providing accounting framework and trainings; and (ii) challenges in adopting IFRS due to weaknesses of SAS and unethical behaviours of the preparers of financial statements.

***KeyWords**: SAS, IFRS, financial reporting and Nigeria*

1.0 Introduction

Financial reporting provides the required credible and objective financial information to make reasonable analysis of performance of businesses. Immediately, after

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independence of the country and exploration of petroleum product, the economic activities continue to expand in Nigeria. Given that businesses are becoming more complex, users demand for more relevant accounting information to invest in the economy. Relevant information could provide directions and guidance for businesses to achieve goals of providing accounting information to the users (Kantudu, 2008). Financial information is only relevant once the information can influence the decision that has been made by the decision maker (Belkaoui, 2000). It provides information content in financial statements which is expected to be important for decision making (Kargin, 2013). Among others, publically available information financial reporting is required by the users on investments, to assess the value and risk of business before taking investment decision (Karunarathne & Rajapakse, 2010). They believe investments in any country are the essence to develop economy which require business to have sufficient and enough information related to users' decisions.

Nigeria has particularly produced different policies and regulations to provide financial reporting in the country. These policies and regulations aimed at improving the accounting information by the companies, namely, the Financial Reporting Council (FRC) 2011 (formerly known as Nigerian Accounting Standard Board 1985), the Company and Allied Matter Act (CAMA) 1990, the Nigerian Security Exchange (NSE) 1982 and banks and other financial institutions decree 25 1991 Act (updated 2004). Kantudu (2008) believes that these rules and regulations were issued in the country for financial reporting to provide transparent and improved accounting information. However, these accounting regulations have not met the international standards of reporting because of the weaknesses of the financial system in the country (World Bank, 2004).

The weaknesses of the regulations caused lack of relevant accounting information to bring in investments and produce quality accounting reporting (World Bank 2011). Quality reporting will increase market efficiency in the capital market, decrease the cost of capital and significantly improves the inflows of foreign capital (Liu, Yao, Hu, & Liu, 2011). As a result of considerable disparity in economic efficiency and accounting quality in different countries, international accounting reporting will provide exciting settings to investigate the economic consequences of financial reporting (Soderstrom & Sun, 2007). To have a global best practice in disclosures and accounting reporting, the CBN initiated partial adoption of International Financial Reporting standards (IFRS) for Nigerian Banking sector in 2010 (Sanusi, 2010). Therefore, efforts were made to bridge the gap between the domestic standards and international reporting standards in Nigeria in order to have a uniform system of financial reporting which meets the global requirements.

There are many benefits of globalisation from having a uniformed accounting standards (Madawaki, 2012). These benefits include (i) uniformed accounting reporting will limit the communication of financial information difficulties associated with the information asymmetry; and (ii) there will be a climate of trust concerning the capital market mechanisms, which will consequently encourage diverse transactions of business (Zeghal & Mhedhbi, 2012). Additionally, the Nigerian committee on the road map 2010 mentioned some benefits on having a uniformed accounting reporting as (i) cutting the cost of cross border business by reducing additional information; (ii) enhancing valuation and analysis through making information more comparable by the users of financial report; and (iii) to bring confidence to users from the information provided to them and lastly reducing ambiguity by promoting efficient resources allocation and reduced cost of capital**.** In contrast**,** these economic benefits cannot be achieved if the economic and institutional factors do not have similar characteristics over time. For Nigeria to benefit from globalisation, several economic reforms were undertaken by the Nigerian (Holthausen, 2009).

The fourth phase of these economic reforms commenced in 2004 with the development of real sector and banking industry, being the most important sector of the economy. The first major review of the economic reform was made by the World Bank group and the Nigerian professionals in 2004 (the Report on the Observance of Standards and Codes (ROSC)) to provide assessment on the accounting and auditing framework that will ensure quality accounting reporting. In the findings of the committee, the Nigerian Accounting Standards (SAS) is basically adopted from the International Accounting Standard (IAS), but with no updated like IAS hey also found a major limitation of SAS in terms of disclosure, as most of the disclosures in IAS are not found in SAS due to the constant update on IAS. There were no National Auditing Standard for practitioners, and that the auditing practice has not been in line with the best practice in the world. These factors, with poor accounting education and training on the regulators and practitioner, have significantly contributed to weaknesses of the accounting information and auditing regime, which in turn reduce quality reporting in the country (ROSC, 2010).

As a result of the weaknesses of regulation and financial system in 2008-2009, Nigeria experience capital market and banking failures. Even though the crisis was a global phenomenon, but it has made the review of existing rules and laws in financial industry in line with the best international practice and new financial reporting (Sanusi, 2010). In 2009, the Central of Nigeria made a review of the banking sector and found out there was a significant number of inside trade, market abuse and many other issues. The Government of Nigeria requested the World Bank group in 2010 to conduct a second phase of ROSC accounting and auditing in order to examine the implementation status of the 2004 report and explore ways in which the Nigerian financial system will be strengthen. They were also mandated to identify ways in which to strengthen the Nigerian financial system to meet with the international best practices.

The report found that significant areas of the 2004 ROSC report was not addressed. The number of financial institutions exploring the loopholes of Nigerian auditing and accounting standards, and using the weakness to produce creative accounting that will boost their earnings and balance sheet in order to show a good market stand, which in return deceived investors and other interested parties are alarming. In addition, weak enforcements of the regulations and weak regulatory bodies were also identified by the World Bank as the causes of non-compliance with accounting standards. The committees recommended the adoption of the International Financial Reporting Standards (IFRS). Subsequently, the formation of FRC Act, 2011 was the first government effort to IFRS. Secondly, the formation of FRC training institute for the training of professionals, preparers, regulators and other stakeholders. These efforts were faced with challenges at the implementation stage.

One of the major challenges for the adoption of IFRS in the country is the development of regulatory and legal framework. Other challenges are the firm time cost of implementation of the new accounting standards and training of professionals and regulators on the IFRS. However, global differences (political, culture, legal, economic and history) caused difficulty to IASB to issue IFRS inline will the demand of all international countries around the world (Boolaky, 2012). The adoption of IFRS will lead to improved private sector equity investments that could lead to the growth of infrastructure and pool investible of firms funds (Sanusi, 2010).

This paper is significant for the users, preparers and regulators of accounting standards in Nigeria. To the best of our knowledge, no study captures both the efforts and challenges of adopting IFRS in Nigeria conceptual text. The few studies conducted on challenges, convergence and adoptions of IFRS (Nyor, 2012; Ebimobowei, 2012 and Oduware, 2012) are empirical studies. Therefore, this study will look into the IFRS adoption in a different dimension with the objectives to explore the efforts and challenges of the government, professionals, World Bank and regulatory agencies in providing accounting regulatory framework in Nigeria.

The remainder of the paper is as follows: section 2 describes Nigerian financial reporting; section 3 provides the efforts in adopting IFRS, section 4 offers challenges in adopting IFRS, and lastly, section 5 concludes the paper.

2.0 Nigerian Financial Reporting

The NASB Act of 2003 promulgation and setting up the NASB Inspectorate Unit have been an important visionary approach to strengthen Nigerian accounting standards in enhancing the relevance of accounting information. Economic, political and legal system of countries which create a significant diversity of accounting reporting makes it difficult to compare the financial reporting across borders (Soderstrom & Sun, 2007). Therefore, the adoption of IFRS by Nigeria could breach the gap and insure higher degree of quality accounting information in the published financial statement (Mary, Okoye & Samson, 2013). Umoren (2009) provides evidence that developing countries (e.g. Malta and Romania) in the European Union (EU), have shown an improvement on quality in financial reporting by using the international financial reporting standards. In addition, adopting IFRS will influence investors to have more access to business, given that domestic standards issued by the developing countries may not be useful for business participation in emerging markets (Prather-Kinsey, 2006). A harmoniseharmonised accounting reporting globally (Belkaoui, 1994) would also encourage investors' confidence in the market.

Financial reporting in Nigeria has been guided by regulations since after the independence from the colonial rule in 1960. These regulations and rules governing financial reporting in Nigeria namely; (i) Financial Reporting Council Act of 2011 (formerly known as the Nigerian Accounting Standards Board (NASB) 1982, becomes an Act in 2003); (ii) NDIC act 1988; (iii) the Central Bank of Nigeria Act 2004; (iv) the Company and Allied Matter Act (CAMA) 1990; and (v) the Nigerian Stock Exchange (NSE) of 1960. Even though this regulation have been in existence for over two decades, yet, the accounting reporting is been regarded as weak by the World Bank. Nigerian accounting reporting was pioneered by the British system (IAS) of accounting system which has been updated frequently, while SAS has not been updated, leaving so much gaps of not having relevant accounting information.

In addition, several reports by the World Bank in 2004 and 2010, as well as the committee on road map to IFRS in 2010 were established by the government of Nigeria to find ways of strengthening the financial system. In 2007, the International Federation of Accountants (IFAC) conducted a survey which reported that a large number of accounting leaders which includes Nigeria have agreed to adopt one set of accounting standards for the capital market growth within a no distance time. The delay in adoption and strengthening of financial system was one of the major issues that caused the collapse of the capital market in 2008.The Nigerian stock market has about 216 listed companies that have a greater percentage of about US$35billion as of 30th January 2010 (NSE, 2011).

This statistic on the growth of the stock market is still low, compared to other emerging markets like South Africa and Mexico. In addition, a special audit review was carried by the Central Bank of Nigeria (CBN) and the Nigerian Deposit Insurance Corporation (NDIC) in 2009 which highlighted the capital asset inadequacies, poor accounting reporting and liquidity ratios weakness in banks which resulted in the failure of the capital markets. Despite the fact that Nigeria offered a good opportunity for the investors to come into the country, they still perceive the capital market to be risky (NASB, 2010). This market risk could be reduced by having identical accounting information with the global best practice (Sanusi, 2010).

Subsequently, on the 20th of July, 2011, the Financial Reporting Council Act was signed into law as a regulatory body for the accounting reporting. Aganga (2011) states that:

"More meaningful and decision enhancing information can now be arrived at from financial statements issued in Nigeria because accounting, actuarial, valuation and auditing standards, used in the preparation of these statements, shall be issued and regulated by this Financial Reporting Council" (*The Nations News Paper Nigeria page*

15 23/03/2013 accessed 15/05/13).

The council is to provide a legal framework for both accounting and auditing reporting in the country. In the year 2011, the council announced the road to the adoption of the International Financial Reporting Standards for companies in the country. All listed companies in the Nigerian Capital market are to commence with full adoption to IFRS from 1st January 2012, while public entities to begin on the 1st January 2013 and Small and Medium Enterprise (SMEs) on the 1st January 2014. The council has professional bodies (ICAN and Association of National Accountants of Nigeria (ANAN) and other agencies as its members (ICAN, 1990).

3.0 The efforts in adopting IFRS

3.1 Professional bodies

The Nigerian Institute of Chartered Accountants of Nigeria (ICAN) or formally known as the Association of Accountants in Nigeria (AAN) 1960 is the pioneer professional body in Nigeria that was established by the Act of Nigerian Parliament 15 of 1965 to train accountants. The Institute is the first professional body that practices and regulates accounting profession in the country. The body has been responsible for supervision and preparation of financial reporting in the country. The first domestic accounting reporting body was established in 1982 by the NASB which was a unit under ICAN (Even though CAMA of 1968 has been the reporting guide in financial reporting in the country). The ICAN established a body (NASB) as a unit to prepare accounting standards based on the International Accounting Standard (IAS) for their members and businesses operating in Nigeria. On the impact of SAS, the ICAN mandated all its members to prepare their clients' financial reporting based on the Nigerian standards and the IAS are not superseded by the domestic standards(Wallace, 1988). NASB issued SAS 1 to SAS 6 from 1985 to 1988 before it was taken over by the government as follows:

Table 1

Early SAS adopted from IAS

S/No	Standard Name	Acrimony	Date/Year
1	Disclosure of Accounting Policies	SAS1	1-Jan-85
2	Information to be Disclosed in Financial Statement	SAS2	1-Jan-85
3	Accounting for Property Plant and Equipment	SAS3	1-Jan-85
4	Accounting for Stock and Spare Parts	SAS4	1-Jan-87
5	Accounting for Construction Contract	SAS5	1-Jan-88
6	Extraordinary Items and Prior Year Adjustment	SAS6	1-Jan-88

Source: FRC, 2010

ICAN is a member of the International Federation of Accountants Committee (IFAC), with over 32,372 members as of 2011, and having over 827, 000 private companies and 420, 000 public companies to audit and has been responsible for the preparation of financial reporting to both public and private entities. However, the number of professional accountants cannot meet the demand of the businesses in terms of financial reporting in the country (World Bank, 2011).

In order to improve the number of professional accountants and ensuring relevant accounting information, a group of experts from academics and industry came together to form another accounting professional body known as the Association of National Accountants of Nigeria (ANAN). On the 1st January 1979 the association was registered by the act of parliament in 1993 by decree 76 of 1993 to regulate accounting profession in the country. These professional bodies' efforts are training, practices, regulations and providing framework to the transition to IFRS. The members are also among the preparers (i.e. External Auditors) of accounting information.

One of the significant challenges of the professional bodies is that the CAMA act 1968, as amended, allows only ICAN with the statutory right to be appointed as auditors. The only act that allow for the registration of auditors, disciplinary matters and licensing requirements is the ICAN Act, 1965.

4.0 The Nigerian Accounting Standards Board (NASB)

The Nigerian Accounting Standards Board (NASB) was established on the 9th of Sept 1982 as a unit of ICAN to issue and prepare domestic accounting standards in Nigeria. Although NASB has been in existence for many years (even though repelled by FRC Act, 2011), the legal framework for the establishment of the board was formally approved by the act of the Nigerian Parliament on the 10th of July, 2003. The body is to provide bases and improvement on the quality of financial reporting in Nigeria under the supervision of the institute. Having recogniserecognised by the law, the board is to develop and issue SAS for users and preparers of accounting information. NASB has similar characteristics with other International Accounting Standards in UK, USA and Australian Accounting Standards (NASB, 2009). The powers of the board is enshrined in section 335 (1) of the CAMA 1990 which requires that all financial statements of companies, both public and private, shall comply with the SAS issued from time to time by the NASB. A full autonomy of the board was achieved in 1992 as an independent body devoid of any external interference

The Board has a statutory power: (i) to develop and publish the Statement of Accounting Standards (SAS) to ensure disclosure of quality financial reports; (ii) to ensure the general acceptance and compliance with the standards by preparers; (iii) to review and update accounting standards as well as monitor the compliance with standards, and (iv) to enforce punishment to the earing business for non-compliance with the standards. Even though NASB issued many accounting standards, yet its board found not to have effective monitoring capacity, lack of funding as a result of being an agency of the government, interference of the board operations and lack of accounting and auditing enforcement mechanism (ROSC, 2004). In addition, other challenges identified by the board is that the board agitated for an independent body devoid of government interference and new accounting standards that will meet the global need of financial reporting.

The effort of the board was issuance of the first domestic accounting standards in 1984 known as the Statement of Accounting Standard (SAS) 1 to SAS 3 for financial reporting in Nigeria. As of 2010, 31 SAS were issued by the board. NASB, which is an agency under the Federal Ministry of Commerce in 1992, has the responsibility to publish, develop and update the Statement of Accounting Standards (SAS) issued to business for the preparation of financial reporting, compliance with the standards as well as to promote the use of standards. Different committees were established by the board in collaboration with the World Bank for the road map to IFRS in Nigeria. The NASB has been replaced with the Financial Reporting Council (FRC) in 2011.

5.0 Financial reporting council

The establishment of FRC as an independent body to regulate accounting and auditing practice is to promote high quality reporting of accounting information to foster investment. The establishment of autonomous accounting regulatory body in Nigeria and the devoid of any interference by the governments, will improve the economic development of the country (Egwuatu, 2010), as well as providing quality accounting reporting (Nnadi 2010). In addition, the adoption of IFRS would certainly address the weaknesses of the accounting reporting experienced from the SAS (Ebulu, 2011).

The formation of the Financial Reporting Council Act 2011 was as a result of the recommendation of various reports of committees by both the World Bank (2004 and 2011) and also the committee on the road map to adoption of IFRS 2010, in order to have a harmonised accounting reporting in the country. In 2008, the European Union (EU) pointed out the need for adopting or adapting IFRS in developing country within the year 2008. It was discovered that only South Africa and Mauritius adopted IFRS in Africa within the year end, and this countries were therefore, recognised by EU in terms of investment opportunity. (Ebulu, 2011) states that the adoption of IFRS and the establishment of FRC will provide the best approach to accounting regulations and reporting practice like UK, China, Australia and Malaysia economies.

The failure to recognise the formation of FRC will put Nigeria at disadvantage (Obazee, 2011). The government of Nigeria approved the formation of the Financial Reporting Council Act 2011 as an independent body for the regulation of accounting laws and regulations. NASB instructed businesses in Nigeria to have voluntary (optional) adoption of IFRS for the 2010 and 2011 financial year. Setting up an independent body to be responsible for accounting and auditing regulations that is devoid of government interference would enable Nigeria to attain economic growth (Egwuatu, 2010).

Therefore, the Senate present of the Federal Republic of Nigeria in 2011, when passing the FRC bill stated that:

"The advantages of adopting IFRS will improve investors' confidence by providing quality assurance reporting for the country" Nigerian Tribune newspaper, 15/011/2013

The council is to contribute to the implementations of IFRS and ensure quality reporting in accounting and auditing, and secure revisions where necessary in line with the standards. The council monitor reports and policies with procedures that support audit quality of the accounting and audit firms in Nigeria. The act also empowers the board to publically list out the quality of auditors on both private and public interest entities. Furthermore, the council is to also ensure quality assurance on the activities of professionals or preparers of accounting regulations overseeing the activities of the bodies and having independent arrangement of disciplinary committee for public or private cases involving professionals.

In addition to ensuring quality reporting, the council receives copies of auditors' qualified reports that contain detailed explanation of financial statement with auditor's qualifications within 30 days from the date of such reports and qualification. They ensure compliance with the standards issued and financial reporting standards and ensure consistency on the standards issued under IFRS. They also develop and keep up to date all accounting and auditing standards by ensuring consistency between the standards.

Section 2-(2) membership shall consist of:

1. A chairman with considerable experience in accounting practice and should be a professional accountant.
2. The Association of the National Accountants of Nigeria & the Institute of Chartered Accountants of Nigeria whom representatives each is; The Accountant General of the Federation, Auditor General of the Federation, CBN, CIS, CITN, CAC, FIRS, FMC, FMF, NAC, NACCIMA, NDIC, NIESV, SEC, NIC, NSE, and MPC one member each.
3. Secretary of the Council.

One of the first efforts of the FRC for the transition to IFRS was the establishment of training institutes for the training of professionals, academicians, regulatory bodies and other stakeholders like company managers in order to meet the requirements of the Act.

The academy is an avenue for the development of standards and use of its application for quality reporting in Nigeria (Obazee, 2011). Another effort of the council is the commencement of voluntary compliance of banks and companies on the use of IFRS for the 2010 and 2011 financial year on the IFRS. FRC is responsible for the full adoption of IFRS to all listed companies from the 1st January of 2012, non-listed and public entities on the 1st January of 2013 and SMEs on the 1st January of 2014. The adoption of IFRS will assist in boosting foreign direct investment in Nigeria (Chima, 2001).

5.1 World Bank

The World Bank has played a formidable role in ensuring not only accounting reporting but having a quality financial reporting system in Nigeria. The effort of the banks was the inauguration of a committee (members: the World Bank Team, NASB, Corporate Affairs, CBN, the Security and Exchange Commission, ICAN, ANAN and the Nigerian Deposit Insurance Commission) that has a report on the Observance of Standards and Codes (ROSC) of Nigeria Accounting and Auditing in 2004. The committee provides report on the assessment of financial statement in the country by providing useful information on the best way to strengthen the system in the country. In particular, the responsibilities of the committee are:

1. Reviewing and assessing the existing standards on accounting and auditing in terms of its weaknesses and strengths.
2. Examining the relationship between the domestic accounting standards and international standards.
3. Investigating the degree of compliance with the domestic standards in term of reporting.
4. Evaluating the efficacy of monitoring mechanism for compliance with the standards.

Based on the World Bank recommendations related to strengthening the financial system of the country in 2004, the federal government requested the World Bank in 2010 to review and assess whether there are improvements on the system in Nigeria.

The report of the ROSC 2004 found that accounting and auditing practices in the country suffer from compliance institutional regulation weakness, and the standard and rules enforcement among firms and regulators. The national auditing standard does not exist, even though the SAS have been based on IAS, however it has not been updated or reviewed in line with the current IAS. They also found that in significant cases, SAS has no equivalent towards the current IAS. In addition, compliance with accounting standards that are more lenient is achieved, but with some exceptions. Moreover, the auditors' ethical codes for reporting in the country are not in line with international best practices. There are a few exceptions in the banking sector, however, the monitoring and enforcement mechanism in the system is found to be very weak. These identified factors as well as other significant factors are found to be the challenges of financial reporting in Nigeria (ROCS, 2004).

As a result of the market and banking failures in 2008-2009, the government of Nigeria in 2010 approached World Bank group to make a second review of the extent of compliance with the ROSC 2004 recommendation. The report from the World Bank group in 2011 found that, there was partial implementation of the 2004 report by the regulators, with 6 out of 14 observations implemented. Therefore, the weakness of the regulatory agencies in terms of compliance with the accounting reporting led to the collapse of the stock market in 2008. Companies and a number of financial institutions in the stock market exploit the loop holes in the domestic accounting standards to improve their balance sheets for the capital market. The collapse of capital market was a shock for the CBN, banks and other financial institutions which refused to disclose proper financial information to the regulators. A number of financial institutions exploited the weaknesses and loopholes of both accounting and auditing standards, weak enforcement and employed creative accounting especially by the banks to boost their balance sheet standing.

The two reports from ROSC (2004 and 2010) recommended that:

1. The country's financial system should be strengthen by enhancing regulators and prepares of accounting information.
2. Strengthening monitoring and enforcement mechanism.
3. Provision of statutory framework.
4. Up grading of both professional and non-professional education system and the most important is the establishment of FRC to be an independent body devoid of any interferences. The body should monitor, adopt and enforce IAS.

The Nigerian Stock market lost over $1billion to the capital market (World Bank, 2011). In view of that, the committee recommended on the training of regulatory agencies and an establishment of the Financial Reporting Council in adopting IFRS.

6.0 The challenges in adopting IFRS

6.1 The Nigerian stock market

One of the challenges in adopting IFRS in Nigeria is the stock market. Quality reporting in less developed countries is very difficult to be achieved as compared to developed countries like US and UK and even some developing countries like South Africa and Mexico (Prather-Kinsey, 2006). The immaturity of the market scared away investors into the country, as reporting system provides not much protection to investors. The IFRS becomes imperative given that businesses are becoming more complex in the country with multinationals firms and banks. As a result of the adoption of IFRS in developing countries, the foreign investment into the capital market will improve (Gordons, Loeb & Barros, 2012).

In 2010, the Foreign Direct Investment in the country becomes weaker from $6.9billion in the year 2007 to $3.94 billion in 2009 as a result of risk perceptions by the investors. These figures might have been inflated by the international community as the government was committed to providing a scientific risk managing approaches (NASB, 2010). The fall out of stock market (2008) in Nigeria and global financial crisis especially in banks, compound the issue of quality reporting in the country. These financial crisis and failure of banks was a serious challenge confronting NSE, especially as it relates to financial reporting.

Other challenges experienced by the stock market are; (i) non-provision of security market regulators involvement in the appointments and resignation or termination of auditors; (ii) no provision in the CAMA, 1968, other laws and regulations on rotation or joint work of auditors, even though the NSE monitors with the compliance of financial reporting requirements of firms whose debt securities or equity are traded publically (NSE, 2010). The enforcement of regulation by SEC is found to be weak (ROSC, 2010); (iii) Lack of capacity by the NSE to monitor effectively with accounting standards has been a challenge. For example, a few cases of suspension were issued to firms in the NSE for financial reporting breach of regulations (NSE, 2009); (iv) delisting of firms' by NSE is the only sanction allowed by CAMA 1968, even though audited financial statements of firms listed can only be published with the approval of the stock exchange,(v) un-ethical and professional behaviours of the preparers of financial information by non-disclosure of accounting information; and (vi) over statement of balance sheet items by the preparers of financial statement, that resulted into over bolted stock market which caused failure of the stock market in 2008.

Firms 'experienced difficulty from the preparation of accounts and filling obligations using IFRS requirements for the fiscal year of 2012 in their audited accounts. This has made the NSE to extend the time of submission to 30 days after the required period of submission. This will ensure firms and advisors the challenges of adopting IFRS, as well as improved regulatory approval levels, which includes the FRC of Nigeria. The weaknesses of the regulation and challenges in the financial market has led to the loss of millions of dollars in the financial market which adversely affect the economy.

6.2 The Nigerian banks

The report of the World Bank in both 2004 and 2011 recommended that the improvement of quality accounting reporting not only in banks but in other sectors in the country to attract foreign investors. Therefore, developing country such as Nigeria requires harmonization of accounting practice with the global practice of quality reporting in the financial market given that accounting information improve as a result of the adoption to IFRS (Liu, Yao, Orleans & Yao, 2012). Quality accounting information is sufficient in making a significant change in the users' decision making. Therefore, weak capacity building, non-disclosure of relevant accounting policy and weak enforcement on the use of accounting standards by the regulatory agencies lead to the publish of low quality financial information. In Nigeria, the banking sector loss a huge amount of money (between USD9, 333, 962, 642 to USD 12,578,616, 352) in the financial market in 2008, which leads to the merger and acquisition of many banks in the country (World Bank, 2011).

Pressures from legislations, development and improvement of accounting reporting standards to meet up with international capital market demands becomes a challenge to the Nigerian banks. Studies by the World Bank group in 2004 and 2011 in Nigeria, reported that the financial reporting in the country was weak with no updates to meet the global business reporting. Another challenge identified by the report of the World Bank is the non-disclosure of accounting information and presentation of improper published accounts by banks in the country as the causes of banks failure in 2008. Banks concealed their loss to the Central Bank of Nigeria (CBN) when a special inspection was carried out by CBN (Sanusi, 2011). Drastic rise of non-performing loans from 5% in 2008 to 60% by the end of 2009 was a challenge in the banking sectors (World Bank, 2011).

This practice rapidly caused the sudden fall of stock prices as customers defaulted on the margin loans and having a very large non-performing loans portfolio by the banks, which led to the fall of stock prices, default on the margin loans by the customers, that form the larger parts of no-performing loan portfolio for the banks. The Central Bank of Nigeria immediately noticed this challenged as it move for the adoption of IFRS for banks. This will result in market confidence, as a result of highly transparent and quality financial reporting that is based on the acceptable financial reporting standards. The CBN's first move was to improve bank supervision through improvements on the risk-based supervision and consolidated supervision. The training of banks and professionals on the use of the new accounting system has been costly in terms of time and implementations especially in reporting of financial statements (Sanusi, 2010).

6.3 The professional bodies

The number of professional accountants in Nigeria cannot meet the demand on the market for financial reporting. There are reported cases of unethical behaviours from preparers of financial reporting of both public and private entities. A public notice to all external auditors was placed by the FRC in 2012, drawing their attention on the unethical behaviour. Another challenge in 2012, was when the financial report of the Alliance and General Insurance Ltd was prepared based on the partial adoption of IFRS and submitted to FRC. This report was reviewed and found to be non-compliant with the voluntary adoption of IFRS. The non-compliance is related to non-consolidation of subsidiaries and non-disclosures of accounting information by the company (FRC, 2012).

From the report of ROSC in 2004 and 2011 a significant number of challenges faced by the professional bodies in term of reporting were found. These challenges are (i) that 90% of the firms in Nigeria are been audited by the BIG 4 firms while the remaining 10% are being audited by the local firms. This greatly affect the quality of auditors and does not improve on the local auditors (ii) deficient on information contents by the members (iii) low or even non-investment on education, reduction of the value system from the tertiary institution which greatly affect the education quality iv) low quality trainers and educators and (v) learning materials are not up-to-date and sometimes unavailable.

Other challenge such as creative accounting to boost balance sheet information by the professional accountants was also identified from the voluntary adoption of IFRS. Based on these challenges, the FRC issued a statement in 2012 drawing the attention of external auditors of reporting companies to ensure quality reporting. Section 46 of the FRC Act No 6 of 2011 is very clear on the penalties of non-compliance with the IFRS to auditors with regard to their independence.

6.4 The Nigerian accounting standards board

Even though standards have already been issued by the NASB for a long time but there is no enabling legal backing to support the board until 2003. The funding of the board as a government agency has been hitched with many challenges and thebudgetary constraints prevents the board from discharging it statutory duty of monitoring and compliance. Another challenge is related to IFRS which has not been covered by the Nigerian statement of accounting standards (SAS). The challenges with the SAS are associated to no revision of the standards since when they were issued in 1984. The disclosures in SAS are out of date and taken from IAS with no modifications (Umoren, 2009). In addition, Nyor (2012) examines that there is more disclosure requirement, application and reporting demand of data in IFRS than SAS. Most of the IAS which has been replaced by the IFRS becomes a challenge to the preparers and regulators, because the Nigerian accounting standards have been adopted from IAS. Therefore, there is the need for training of professionals and regulators on the new standards. Another challenge is the weakness of SAS in financial reporting which could form the basis in which quality of accounting information cannot be sufficient for reporting in accordance with international reporting. These lapses of the reporting lead to the propagation of the Financial Reporting Council Act of 2011 as part of the recommendation of the World Bank group in 2004. The major challenge of FRC is the passage and enactment of law, as it has to go through the parliament. The enforcement of IFRS to firms and the creation of training institute.

In the second half of 2008, the global economic crisis came into light and led to the collapse of financial institutions and non-financial institutions worldwide. The collapse of these institutions raised many questions on value relevance of accounting information (Umoren, 2009). Thus, firms fail to disclose financial information to the users. The availability of relevant financial reports is useful to users for decisions making (Iyoha, 2012). The need for the disclosure of financial reporting is important to the users due to the growing number of companies in the international market. For example, the IFRS 7 Financial Instrument: Disclosure, for banks and non-banks financial institutions has different disclosure requirements with the Nigerian accounting standards. Hence, there is a need for new process, systems, and internal control to be in place for having relevant accounting information (KPMG, 2011).

7.0 Conclusions

The efforts and challenges of adopting IFRS in Nigeria has been the focus of this paper. Specifically, the paper examined how different bodies (Government, professionals, World Bank and regulatory agencies) made several efforts to ensure movements from SAS to IFRS in Nigeria. These efforts includes (i) strengthening of financial system in the country (ii) formation of FRC as an independent body (iii) training of professionals and regulators (iii) adoption of IFRS (iv) mandatory adoption of IFRS by fixing the commencement date (v) establishment of training institute for financial system. Significant number of challenges was also experienced in the process of ensuring quality reporting in Nigeria. These challenges were (i) weak institutional capacity (ii) lack of national accounting standards (iii) formation of legal and accounting frame work (iii) time cost for accounting preparation (iv) weakness of SAS for lack of updates (v) non-compliance with standards (vi) lack of monitoring and weak educational capacity of the preparers.

The demand and increasing acceptance of reporting under IFRS from international community means that in these situation the Nigerian professionals and academics need to be knowledgeable on the transformations. The professionals will require effective education and trainings on the use of IFRS. Currently, most of the Nigerian accountants' are trained under NGAAP, not IFRS. Regulatory agencies, like SEC, CBN, Insurance Commission, and other stakeholders have prior knowledge of NGAAP rather than IFRS. Therefore, the government need to have IFRS in the university and other tertiary institutions accounting curriculum that will inculcate the IFRS studies.

Now that the government has mandated the use of IFRS for all listed companies effective on the 1st January, 2012, it is of interest that further studies to be conducted in investigating the impact of IFRS on the quality financial reporting under two regimes (Pre and Post of IFRS). The users of financial statement need quality accounting information in order to make investment decisions in the emerging markets.

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