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The Effect of IFRS on the Financial Reporting Quality of Multinational Companies in Nigeria- A Conceptual Review

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Abstract: *The objective of this study is to examine the effect of IFRS adoption on the financial reporting quality of multinational companies in Nigeria. The independent variable of this study is International Financial Reporting Standards (IFRS) while the dependent variable is financial reporting quality (FRQ) of multinational companies (MNCs). This study is conceptualized by researching into all relevant journals, articles and textbooks on the subject matter. Exploratory design was used to conceptually appraise the effect of independent variable on dependent variable. The research study showed that MNCs financial reports adhered significantly to the International Financial Reporting Standards (IFRS) in order to achieve the purpose of comparability, reliability, understandability and relevance purpose and thereby aiding Foreign Direct Investment (FDI).*

Keywords*: International Financial Reporting Standards (IFRS), Multinational Companies (MNCs), Financial Reporting Quality (FRQ).*

1.1. INTRODUCTION

The adoption of International Financial Reporting Standards (IFRS) has become a must for entities that are eager to spread the tentacles of their operations across border. The switch over from the Nigerian accounting standards to the international principles will come with its merits and demerits. In Nigeria, IFRS was first adopted by companies listed on the floor of Nigerian Stock Exchange in 2012 for the preparation of their financial reports.

The quest for growth in the international market investment, cross-border financial transaction, and international trade which compulsorily involves the preparation of financial statements that is useful worldwide has brought about the adoption of IFRS by both developed and developing countries (Armstrong, Barth, Jagolinzer & Riedl, 2010).

Iyoha and Faboyede (2011) confirmed that so many countries experienced various challenges in the switchover process in adopting IFRS, its prevalent acceptance has made its benefits to outweigh the cost implication. Doupnik and Perara (2012) made it clear that multinational companies will tremendously benefit from the adoption of IFRS in the preparation of their financial reports in so many ways. By making use of one set of accounting standards, it will lower the cost of the preparation of consolidated financial statements. It will also lessen the cost of subscribing for an increase in capital assets in global markets and it will aid the analytical review and

comparability of various financial statements among competing companies for anticipated business strategies (Doupnik & Perara, 2012).

Doupnik and Perara (2012) also highlighted the problems associated with IFRS that it involves high cost of training professionals and business owners, difficulties in comparability to prior years and phasing out any old information previously reported under the old system into a newly adopted set of standards.

Approximately 120 nations and reporting jurisdictions permit or require IFRS for domestic listed companies, although approximately 90 countries have fully conformed to IFRS as promulgated by the IASB and include a statement acknowledging such conformity in audit reports. Australia, Brazil, Argentina, European Union and among others fully permitted IFRS to be used in their countries, however, India, Indonesia and USA did not permit IFRS to be used for domestic listed companies (Atu, Rapheal & Atu, 2016).

Singh and Dyer (1998) defined multinational company as a business organization in more than one country. Many companies engage in transactions that cross national borders. The parties to these transactions must agree on the currency in which to settle the transaction. This will be the currency of either buyer/importer or the seller/exporter. Multinational companies have become veritable and most vital instruments and institutions for economic development, social change, technology, dynamism and in essence, new ideas (Singh & Dyer, 1998). MNCs operate within the contexts of environmental variables in locations other than their home-based countries.

Owojori and Asaolu (2010) explained multinational operations to consist strictly of trading activities with customers domiciled in other countries. Their international involvement takes the form of investment in foreign firms or establishment of foreign branches or subsidiaries either to engage in production or serves as sales outlet.

The fundamental review question is that do adoptions of IFRS by multinational companies on the financial reporting quality really bring about comparability among countries, comparability of accounting figure between the parent company and its subsidiaries based outside the home country? Do adoptions of IFRS by multinational companies on the financial reporting quality actually increase in growth of countries international businesses and assist internal investors to invest which lead to more capital inflow to the country? according to Alawiye-Adams and Ibukun-Falayi (2016).

This study sets out to examine the effects of International Financial Reporting Standards (IFRS) on the financial reporting quality of multinational companies in Nigeria.

The fact still remains that many researchers have worked on this subject matter and have studied many sectors of the economy but this conceptual review seeks to highlight and compare theories and concepts on the effect of IFRS on the financial reporting quality with a specific look into multinational companies in Nigeria.

This work will be useful for students who wish to know more about International Financial Reporting Standards adoption, financial reporting quality and Multinational companies.

This research work will also assist the multinational companies and all domestic companies to know the benefits embedded in the use of IFRS as standards for the preparation of their financial statements.

2.0. LITERATURE REVIEW

2.1. Conceptual Framework

2.1.1. The Concept of International Financial Reporting Standards (IFRS).

Aghator and Adeyemi (2009) explained International Financial Reporting Standards (IFRS) to be various sets of accounting rules published by the International Accounting Standards Board to aid preparers of financial statements worldwide, produce and present high quality, transparent and comparable financial information.

IASB (2009) clarifies International Financial Reporting Standards (IFRS) to be set of accounting rules or standards issued by the International Accounting Standard Board (IASB), an independent organization based in London, UK. IFRS finds ways to bring about convergence between national accounting standards and practices and high-quality global accounting standards (Yahaya, Fagbemi, & Oyeniyi, 2015).

Aghator and Adeyemi (2009) emphasized that with the reality of internationalization and increasing demand for transparent, uniformity and comparable financial information in the global markets, the International Accounting Standard Committee (IASC) was restructured in the year 2001 by creating the International Accounting Standards Board (IASB), among other changes. The IASB is responsible for developing, in the public interest, a single set of high quality, comprehensive and enforceable international accounting standards that require transparent and comparable information in general purpose financial statements and other financial reporting to help participants in the various capital markets of the world and other users of the information to make economic decisions (Obazee, 2011).

Atu, Rapheal and Atu, (2016) wrote that from the existence of IASB, it has been able to issue out numbers of IFRS and interpretations. In pursuance of its objectives, the IASB aligns with national accounting standards setters to attain convergence in accounting standards in the global world. IFRS are developed through an international due process that involves accountants, financial analysts and other users of financial statements, the business community, stock exchanges, regulatory and legal authorities, academia and other interested individuals and organizations from around the world (IASB, 2009).

Yahaya, Fagbemi, and Oyeniyi, (2015) stated that the Nigeria's Federal Executive Council (FEC) gave approval for the adoption of IFRS from January 1, 2012. The adoption was arranged in such a way that all stakeholders use IFRS by January 2014. According to the IFRS adoption Roadmap Committee (2010), Public Listed Entities and Significant Public Interest Entities are expected to adopt the IFRS by January 2012. All Other Public Interest Entities are expected to mandatorily adopt the IFRS for statutory purposes by January 2013, and Small and Medium-sized Entities (SMEs) shall mandatorily adopt IFRS by January 2014. Nigerian listed entities were required to prepare their closing balances as at December 31, 2010 according to IFRS (Abdulkadir, 2013).

2.1.1.1. Reasons for the adoption of IFRS in Nigeria

Obazee (2011) and Atu (2013) in their works, enumerated reasons for the adoption of IFRS in Nigeria as follow:

1. To encourage comparability, reliability, transparency and efficiency of financial reporting in Nigeria.
2. To assure investors abroad of a meaningful decision on portfolio investment.
3. To reduce the cost of doing business abroad by eliminating the need for supplementary information from Nigerian companies.

4. Facilitation or easy consolidation of financial information of the same company with offices in different countries. Multinationals companies avoid the hassle of restating their accounts in local GAAPs to meet the requirements of national stock exchange and regulators, making the consolidation of accounts of foreign subsidiaries easier and lowering overall cost of financial reporting.
5. Easier regulation of financial information of entities in Nigeria.
6. Enhanced knowledge of global financial reporting standards by tertiary institutions in Nigeria.
7. Additional and better-quality financial information for shareholders and supervisory authorities.
8. Government to be able to better access the tax liabilities of multinational companies.

2.1.1.2. Challenges of IFRS adoption in Nigeria

The practical challenges that have been faced in Nigeria as a result of implementing the IFRS need to be identified and addressed in order to benefit fully from the introduction of IFRS. The challenges according to Obazee (2011), Abdulkadir (2013), and Fowokan (2011) are discussed as follow:

1. Accounting Education and Training: Practical implementation of IFRS necessitates adequate technical capacity among preparers and users of financial statements, auditors and regulatory authorities (Fowokan, 2011). Nigeria faced a variety of capacity-related problems, which was dependent on the approach they took. Obazee (2011) revealed one of the main challenges Nigeria encountered in the practical implementation process, was the chronic shortage of accountants and auditors who are technically competent in implementing IFRS. Usually, the time lag between decision date and the actual implementation date is not sufficiently long to train a good number of professionals who could competently apply international standards.

2. Tax Reporting: The tax considerations associated with the conversion to IFRS, like other aspects of conversion, are complex. IFRS conversion calls for a detailed review of tax laws and tax administration. IFRS convergence will create problem. How do taxation laws address the treatment of tax liabilities arising from on convergence from Nigeria GAAP to IFRS? Where this is not taken care of, it would duplicate administrative work for the organization. Specific taxation rules would have to be redefined to accommodate these adjustments. For instance, tax laws which limit relief of tax losses to four years should be reviewed. This is because transition adjustments may result in huge losses that may not be recoverable in four years. Accounting issues that may present significant tax burden on adoption of IFRS, include determination of impairment, loan loss provisioning and investment in securities/financial instruments (Fowokan, 2011).

3. Amendment to Existing Laws: In Nigeria, accounting practices are governed by the Companies and Allied Matters Act (CAMA) 1990, and the Statement of Accounting Standards (SAS) issued by the Nigerian Accounting Standards Board (NASB) and other existing laws such as Nigerian Stock Exchange Act 1961, Nigerian Deposit Insurance Act 2006, Banks and Other Financial Institution Act 1991, Investment and Securities Act 2007, Companies Income Tax Act 2004, Federal Inland Revenue Services Act 2007. IFRS provisions do not recognize these local laws and if IFRS should be applied fully in Nigeria, the above laws will be modified (Abdulkadir, 2013).

4. Fair Value: In IFRS format, Fair value is used in measurement of most items of financial statements and this led to volatility and subjectivity in financial statements in arriving at the fair value. Where this adjustment is reflected in income statements as gain or losses, it remains a contentious issue if it should be applied in computing distributable profit (IFRS, 2011).

5. Management Compensation Plan: Because of the new financial statements reporting format envisaged under IFRS which is quite different from Nigeria GAAP, the terms and conditions relating to management compensation plans would have to be changed. Therefore, contracts terms and conditions of management staff will be renegotiated (Abdulkadir, 2013).

6. Reporting Systems: Companies will need to ensure that existing business reporting model is amended to suit the disclosure and reporting requirements of IFRS which is distinct from Nigeria reporting requirements. To correct this anomaly, information systems should be put in place to capture new requirements relating to fixed assets, segment disclosures, related party transaction, etc. Good internal control would help minimize the risk of business disruptions (Obazee, 2011).

2.1.2. The Concept of Multi-National Company (MNC)

Loku and Loku (2016) considers multinational company as a business entity whose operations activities are situated in more than one country and is the institutional form that defines foreign direct investment. This form consists of a country location where the firm is incorporated and of the establishment of branches or subsidiaries in foreign countries. Multinational companies can vary in the area of their multinational operations in terms of the number of countries in which they operate (Mayrhofer, 2012).

There is a frequent confusion that equates the ability to control with the flow of capital across national borders. It is recognized widely that capital flow is not the distinguishing characteristic of a multinational company. Capital flow from one country to another in expectation of higher rates of return. However, this flow may be invested in the form of bonds, or in shares too insignificant to grant control to foreign owners. In this case, this type of investment is treated as a 'portfolio' investment. The central aspect of 'direct investment' is the ownership claim by a party located in one country on the operations of a foreign firm or subsidiary in another. The multinational company is, thus, the product of foreign direct investment that is defined as the effective control of operations in a country by foreign owners (Loku & Loku, 2016).

The economic definition, however, does not capture the importance of the multinational company as the organizational mechanism by which different social and economic systems confront each other. The multinational company, because usually it develops in the cultural and social context of one nation, exports its organizational capacity from one institutional setting to another. In this regard, it plays a powerful role as a task by which to exchange institutional knowledge across borders. Osuagwu and Ezie (2013) see multinational company as an agent of imperialism that is a policy of extending the rule or authority of an empire or institution across border. They further explained that more multinational companies expand the wider they boost immunity around them to prevent non-performances. As they expand, they obtain huge political influence. They go into mergers and acquisition and some of those business strategies are unfriendly (Osuagwu & Ezie, 2013).

Hill (2005) highlighted the main objective of multinational companies is to secure the least costly production of goods for global markets. It means maximization of profitability with the possible minimum cost of production in the world market.

The global negotiator gave a definition of multinational company as a large commercial organisation with affiliates operating companies in a number of different countries. They further proposed three models that express multinational companies which are: centralization model, regionalization model and multinational model. In the economist definition, the multinational companies are those large firm which are incorporated in one country but which own, control or manage production and distribution facilities in several countries. In the sociological definition, the multinational companies maintain global dominance of the industrialisation nations simply by doing business perpetuating international stratification.

Mayrhofer and Prange (2015) highlighted some main features of multinational company:

i. Huge Assets and Turnover;
ii. International operation through network of branches;
iii. Unit of control;
iv. Mighty economic power;
v. Advanced and sophisticated technology;
vi. Professional management;
vii. Better quality of product;
viii. Aggressive advertising and marketing;
ix. There is a parent company in the home country where the Headquarter is;
x. There are branches or subsidiaries in different countries (host countries);
xi. The branches or subsidiaries operate not only to achieve special objectives for themselves, but also for general objectives of the MNC as a whole, according to a certain international strategy;
xii. The parent company works under the laws of the home country, while the foreign branches or subsidiaries work under the applied laws in the host countries;
xiii. The company must be controlling foreign offices, production, policies, quality, deadline and procedures;
xiv. The product being produced must sooth the region where the company/branch is located.

2.1.2.1. Characteristics of Multinational Companies

1. Geographical Spread: Nobes and Parker (2004) stated that geographical spread of multinational companies places them in a considerable flexible position, because of the wide range of the multi-options in some decision areas, such as sourcing, pricing, financing, cash flow etc. The reality of networks of foreign affiliates within multinational company gives the possibility of integrated production and marketing on a global basis.

2. The Efficiency: The magnitude of the available resources of multinational companies enables it to distribute these resources wherever they want in different countries in the world. Multinational companies can transport investments, money, people, machines, materials, goods, special technical knowledge and cleverness, and other services (Nobes & Parker, 2004).

3. The Power: The power attribute of the multinational companies is a result of its size, geographical spread, scope of operations, and efficiency. Multinational company surpasses the national boundaries and controls to have the potential to influence the world affairs and course of events in the host countries in very significant ways (Nobes & Parker, 2004).

2.1.2.2. Advantages of Multinational Companies (MNCs)

i. Employment Generation;

ii. Automatic flow of foreign capital;

iii. Proper use of idle resources;

iv. Improvement in Balance of Payment position;

v. Technical development;

vi. Managerial development;

vii. Promotion of international brotherhood and culture;

viii. Improvement in standard of living.

2.1.2.3. Limitations of Multinational Companies

i. Careless exploit of national resources;

ii. Danger of unhealthy rivalry with domestic industries;

iii. Repatriation of profits;

iv. Danger to independence;

v. Disregard of the national interest of the host country;

vi. Misuse of mighty status;

vii. Exploitation of people in a systematic manner;

viii. Selfish promotion of alien culture;

ix. No benefit to poor people as multinational company's products are for the rich.

2.1.3. The Concept of Financial Reporting Quality

Iyoha and Faboyede (2011) explained that financial reporting quality is an essential need to the users who need them for financial, economic and investment decision-making purposes. Lee, Rose-Green and Huang (2012) stated that financial reporting quality as the degree to which accounting information is free from errors, material misstatements and other unethical accounting and managerial practices. They further explained that a financial report can be termed as a quality one if it shows the economic substance of an entity in relation to uniformity, reliability, relevance and comparability.

The value of financial reporting is generally determined by its quality (Pounder, 2013). The concept of financial reporting quality is that some accounting information is better and more reliable than other accounting information in relation to communicating what it purports to communicate. Accounting quality is of great benefit to various types of users of financial reports (Pounder, 2013).

Financial reporting quality has no particular generally accepted definition in this study though some definitions will be looked into. Financial reporting quality can be seen as the precision with which the financial reports convey information to equity investors about the firms expected cash flows (Biddle, Gilles & Verdi, 2009). On the other hand, reporting quality refers to the extent to which financial report of a company communicates its underlying economic state and its performance during the period of measurement

(Elbannan, 2010). Tang, Chen, and Zhijun (2012) define financial reporting quality as the degree to which the financial statements provide true and fair information about the fundamental performance and financial position.

Jonas and Blanchet (2000) emphasized that the quality of financial reporting is full and transparent financial information that is not designed to mislead users. The role of financial reporting is complex and according to Financial Accounting Standard Board (FASB), it aims to provide even- handed financial and other information that together with information of other sources facilitate the efficient functioning of capital and other markets and assists the efficient allocation of the scarce resources in the economy.

Therefore, the concept of financial reporting quality is broad and includes financial information, disclosures and non-financial information useful for decision making (Tasios & Bekiaris, 2012). Some researchers show that the key determinant of financial reporting quality includes legal system, source of financing, characteristics of the tax system, involvement of the accounting professionals, economic development and accounting literacy. The quality of financial reporting is a broad concept which has series of diverse measurable attributes. One property of accounting which is frequently mentioned in support of harmonization is comparability.

It cannot be clearly concluded if harmonization results in significantly greater comparability across countries. That is why this aspect is intensively studied and the results are still very different, causing diverse point of view upon this subject (Achim & Chis, 2014). In order to have a certain degree of quality, financial statements should meet certain qualitative criteria. These criteria are stated by International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) in their conceptual frameworks, where they concluded that high quality is achieved by adherence to the objective and the qualitative characteristics of financial reporting information (IASB, 2018). Financial reporting quality is a key requirement for the effective functioning of the accounting system and its usefulness.

In order to achieve the primary objective of this study, which is to examine the effect of IFRS adoption on the financial reporting quality of multinational companies in Nigeria, financial report should display certain qualitative characteristics.

2.1.3.1. Qualitative Characteristics of Financial Reporting

1. Relevance

Cheung, Evans and Wright (2010) explained that when accounting information in financial reports controls beneficiaries in their economic decisions, then the information in the financial report has the quality of relevance.

2. Comparability

Comparability enables interested and potential users to compare financial statements to ascertain the financial position, cash flow, liquidity, profitability and performance of an entity. This consideration allows users to compare and contrast accounting information in the financial report of an entity with other companies in the same period (Herath & Albarqi, 2017).

3. Reliability

Downen (2014) considers reliability to be one of the primary factors in assessing the quality of accounting information. Reliability is analyzed in such a way that the accounting information which the user depend upon is free from bias, errors and material misstatement (Cheung, Evans & Wright, 2010).

4. Understandability

Understandability is one of the germane and enhancing qualitative attributes of accounting information in the financial reports. The features of understandability is attained via effective communication which reveal understanding of the information presented and classified clearly and sufficiently from the users (Beest, Braam & Boelens, 2009).

2.1.3.2. Differences between IFRS (International Financial Reporting Standards) and GAAP (Generally Accepted Accounting Principles)

The differences observed between IFRS and GAAP are stated below but not limited to the following:

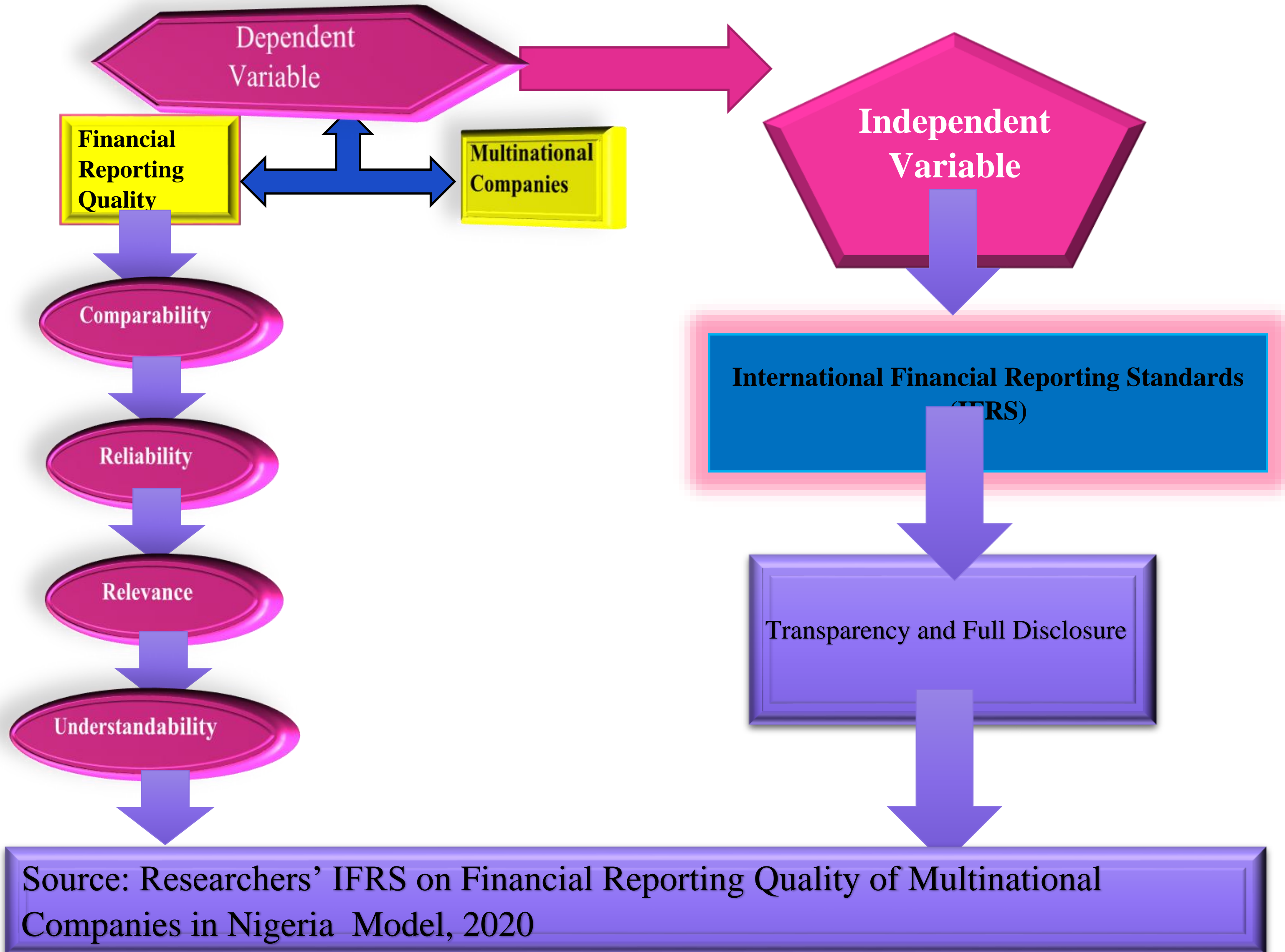
S/N	ISSUES	IFRS	GAAP
1.	LIFO (Last In First Out)	IFRS prohibits the use of LIFO as method of inventory valuation.	GAAP allows companies to value inventories using LIFO method.
2	Cost of Development e.g. Preliminary Expenses	Costs of development are to be capitalized and amortized over multiple period of time.	Cost of development are to be charged to expense as they are incurred.
3.	Write-Down	Write-down value of inventory and non-current asset can be reversed if the market value of the asset increases.	It cannot be reversed if the market value increases.
4.	Acceptability	It is globally accepted standard for accounting and more than 110 countries use it.	It is exclusively used within the United States of America.
5.	Rules & Principle	IFRS is Principle Based.	GAAP is Rule- Based.
6.	Fixed Asset Valuation	It values Tangible Fixed Asset by using Revaluation Model i.e. Fair Value – Accumulated Depreciation and impairment loss.	It values Tangible Fixed Asset by using cost model i.e. Historical Value – Accumulated Depreciation.
7.	Classification of Liabilities	There are no differences made between the classification of liabilities as all debts are classified as non-current in the Statement of financial position.	Debts are classified as current liabilities (within 12 months) and non-current liabilities (more than one year).

2.1.3.3. The effects of IFRS on the financial reporting quality of multinational companies

From the perspective of many researchers, the positive influences of IFRS on the financial reporting quality outweigh the negative effect it got. Considering the increasing qualitative characteristics associated with IFRS on the financial reporting in term of value relevance, comparability, understandability, reliability, timeliness and faithful representation ((Perafan-Pena & Franco, 2017); (Zhang & Wu, 2014); (Bassemir & Novotny-Farkas, 2018); (Yurisandi & Evita, 2015); (Bodle, Cybinski & Monem, 2016)).

However, Pelucio- Grecco, Geron and Lima (2014) shows that the implementation of IFRS is negatively associated with Earnings Management which is negatively associated with the quality of financial reporting.

2.1.3.4. Conceptual Framework of the effect of IFRS on Financial Reporting Quality of Multinational Companies in Nigeria



2.2. Theoretical Framework

2.2.1. Theory of Institutionalization

Kostova, Roth and Dacin (2008) indispensably hold that organizational survival is determined by the extent of alignment with the institutional environment. While allowing for a nominal amount of agency, institutionalists largely suggest that incorporation of institutionally mandated elements allows organizational actors to portray the organization as legitimate, thereby enhancing its likelihood of survival.

Philip and Tracey (2009) supported the assertion of Kostova et al. (2008) by accepting the concept of organizational field under institutional theory because international businesses like multinational companies need to take the concept more seriously as it is difficult to see how they can avoid joining the fields in the countries or regions that they enter, they increase their interactions with suppliers, customers, and competitors; they participate in common activities such as industry associations and they come to be mutually aware of other participants in their field. The concept of organizational field provides a useful framework for understanding the institutional environment faced by multinational companies in each of the institutional contexts in which they operate (Philip and Tracey, 2009).

2.2.2. Legitimacy Theory

Suchman (1995) states that "Legitimacy is a generalized perception or assumption that the actions of an entity or a company are proper or appropriate within some social constructed system of norms, value, beliefs and definition". This theory explains social and environmental disclosure, useful in corporate reporting, it helps to communicate with the shareholders and clarify importance of this relationship (Damaso & Lourenco, 2011).

Damaso and Lourenco (2011) further explained that legitimacy theory is mainly considered by the external perception by the society which is measured by IFRS disclosure.

This theory supports this research work in that IFRS adoption by multinational companies will increase the quality of their financial reporting if the required disclosures mandated by IASB are complied. These disclosures will aid the external users of the financial report to make their decision. The fundamental requirement of IFRS is transparency and disclosure.

2.2.3. Stakeholder Theory

Freeman (1984)'s Stakeholder theory addresses morals and values in managing an organization. The theory emphasizes on interrelated connection between customers, suppliers, investors, communities and those who have stake in the entity. The theory resolves that an entity should create a value for all stakeholder either the existing or the potential one.

This theory is in support of this study based on the fact that if multinational companies adopt the use of IFRS as their accounting standard of reporting, it will create value to their stakeholders and also attracts Foreign Direct Investment (FDI).

2.3. Conceptual Review

In the course of this research work, some related journals were consulted and reviewed.

Herarth and Albarqi (2017) examined Financial Reporting Quality: A literature Review. The researchers reviewed current articles and research papers with regard to influences on and measures of the quality of financial reporting and also found out some gaps in the existing literature. This research recognized some instances of insufficient information and some gaps in the existing literature.

Uwuigbe, Erin, Uwuigbe, Peter, and Jinadu (2017) in their work: IFRS and Stock market behaviour: An emerging market experience. They examined the impact of IFRS on stock market
behaviour in the financial and consumer goods sector of the Nigerian economy. They found out that IFRS adoption has improved the trading volume activities of listed firms in Nigeria. It equally observed that there is no significant relationship between IFRS adoption and stock price informativeness. They further suggested that regulatory bodies in the country should ensure that the companies listed on the Stock Exchange comply strictly with the IFRS implementation because this will help the investors of those companies have relevant information regarding stock market indices.

Sanyaolu, Iyoha and Ojeka (2017) examined the International Financial Reporting Standards Adoption and Earnings of Quoted Banks in Nigeria. The study examined the effect of adoption of IFRS on the earning yield (EY) and earnings per share (EPS) of quoted banks in Nigeria. Findings showed a positive relationship between EPS and IFRS adoption and concluded that IFRS adoption has improved the decision-making capability of various stakeholders, thus increasing investors' confidence and inflow of capital in the

country through foreign direct investment (FDI). The study further suggested that in order to safeguard the suitable adoption of IFRS in Nigeria, competent accountants of Nigeria must intensify its efforts in organizing IFRS based training programs for its member and other parties connected with corporate reporting.

Alawiye-Adams and Ibukun-Falayi (2016) looked into the impact of International Financial Reporting Standards (IFRS) adoption on the quality of financial statements of Banks in Nigeria and tried to justify the comparability, relevance and clarity qualitative objective of financial reports of Nigerian banks. It was revealed from their findings that there is significant relationship between IFRS adoption and the comparability quality of financial report of Nigeria banks; and adoption of IFRS has substantial influence on the relevance principle of making decision by users of financial report of Nigerian banks.

Jinadu, Ojeka and Ogundana (2016) in their study examined whether the adoption of IFRS has improved the quality of accounting information in the area of value relevance as it affects Nigerian quoted firms. The study applied the use of regression techniques to analyse the data collected and the findings revealed that the adoption of IFRS has a positive and significant effect on the value relevance of accounting information. Their study recommended that government should empower the relevant bodies to incorporate more measures to improve the quality of the financial reporting in order to increase the value relevance of financial statements.

Yahaya, Fagbemi and Oyeniyi (2015) in their work: Effects of International Financial Reporting Standards on the Financial Statement of Nigerian Banks, looked into the significant roles played by IFRS in ensuring quality accounting information. Their findings revealed that the adoption of IFRS in Nigeria brings good news in term of comparability of Nigerian Financial Statements internationally and it was recommended that the comparison of financial ratios under both Nigerian Generally Accepted Accounting Principle (NGAAP) and IFRS for the comparative year prior to IFRS adoption may be seen as a prudent step prior to undertaking a trend analysis of a particular company.

Kenneth (2012) in his work: adoption of IFRS and financial statement effects: the perceived implications Non-Foreign Direct Investment and Nigeria Economy. His findings revealed that the adoption of IFRS will increase the level of confidence of global investors and investment analyst in the financial statement of companies in Nigeria. And there is a significant relationship between IFRS adoption by companies and Foreign Direct Investment in Nigeria.

Owojori and Asaolu (2010) on the critical evaluation of accounting systems in multinational organizations in Nigeria, looked into the challenges faced with multinational organizations due to its peculiar nature and found out that the international accounting standards have impact on the preparation of the financial statement of multinational organizations.

4.0. Conclusion and Recommendation

It can be concluded that IFRS adoption has significant effects on the financial reporting quality of multinational companies in Nigeria. The quality of financial report of a multinational company is determined by its relevance, timeliness, faithful representation, understandability, reliability and comparability. Adoption of IFRS by multinational companies will encourage foreign direct investment and thereby increasing the profitability of the companies. Transparency and full disclosure of both financial and non-

financial activities being the fundamental requirement of IFRS adoption will attract foreign investors to invest in multinational companies.

This paper recommends that regulatory bodies in the country must ensure that multinational companies listed on the Stock Exchange comply strictly with the IFRS implementation so as to ensure that investors have relevant information for financial and investment decision making process. The Financial Reporting Council of Nigeria which is Federal government agency (FRC) established by the Financial Reporting Council of Nigeria Act, No. 6, 2011 should be strengthened and restructured to further its supervisory on ensuring quality financial reporting in line with International Financial Reporting Standards. Moreover, FRC should develop, publish and update statement of accounting standards to be followed by multinational companies when they prepared their financial statement and promote and enforce compliance with IFRS.

This study is limited by the fact that it only examined conceptual review of the effects of IFRS on the financial reporting quality of multinational companies only, we hereby recommend that future empirical research could evaluate other sectors of the Nigerian economy like Insurance sectors, shipping and airline sectors etc. for more practical evidence on the research study.

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