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Integrity Trend Assessment of Pre and Post IFRS financial disclosures in Nigeria

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Abstract *This study evaluates the pre and post IFRS financial disclosures of selected manufacturing companies in Nigeria. It intends to determine whether the integrity scores of selected manufacturing companies' financial disclosures in their pre and post IFRS financial reporting regimes of Nigeria differ significantly. It is an empirical study that adopts the causal comparative research design for the successful investigation of the two research questions raised in the study. Thus, it depends solely on secondary sources of data such as Annual reports and Audited Accounts of selected manufacturing companies in Nigeria for the years 2006- 2016. A total of 50 manufacturing companies listed on the floor of the Nigerian Stock Exchange were purposively sampled. Integrity scores obtained after relevant computations were executed using the M-Score model were however subjected to further test using the Mann Whitney U Test. Result of the analysis carried out showed that equivalent but sensitive magnitude of questionable financial disclosures were noted in the pre and post IFRS Financial Statements of the Nigerian manufacturing companies evaluated. It also found out that the integrity scores of pre-IFRS and post-IFRS financial disclosures of the affected manufacturing companies in Nigeria do not differ significantly. There is then the need for users of financial information to assure themselves that the Financial Statements they are relying on are free from questionable financial disclosures. It was thus recommended that a balance should be struck by users between companies' compliance quality to minimum disclosure requirements of IFRS and the integrity status maintained by such financial disclosures in the Financial Statements.*

Key words Financial disclosures, financial statements, IFRS, Integrity Score, M-Score model, Pre and Post IFRS reporting regimes

JEL Codes: M41, M42

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1. Introduction

The need for more transparency in financial reporting practices of public and multinational companies has been debated for quite a number of years. Standard setters, Regulators, and Policy-makers appear to have unique interest in the effect of financial reporting on the economy. Palea (2013) noted that this interest is due to the economic consequences associated with financial information. An objective recollection of the after effect of the financial/economic distress that loomed in the Nigerian banking industry between 2008 and 2013 readily attests to this. Typical corporate victims as Oceanic Bank, Intercontinental Banks, Afri Bank, Bank PHB etc failed to sail through to survival despite Federal government's timely intervention through the Asset Management Company of Nigeria (AMCON). The imminent implication was that dying public companies got celebrated by deceived and uninformed innocent Investors.

Indeed, persuasive, enticing but incomplete and dishonest financial data disclosures could be very costly and devastating on the long run. Statistics have shown that this cost US businesses about US$600 billion annually (Wenfei, 2015). In Nigeria, President Muhammedu Buhari equally noted that the private and public sectors as at 2015 have lost over N3 trillion through such fraudulent means. Wenfei (2015) believes that this deceptive approach cost businesses around the world 20%-35% of their operating revenue. As at April 2014 through May 2015 (*after the nation's GDP rebasing exercise*), Nigeria was globally applauded as one of the fastest growing economy in the world and the largest economy in Africa only to plunge into economic recession by late 2015. What a contradictory fate! Were the GDP figures that were presented to Nigerians by the National Bureau of Statiatics (NBS) in 2014 (*from US$262 billion in 2013 to US$510 billion- an increase of 94.6% in April 2014 and at a growth rate of 5.49%*) deceptive and misleading?

It can almost be said that the financial crisis that ravaged the global Capital markets was mainly due to insufficiency of or the absence of trustworthiness in financial information disclosed (Bahrami and Bejan, 2015). Apparently, the discourse of financial disclosures integrity and the transparency of Financial Statements appear to be more meaningful when treated within the scope of faithful representation (*herein interchangely used as integrity*) during financial reporting. Integrity as a word could be used to mean something *"complete, unbroken, unimpaired, sound, honest, and sincere"* to the extent that Idialu (2014) posits that accounting information that is described as being *"accurate, complete and fair"* is most likely to be seen as trustworthy and faithfully represented. It is important that accounting information possess these qualities due to its significance to individuals (Haka and Carcello, 2016) for essential investment or managerial decision making purposes.

Supporting these views, Trites (2013) maintains that for the best decisions to be made in the Capital market, Users need to have confidence that the financial disclosures available for their reliance possess commendable integrity and are faithful represented in the Financial Statements. It is on this premise that Mehta and Bhavani (2017) and Aris *et al.* (2013) advocated for the application of the M-Score model in the assessment of the integrity status of the financial data disclosures of public manufacturing companies.

The disturbing question however is *"has the quality and integrity of companies' published financial disclosures been improved as a result of her compliance to the guidelines of IFRS?"*

It is against this backdrop that the study intends to:

1. To determine the integrity status of pre and post IFRS financial disclosures of manufacturing companies in Nigeria using M-Score model.

2. To determine whether the M-Score model integrity scores of disclosed financial data of public manufacturing companies in Nigeria differ significantly in her pre and post IFRS periods.

1.1. Research Questions

1. What is the integrity status of pre and post IFRS financial disclosures of manufacturing companies in Nigeria using M-Score model?

2. What significant difference exist in the Beneish integrity scores of pre and post disclosed financial data of public manufacturing companies in Nigeria?

1.2. Hypotheses

H_0: M-Score model is reliable in determining the integrity status of pre and post IFRS financial disclosures of manufacturing companies in Nigeria.

H_0: Beneish integrity scores of pre and post disclosed financial data of public manufacturing companies in Nigeria do not differ.

2. Literature review

2.1. Conceptual review

When people think about financial disclosures or financial data integrity, they often reduce the same to just mere accuracy. In financial reporting context, Trites (2013) maintained that information integrity includes the accuracy, relevance, precision, timeliness and completeness of the information. In other words, Information that is accurate, relevant, precise, timely and complete for a particular purpose can be termed as being fit for the purpose of the investing public consumption/investment decision making (AICPA, 2013). However, financial disclosures quality means more than simply financial disclosures/data accuracy.

In the information technology (IT) system, data is seen as that input that must be processed in order to yield information that will be relevant to users or third parties for decision making purpose or knowledge acquaintance (Trites, 2013). Similarly, Information can be viewed as raw data or data whose original form has been altered by arithmetic means such as tabulation, addition, subtraction, division, or the equivalent in order to enhance its meaningfulness, understanding of events, relevance or usage.

Input (Data)-Processed-Information

It is worthy to note that Information can be structured (e.g., accounting transactions), partly structured (object-oriented data bases) or unstructured (raw data such as a string of digits). It consists of representations regarding one or more events and/or instances that have been created for a specified use. Such events or instances can have numerous attributes and characteristics that may or may not be included in a set of information, depending on the intended use of the information (Trites, 2013). Suffice it to say that Information quality, in part, depends largely on the quality of data supplied or relied on for use. Poor quality information has contributed to lose of productivity, failed companies and low consumer confidence (Flowerday and Solms, 2007). Poor quality information has also caused political controversies and high profile disasters.

Wenfei (2015) concurs to this stressing that real-life data or disclosures is often dirty, inconsistent, inaccurate, incomplete, obsolete and duplicated. He pointed out that dirty data/disclosures could be very costly as statistical evidence sets the facts straight that bad or poor disclosures quality costs US businesses about US$600 billion annually such that about 20%-35% of their operating revenue was often at risk.

Logically viewing the situation, Flowerday and Solms (2007) reasoned that since decision making in organizations is usually influenced by the quality nature of information available, then it is natural that its effect on the outcome of such decisions made will not be in doubt especially where the information relied upon lacks quality or integrity. Interestingly, the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) advocated that the word *reliability* be replaced with the words *'faithful representation'*, due to the misinterpretation widely accorded to the word reliability (Erb and Pelger, 2015).

The auditing profession on their part also adopted the "concept of reasonable assurance" in her effort to addressing issues of financial disclosures or information integrity. This concept requires that the Auditors perform enough work to obtain reasonable assurance that the information found within the Financial Statements of a company is free from materiality and is a fair or faithful representation of that company's financial position (Flowerday and Solms, 2007).

Bovee *et al.* (2003) on the other hand opined that integrity is intrinsic to how information is made, and went ahead to define the four sub-attributes of integrity in the following manner:

1. *Accuracy* – This information conforms to the real-world or conceptual items of interest to the user. It is typically considered to be error free.

2. *Completeness* – Refers to having all required parts or having enough information for decision-making purpose.

3. *Consistency* – Requires that multiple recordings of the values for any of the attributes be consistent across time and space. To be consistent, these values must be the same in all cases.

4. *Existence* – This is an important intrinsic element of information used in auditing. If one needs to validate information, Bovee et al. (2003) stressed that the information would need to meet any tests of existence that there are no false or redundant entities, fields or values.

The integrity of accounting information, according to Haka and Carcello, (2016), is typically enhanced in three primary ways:

First, it must be noted that certain institutional features add significantly to the integrity of accounting information. These features include high quality and acceptability of Accounting Standards, principles, business laws, and regulations adopted for the preparation of accounting information, existence of reliable internal control structure in organizations, and the observance of statutory audits of Financial Statements by professional External Auditors appointed by the companies' Shareholders.

Secondly, the participation and professional contribution of specialist professionals of recognized or legally registered professional accounting organizations play unique role in adding to the integrity of accounting information which is often made public in any given financial reporting jurisdiction, territory or country.

Finally, the issue of reliable personal competence, appropriate use of professional judgment, and consistent but commendable display of ethical behaviour by professional Accountants, has been considered the most important corner stone for the creation and building of a sustainable integrity environment for reliable financial information disclosures.

These three unique elements of the accounting profession, Haka and Carcello (2016) agree, do come together to ensure that users of accounting information such as Investors, Creditors, Managers, and others can really rely on the accounting information to be a fair representation of what it purports to represent.

Figure 1. Underlying conceptual structure of financial Disclosure integrity.

Source: Author's concept

The above outline in figure 1 clearly depicts the process of how information integrity could be achieved in any going concern entity. It vividly demonstrates that for an organization to maintain information integrity in its financial reporting practices regardless of the financial reporting guideline complied with and however widely accepted it is, both the data and the system e.g. internal controls (IT infrastructure and operating system inclusive) must be sanitized and proven to have and operate with integrity.

Aside the need for the management of corporate organizations to exercise high level of ethical conduct in her financial accounting and reporting practices, the role of the company's Audit committee and her appointed External Auditor in the

periodical monitory and assessment of prevailing internal controls of the entity cannot be taken for granted. And this of course, when carefully observed in organizations helps promote good corporate governance within the organizational structure. It thus portends to say that information integrity can be no better than the integrity of the system in place in the organization that processes the financial disclosures or information, although it could be worse when sound effective internal control measures are not functionally in place within the company's operational system.

Tips to Ensure Financial Disclosures Integrity

According to Summers (2016), the following qualities could be upheld by an organization in her effort to secure a commendable level of integrity in her Financial Statements.

a. *Foster collaboration and communication.* Financial management has to be an interactive endeavor- *a client cannot just lock the Accountants in his office and hope for the best*! The finance team requires input from and communication with programme and development staff to create meaningful budgets, report accurately on grants, and understand cash flow needs.

b. *Establish proper oversight.* Internal controls are a buzzword that generally connotes protections against employee theft and dishonesty. It is important that entities take steps to ensure that resources are not improperly diverted away from pressing and sensitive productive areas or activities of a corporate organization. But a structure of segmented responsibilities and strong oversight is quite important for finding and correcting honest mistakes made within the organization daily/periodically, which in most cases are much more common than dishonest ones.

c. *Maximize technology.* The days of keeping records solely in the books/hard copy form are fortunately long gone with new technologies appearing all the time to streamline and automate accounting tasks. Technology helps make financial reporting not just quicker and more efficient but also more accurate as well. Technology also opens up the possibility of reporting in much more detailed and sophisticated ways to answer important questions from internal as well as external audiences.

d. *Leverage professional expertise.* Audit provides organizations and her stakeholders with independent assessment of the integrity of the Financial Statements. Auditors should be willing and able to provide advice on structuring internal controls, applying accounting rules, and improving financial reporting practices within the organisation.

e. *Involve the board.* An organization's Financial Statements and the consequent financial pictures it presents to the world are ultimately the responsibility of its board of directors. Board members should be willing and encouraged to dig deep into the numbers towards understanding what the financial reports portray about the organization.

Financial Ratios and Financial Disclosures integrity

The consequences of poor disclosure qualities are experienced in everyday life but often without taking the necessary steps to effecting connections to their causes. One of such reliable effort which is based on professional recommendation is the deployment of the M-Score model also known as the Beneish model.

This essential financial ratio was first developed in 1997 as 5-factored variables by Professor Messod Daniel Beneish but later improved to 8-predictive ratios in 1999 to enable professional Accountants in academics and in the industries strengthen their quest to detect and deter fraud, earnings manipulation, and questionable financial disclosures in the Financial Statements of corporate organizations.

Unique as they appear, the 8 ratios that constitute the M-Score model can be used individual as predictive and detective tools and collectively as a complete model towards obtaining a score known as M-Score. The output of this M-score is usually weighed against a general benchmark -2.22 towards understanding whether a company has creatively produced the financial disclosures and revenue reported in the Financial Statements or not.

However, the individual 8 predictive ratios are not without their individual scores or benchmark that could readily help any concerned professional Accountant or accounting researcher or Analyst predict any tendencies of questionable financial disclosures based on the outcome of its current year performance as depicted in her published Financial Statements.

Based on an eight factor ratios model that gives a score.

M Score = -4.840 + 0.920 x DSRI + 0.528 x GMI + 0.404 x AQ + 0.892 x SGI + 0.115 x DEPI - 0.172 x SGAI - 0.327 x LVGI + 4.697 x TATA

Where:

1. Days Receivable Index (DSRI) = (Net Receivables$_t$/Sales$_t$)/Net Receivables$_{t-1}$/Sales$_{t-1}$)

2. Gross Margin Index (GMI) = [(Sales$_{t-1}$ - COGS$_{t-1}$)/Sales$_{t-1}$]/[(Sales$_t$ - COGS$_t$)/Sales$_t$]

3. Asset Quality Index (AQI) = [1 - (Current Assets$_t$ + PP&E$_t$ + Securities$_t$)/Total Assets$_t$]/[1 - ((Current Assets$_{t-1}$ + PP&E$_{t-1}$ + Securities$_{t-1}$)/Total Assets$_{t-1}$)]

4. Sales Growth Index (SGI) = Sales$_t$/Sales$_{t-1}$

5. Depreciation Index (DEPI) = (Depreciation$_{t-1}$/(PP&E$_{t-1}$ + Depreciation$_{t-1}$))/(Depreciation$_t$/(PP&E$_t$ + Depreciation$_t$))

6. SG&A Expense Index (SGAI) = (SG&A Expense$_t$/Sales$_t$)/(SG&A Expense$_{t-1}$/Sales$_{t-1}$)

7. Leverage index (LVGI) = [(Current Liabilities$_t$ + Total Long Term Debt$_t$)/Total Assets$_t$]/[(Current Liabilities$_{t-1}$ + Total Long Term Debt$_{t-1}$)/Total Assets$_{t-1}$]

8. Total Accruals to Total Assets (TATA) = (Income from Continuing Operations$_t$ - Cash Flows from Operations$_t$)/Total Assets$_t$

Weighing the outcome of the 8-predictive variables to the model, the following benchmarks could be utilized:

1. DSRI > 1.465 = inflation of revenue data, long stretching of credit collection period to boost more turnover and recognize revenue earlier enough in the current year's financial record.

2. GMI > 1.193 = Gross margin of company is deteriorating and company is more likely to take to financial data alteration.

3. AQI >1.254 = Ccapitalizing and deferring costs that should have been expensed.

4. SGI >1.607= firms under possible pressure to alter figures to keep up appearance in the competitive market.

5. TATA > 0.031 = Accruals possibly used to engage in financial disclosures alteration.

6. DEPI > 1 = Assets being depreciated at a slower rate of depreciation to boost earnings.

7. SGAI ≤ -1.0 = Company pushed into possible financial disclosures manipulation to defer costs and expenses to boomy years.

8. LVGI > 1 = Reflecting pictures of Increase in leverage.

Generally, a score less than -2.22 clearly shows that financial disclosures made in Financial Statements are faithfully represented and/or possesses integrity (if the M-Score < -2.22). But where the score is greater than -2.22 (*lesser negative score or a positive number as a score*), the financial disclosures affected must then be given extra investigative attention for possible unfaithful representation of financial disclosures in the Financial Statements being covered (if the M-Score > -2.22).

2.2. Theoretical framework

Theories have often served as yardstick for the effective pursuit of any given or well defined research study. The M-Score model also known as the Beneish Predictive model was first developed in 1997 as 5-factored variables financial ratios by Professor Beneish of Indiana University but later improved to 8-predictive variables in 1999 to enable professional Accountants in academics and in the industries strengthen their quest to detect and deter questionable financial disclosures and earnings manipulation in the Financial Statements of corporate organizations. In 1999, Beneish adopted his M-Score model made up of 8-predictive ratios to investigate the financial disclosures qualities of companies listed on the Compustat database for the years 1982–1992 towards determining if any has been manipulated.

2.3. Empirical review

Table 1. Summary of literature reviews

S/N	Name	Date	Topic	Methodology	Statistical Tools	Findings
1.	Auwalu, M.	2015	Financial Reporting Quality in Nigerian Listed Companies	Literature Review	Nil	A positive relationship between less-earnings management and financial reporting quality exist as a result of the adoption of IFRS.
2.	Yahaya, K.A., Fagbemi, T.O. & Oyeniyi, K.K.	2015	Effect of International Financial Reporting Standards on the Financial	Empirical	Descriptive Statistics and Least Square	There is a significant effect of IFRS implementation on the Financial Statement of Nigerian banks

S/N	Name	Date	Topic	Methodology	Statistical Tools	Findings
			Statements of Nigerian Banks		Regression	
3.	Palea, V.	2013	IAS/IFRS and financial reporting quality: Lessons from the European experience	Extant Review	Nil	IAS/IFRS improves the quality of financial reporting and increases its usefulness to investors.
4.	Zaiyol, P.I., , Egwu, A.A. & Udende, B.M.	2017	Impact of IFRS Adoption on Accountability of Nigerian Organisations	Empirical	Pearson Correlation, Paired Sample	IFRS has impacted on accountability and quality of information from Financial Statement of Nigerian organization.
5.	Umobong, A.A. & Akani, D.	2015	IFRS adoption and accounting quality of quoted manufacturing firms in Nigeria	Empirical	Regression analysis	Earnings management has not declined after IFRS was adopted.
6.	Adeyemi, T.O.	2016	International Financial Reporting Standards Adoption and Earnings Management in Nigerian Non-Financial Quoted Companies	Empirical	Multiple Regression	The adoption of IFRS is not a significant determinant of earnings management practices decline in the non-financial quoted companies in Nigeria.
7.	Uwuigbe, U., Emeni,F.K., Uwuigbe, O.R., & Ataiwrehe, C.M.	2016	IFRS adoption and accounting quality: Evidence from the Nigerian Banking Sector	Empirical	Ordinary Least Square (OLS) regression analysis	The rate at which Nigerian banks engage in income smoothing increased in the post IFRS adoption period, while occurrences of such activities towards small positive earnings reduced thereby reducing the quality of accounting figures disclosed in the Financial Statements.
8.	Mehta, A. & Bhavani, G.	2017	Application of Forensic Tools to Detect Fraud: The Case of Toshiba	Empirical	Beneish Model, Altman Z-score model, and Benford's Law	Beneish model, Altman Z-score model and the Benford's Law were extremely useful in detecting fraudulent financial statements published by Toshiba.
9.	Aris, N.A., Othman, R., Arif, S.M.M., Abdul Malek, M.A. & Omar, N.	2013	Fraud Detection: Benford's Law vs Beneish Model	Extant review	Beneish Model and Benford's Law	Use of Benford's Law and Beneish model will allow users of accounting data assist Auditor and Investigators in finding anomalies.
10.	Zakari, M.	2017	International Financial Reporting Standard (IFRS) Adoption and Its Impact on Financial Reporting: Evidence from Listed Nigeria Oil and Gas Companies	Empirical	ROE, T-test	IFRS was more attractive and promising to long term lenders than the defunct Nigerian GAAP.

Source: Literatures reviewed

The above table summary of literatures reviewed clearly shows that there is an existing gap in the views of two different scholarly groups who believe that the emergency of IFRS has or has not positively reduced the incidence of number anomalies in the post IFRS financial reports of Nigerian corporate organizations. This is even as the financial reports of the non-financial sectors as the manufacturing companies are rarely captured for assessment within the study scope of sensitive investigations as this. More so, although most of the studies reviewed above were empirically designed, only about 1% of them employed the use of the M-Score model in prosecuting their respective research. This study, which borders solely on the published pre and post-IFRS Financial Statements of fifty (50) selected manufacturing companies in Nigeria, intends to fill these gaps as noted above.

3. Methodology of research and data analysis

The study adopted the causal comparative research design also known as ex post facto research design. The pre and post IFRS Financial Statements of fifty (50) selected manufacturing companies in Nigeria for the years 2007 – 2016 were utilized for the purpose of the M-Score model analysis. The Mann Whitney U test statistical tool was however used in testing the hypothesis formulated for the study using the scores earlier obtained through the model.

Hypothesis One

Using the M-Score model, the pre and post-IFRS Financial Statements of the 50 selected manufacturing companies in Nigeria were evaluated towards understanding whether the desired impact of adopting IFRS- *to secure and promote accountability and transparency in the financial reporting practices of adopting nations* has been achieved in the post IFRS periods of Nigeria compared to what the situation was in the pre IFRS period. Given below is the output of the M-Score model analysis carried out:

Table 2. MScore model computation Pre and Post-IFRS period in Nigeria (2007 – 2016)

S/N	COMPANY	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1	7 UP Bottling Company	-2.19	89.92	-2.602	-2.716	-3.046	14.580	-3.491	-3.464	-2.14	-2.815
2	Aluminium Extrusion	9082.3	-4.232	-0.571	-2.694	-2.459	-0.757	-1.989	7.027	-2.941	-1.169
3	Berger Paint	-3.21	-2.902	-2.898	-2.173	3.343	-2.141	-2.171	0.052	-2.884	-2.404
4	Beta Glass	-1.110	-2.527	0.251	-2.545	-3.038	14.80	-2.437	-3.437	46.71	-2.393
5	BOC Gases	-2.466	-2.049	3.310	0.148	-2.180	-2.344	-3.423	-1.419	1.672	-2.531
6	Cadbury Nigeria	-3.268	-2.584	-3.329	-2.060	-2.706	-2.425	-2.815	14.96	-3.178	-1.99
7	CAP Plc	-2.459	-3.356	-1.993	30.673	-2.001	-1.902	-0.045	-0.221	-0.480	2.925
8	Chams	-2.22	3.347	-2.453	-8.160	-2.280	0.744	-1.306	-1.802	-4.254	-4.280
9	Conoil	-1.664	-0.558	-17.995	11561.27	-1.266	0.172	-4.271	-1.124	-2.481	-3.797
10	Cutix	-3.395	0.793	0.183	2.220	2.841	0.786	-1.683	-2.136	-2.428	-3.123
11	Dangote Cement	-2.657	-3.366	8.755	47.489	-3.095	-1.375	-1.556	-3.110	-2.131	-0.778
12	Dangote Flour Mills	-2.22	-2.791	-3.497	-3.728	-3.069	-0.889	1.358	-2.444	-2.772	-1.464
13	Dangote Sugar	-1.505	33.89	-1.607	-0.575	-0.702	-2.987	-0.033	-1.998	-1.857	-2.581
14	Eterna Oil	1.369	6.493	-3.595	-2.541	1.124	0.001	-3.439	-2.994	-0.185	-3.227
15	First Aluminium	-2.22	-2.806	-2.900	-2.399	-2.896	-2.327	-2.192	-2.975	-2.203	-2.391
16	Flour Mills of Nig. Plc	-0.477	-1.835	-3.860	-2.526	-1.442	-2.303	5.711	-2.461	3.992	-2.235
17	Forte Oil (African Petro)	-2.22	1.367	0.114	-3.285	-2.184	-2.769	-0.842	-1.854	-3.293	-2.154
18	FTN Cocoa Processor	-2.200	575.04	-0.644	-1.000	85.369	-4.818	-0.246	-3.261	29.94	-3.260
19	Greif	-1.569	-2.335	-3.164	-2.516	-2.268	-2.924	-2.914	0.580	-3.168	-0.654
20	GSK	-2.593	-2.774	-2.676	-2.529	-2.210	-2.124	-0.825	-2.039	41.86	0.005
21	Guinness Nigeria	-2.400	-2.407	2.026	-2.933	-1.419	-2.945	-2.847	-2.500	-3.134	-1.161
22	Japaul Oil & Maritime	-3.407	325.65	-0.207	-8.283	-2.601	158.36	3.466	-2.860	-3.192	-2.022
23	John Holt	-1.203	-2.158	-2.765	-2.065	14.027	-4.126	-4.307	-0.653	-3.124	-1.714
24	Julius Berger	-3.163	-3.175	0.755	-3.559	26.101	-2.392	-2.089	-1.864	-2.189	-1.714
25	Lafarge Cement	-0.280	-2.524	-3.367	-0.061	-1.603	434.4	-2.425	742.6	-2.149	-0.646
26	Leventis	-3.263	-1.187	-1.940	-0.432	5.245	-1.974	-2.135	-2.375	-2.760	-3.986
27	Livestock Feeds	-1.908	-0.575	-2.827	-1.249	-1.208	-1.584	-1.003	-1.944	-2.776	-1.937
28	May & Baker	-0.096	-2.402	-3.073	-2.272	-2.761	-1.638	-2.686	-2.239	-3.144	-2.903
29	Meyer	4.389	-3.417	2.199	1.175	-3.051	-0.811	-3.110	-2.828	-1.801	-2.756
30	Morison Industries	-1.638	-1.218	-2.771	-2.959	-3.133	-2.084	0.946	-3.991	-3.495	-3.690
31	MRS Oil (Chevron)	-2.353	-1.269	-1.682	-1.260	-1.566	-4.142	-2.476	-2.906	-2.641	-1.012
32	Nat. Salt Coy of Nig.	-9.766	-16.12	-12.36	-14.597	-2.171	414.50	-22.55	727.82	-22.66	-2.22
33	NCR Nigeria	-4.584	-1.743	-0.104	-0.879	27.412	-5.256	-4.660	-2.632	-3.919	0.868
34	Nestle Foods Nigeria	-1.635	-0.987	-2.402	-1.556	125.92	-2.568	-2.491	-1.655	-2.651	-3.172
35	Nigerian Enamelware	-2.086	-2.639	-1.685	119.52	-3.460	16.34	-1.974	-1.015	0.426	-3.378
36	Nigerian Breweries	-2.314	-3.126	-1.973	-1.791	44.40	-1.654	-3.271	-2.118	-2.599	-2.495
37	North. Nig. Flour Mills	-5.090	-2.015	-3.072	-2.22	-2.22	-1.535	-0.075	-1.824	-4.344	7.059
38	Oando Nigeria	-3.534	-1.302	-2.840	-2.357	-0.210	-1.667	-2.342	-3.067	-1.147	-0.625

S/N	COMPANY	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
39	Okomu Oil Palm	-2.980	-1.503	-2.861	48.518	-1.159	-3.280	-3.744	13.75	-2.132	-1.461
40	Pharma Deko	-2.550	-1.727	-3.430	-2.371	-1.996	-3.991	-3.334	-2.853	-0.485	-2.324
41	Premier Paint	-1.785	-2.482	422.21	-4.840	-2.347	-1.904	-2.803	-2.287	-2.965	-3.017
42	Presco	-3.485	-0.249	-2.765	-2.414	-1.053	231.72	-3.172	-2.482	-2.510	-5.949
43	PZ Cusson Nigeria	-1.352	-2.907	-2.701	-2.982	-1.688	-2.605	-3.644	-3.126	13.611	-3.305
44	Smart Products	0.792	-2.22	-2.22	-3.618	2460.91	-2.527	1.761	-1.598	-1.101	-1.108
45	Thomas Wyatts	-2.732	5.320	-2.751	-3.529	3.153	-1.341	682.06	-5.099	-3.204	-3.507
46	Total Oil Nigeria	-2.563	-1.587	-2.484	-2.786	-3.098	-0.974	-2.199	-2.690	-2.836	-1.862
47	Triple Gee	-2.280	-1.812	-2.123	-2.912	23.03	10.695	4.271	-2.564	-1.575	-3.487
48	UAC Nigeria	-2.491	-5.956	-2.691	-3.158	0.336	-2.183	-1.911	-1.925	-2.575	-2.073
49	Unilever Nigeria	-2.490	-1.872	-2.320	3687.66	57.232	-1.673	-2.751	-1.781	4.644	-5.035
50	Vita Foam	4.728	-2.832	-2.406	0.210	-0.689	5.110	-2.171	-2.430	-1.626	-1.121
	Integrity MScore	-2.22	-2.22	-2.22	-2.22	-2.22	-2.22	-2.22	-2.22	-2.22	-2.22

Source: MScore Model Computation for Pre IFRS period (2007 – 2011) and (Post IFRS period (2012 - 2016).

Discussion and Interpretation of result

Effort towards understanding the financial reporting implications of the above integrity scores may after all yield no positive result if the M-Score decision benchmark is not given due consideration.

Apparently, when M-Score output is above -2.22 (that is, negative Nos. smaller than -2.22 or any positive Nos.), *questionable financial disclosures or financial reporting void of Integrity is usually said to persist.* However, a reasonable financial disclosure Integrity level becomes the case where MScore obtained is below -2.22 *(that is, negative Nos. higher than -2.22).*

Evidence from table 2 shows that observation made from the selected Nigerian manufacturing companies for the years 2007–2011 *(pre-IFRS period*) and 2012–2016 (*post-IFRS period*) indicates that out of 250 observations made, questionable financial disclosures scores generated by the M-Score model was 105 incidences in the pre-IFRS period against 129 incidences recorded in their post-IFRS periods (*see MScores shaded in blue*).

However, a situation of reasonable financial disclosure integrity was equally noted among these selected manufacturing companies with 145 incidences recorded in their pre-IFRS period (2007 – 2011) and 121 incidences observed in their post-IFRS Financial Statements (2012 – 2016). Interestingly, no real significant difference appears to exist in the figures given above.

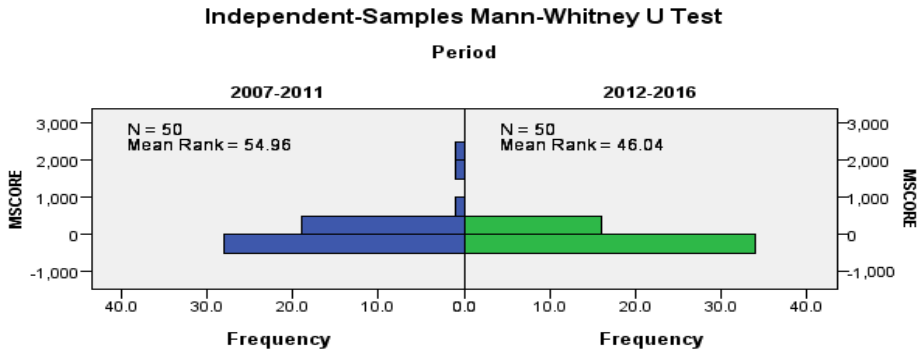
This implies that ingenious approaches play unique roles during Financial Statements preparation by manufacturing companies in Nigeria. It also goes to show that despite the good intent of IFRS to producing high quality Financial Statements among adopting jurisdictions and their respective complying corporate organizations, the untreated and unchecked decaying level of corruption in the Sub Sahara Africa especially in Nigeria may not permit for the outright compliance with the disclosure requirements of IFRS without a first thought given to the interest of the reporting corporate organization.

Hypothesis Two

Given the M-score integrity scores of the 50 selected Nigerian manufacturing companies, the Mann Whitney U Test was adopted in order to find out whether the integrity scores of the M-Score model analysis executed on the financial data of pre-IFRS and post-IFRS Financial Statements of the 50 selected Nigerian manufacturing companies differed. Below is the output of the analysis:

Discussion and Interpretation of result

With a renewed emphasis on high quality Financial Statements, the need to restore investors' confidence on corporate financial information globally through enhanced comparability of disclosed financial data across International Stock Markets cannot be overlooked.



Total N	100
Mann-Whitney U	1,027.000
Wilcoxon W	2,302.000
Test Statistic	1,027.000
Standard Error	145.057
Standardized Test Statistic	-1.537
Asymptotic Sig. (2-sided test)	.124

Figure 1. Mann Whitney U test result

Thus, given the magnitude of global response to IFRS through adoption, the mission statement that crusaded the development of IFRSs by the International Accounting Standard Board (IASB), is believed to meet Investors' expectations in this area- *promotion of transparency and faithful representation of disclosed financial information of corporate organizations*. A look at the output in figure 4.4 shows that the probability value (p-value) obtained is .124 (emphasis is on the Asympototic sig) which evidently is greater than 0.05. Besides, the Mean Rank for both countries does not differ significantly. Pre-IFRS scores ranked 46.04 while those of her post-IFRS financial reports stood at 54.96 (a *16.2% difference noted*).

Accordingly, when p-value (same as Asympototic sig) **<** 0.05, we reject null hypothesis and accept the alternate hypothesis. It is also worthy of note that a p-value greater 0.05 indicates that no significant difference exist in the scores (usually the Mean Rank) of any two groups being considered. The reverse is the case where the p-value obtained is less than 0.05. Since the p-value (0.124) is greater than 0.05, we accept the null hypothesis and this means that MScore integrity scores of pre-IFRS and post-IFRS disclosed financial data of public manufacturing companies in Nigeria do not differ significantly.

4. Conclusions and recommendations

The assumptions by some potential investors that the adoption and compliance of listed companies to the disclosure requirements of IFRS readily assures them of credible and transparent financial disclosures by the reporting entity may be costly if not properly substantiated. While Nigeria may have maintained better quality compliance attitude to IFRS minimum disclosure requirements, the integrity of her financial disclosures in her post-IFRS Financial Statements were rather questionable and disturbing as was the case in her pre-IFRS periods. There is then the need for users of financial information to assure themselves that the Financial Statements they are relying on are free from unfaithful representation. A balance need be struck by users between companies' quality of outright compliance to disclosure requirements of IFRS and the integrity status maintained by such financial disclosures in the Financial Statements. This calls for the use of tested and proven models as MScore models by Nigeria potential investors and holders of shares in public companies.

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