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IFRS ADOPTION AND EARNINGS MANAGEMENT PRACTICES: EVIDENCE FROM NIGERIAN LISTED CONSUMER GOODS COMPANIES

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Abstract

The study looked at earnings management practices in Nigerian consumer goods firms between pre and post-adoption of IFRS and earnings management in Nigeria. It involved twenty-one Nigerian firms in the Nigeria Exchange Group, with nine being sampled due to data availability. The Modified Jones Model, a well-known profits management model created by Dechow, Sloan, and Sweeney in 1995, was used. This research examined how IFRS has affected the way companies in Nigeria control their earnings from 2012 to 2022. The study examined earnings management practices in Nigerian consumer goods companies using an ex-post facto research design and non-parametric tests. Results showed no significant change in earnings management practices due to the adoption of IFRS.

Key words:

Earnings Management, discretionary accruals, IFRS adoption, consumer goods firms, Nigeria.

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1. Introduction

Globalization necessitates standardized international accounting systems for accurate reporting and transactions. IFRS enhances data quality and comparability by adopting a flexible international standard, allowing managers and accountants to create unique financial reporting indicators, gaining popularity due to international trade expansion. Over 120 nations mandate the use of IFRS standards by publicly traded corporations, and this has boosted research in finance and accounting. Adopting IFRS provides transparency and comparability of financial accounts, and Nigeria is not an exception to this current worldwide accounting reform. A single language for financial reporting to facilitate worldwide comparability has also continually acquired a lot of support in light of the continuously evolving global financial markets (Jeanjean & Stolowy, 2008). This has over the years improved the comparability, relevance, dependability, and understandability of financial information at both local and international levels. However, despite this continuous growth, financial

reporting has been bedevilled with several challenges arising from managers' nature, agency problems, and scrutiny of ethics. Corporate fraud and dishonesty have led to assurance crises. Similarly, identifying managers' daily struggles and fraudulent profit manipulation is a challenge for financial analysts, investors, and business executives. Earnings management involves morally responsible management decisions and publicizing them for stable financial results.

The concept of earnings management is often considered damaging to financial statements, as it reduces investors' confidence in financial disclosure. Managerial subjective judgment in reporting financial transactions or altering financial statements can distort a company's economic performance, potentially revealing insider information Fama, (1980); Fama & Jensen, (1983). Similarly, Hadani, Goranova, and Khan (2011), believe that earnings management involves recording accounting transactions without events or reporting them incorrectly to modify outcomes. Supervisors utilize subjective judgment in disclosing financial transactions and modifying monetary explanations to distort a company's financial performance before stakeholders Healy & Whalen (1998). Empirical studies show that profit management declines with IFRS adoption, while others argue it has no impact or raises it Barth, et al., (2012). The slow shift from local accounting standards to IFRS and the lack of infrastructure may contribute to these conflicting results Tendeloo & Vanstraelen, (2005). Strong laws and regulations protect firms' external partners, but regulators argue that IFRS can also reduce earnings management, highlighting the need for better governance and oversight Verriest, Gaeremynck, & Thornton (2013) and Pelucio-Grecco et al. (2014).

Prior studies (such as Barth et al., 2008; Zeghal et al., 2012; Ismail et al., 2013; Pelucio-Grecco et al., 2014; Bryce et al., 2015; Akers et al., 2007 and Uwuigbe et al., 2014) posit earnings management as a proactive approach used by management to manage short-term earnings and revenue, involving accounting techniques, non-recurring item recognition, expense deferral, and revenue acceleration strategies. It is also a proactive measure to prevent loan defaults, reduce regulatory costs, and increase regulatory benefits. This approach has been used by various researchers. When management's compensation is based on reported earnings, when a corporation is set to break a debt covenant, and when current-year earnings are projected to fall short of a given benchmark, earnings are managed Fama, (1980); Fama & Jensen, (1983). Earnings management is easily accomplished via discretionary accrual due to its subjective nature, which influences revenue recognition policies, cost accruals, and changes in accounting estimates because discretionary accruals might be more prone to manipulation or financial result distortion. Whether corporations appropriately report their financial status to readers of financial statements to support informed economic decisions and resource allocation is a topic of discussion during a crisis. The principal objective of this study is to offer insight into whether there was a difference in the methods used for managing earnings before and after IFRS.

To attain the goal of this study, this paper examined how IFRS has affected the management of earnings by publicly traded consumer products companies in Nigeria. Similarly, nine (9) consumer products companies that are listed on the Nigeria Exchange Group were examined. Hence, the paper examines earnings management in nine publicly traded Nigerian companies before and after IFRS adoption, focusing on the pre-mandatory era (2001-2011) and post-mandatory period (2011-2021), examining how earnings management has improved with the implementation of IFRS. The literature review, hypothesis, methodology, empirical findings, conclusion, and suggestions for additional research in financial reporting and earnings management are covered in the following sections of this article.

2. Related Literature

2.1. The Concepts of Earnings Management, Discretionary and Non-discretionary Accruals

Accounting data must be both relevant and dependable to be used for making decisions (Spohr, 2005 cited in Ghazali et al 2015). However, because managers and external users have different levels of

information, managers have the option to apply discretion when compiling and disclosing accounting information to their advantage. Earnings management is the accounting term for this flexibility. There have been various definitions of earnings management put forth by different researchers (Ghazali et al., 2015; Cornett et al., 2008; Kaaya, 2015; Leuz et al., 2003; and many others), earnings management as described by Schipper (1989), refers to the process of intentionally mediating in the external monetary disclosure with the aim of gaining personal advantage. Earnings management, in line with the perception of Healy & Wahlen (1999) and Jiang (2020), involves managers manipulating organizations' financial statements to hoodwink stakeholders about a company's monetary success or to influence outcomes based on reported financial figures. Earnings management is the practice of manipulating a company's reported financials, according to Leuz, Nanda, and Wysocki (2003). Numerous empirical studies have shown that the adoption of IFRS resulted in a decline in the use of profit management, (Barth, Landsman, Lang, & Williams, 2012). However, some studies contend that IFRS adoption either has no impact on profit management or raises it to a higher level. Tendeloo & Vanstraelen, (2005). The inconsistent results might be explained by the slow adoption of IFRS and the lack of necessary infrastructure.

According to Baiga & Khanb (2016), Pakistan's adoption of IFRS decreased profit management effectiveness. In the study of Rioui, Rigar, and Grine (2020), that looked into how Moroccan profit management was impacted by global financial reporting. The study, based on a logistic regression model and 74 firms' sampled, revealed that adopting IFRS resulted in less effective earnings management. Atoyebia and Simon (2018) studied the effects of IFRS on Earnings Management at listed deposit money banks (DMBs) in Nigeria. The authors investigated the effects of global financial disclosure on earnings management in the Nigerian banking sector using an ex-post facto study methodology. Both before and after the implementation of IFRS, the results showed a robust positive correlation between LLPs and earnings management.

Malofeeva (2018) studied the impact of IFRS on EM in Russia using a linear regression model, finding that IFRS increases earnings management for Big Four audited companies. While managerial intention is a requirement in all definitions of earnings management, it is not obvious if this aim is opportunistic. According to certain presentations on the topic, managerial discretion rather than opportunism is what the phrase "earnings management" refers to (e.g., Dechow & Skinner, 2000; Scott, 2003). Both legal and illegal methods can be used to achieve earnings. Illegal earnings management produces deceptive financial reporting, which can deceive consumers of financial reports and lead to harsh regulatory penalties or possibly the demise of a business (as was the case with Enron). Generally accepted accounting principles (GAAP) are frequently used to determine if earnings management is legal or illegal. Practices are regarded as appropriate earnings management if they follow GAAP. They are illegal earnings management if they exceed the bounds of GAAP Al Khabash & Al Thuneibat, (2009).

In a related study, Yaping (2005) noted that to manage earnings, changing accounting principles and estimates requires managerial judgment. Managers in accounting have the freedom to choose acceptable accounting techniques and projections Dechow & Skinner, (2000). Although accruals are one method of managing earnings, not all accruals are associated with managing earnings. Discretionary accruals are those that are handled by management within the bounds of accounting principles, while non-discretionary accruals are based on management's assessment of economic performance Abdul Rahman & Mohamed Ali, (2006). Studies by Becker, et al. (1998) and Frankel, Johnson, and Nelson (2002) frequently employ discretionary accruals as a representation of earnings management (EM). However, several additional strategies can be used to manage earnings. Ratsula (2010) cites four strategies: "taking a bath," in which losses are knowingly reported to increase the likelihood of subsequently reported profits; "income minimization," in which expenses are raised to lower reported income and political pressure; "income maximisation," which benefits individuals such as managers rather than shareholders; and "income smoothing," which lowers the volatility of reported earnings. For a variety of reasons, managers are driven

to manage earnings. Debt covenants, political costs, internal finances, and equity ownership are inclusive of the aspects that support profit manipulation, according to Aman et al. (2006). Duncan (2001) contends that corporations that are making excessive profits or that fail to disclose income reductions engage in earnings management.

2.2. IFRS Adoption And Earnings Management In Nigeria

The Nigerian government adopted the International Financial Reporting Standards as a requirement for creating and presenting financial accounts in 2012, joining other governments across the globe that had already done so. Abdullah et al. (2018) identified several benefits/reasons why many nations view the adoption of IFRS as a requirement. These benefits include straightforward comparability, increased transparency, and high-quality information in the financial report that will allow investors and shareholders to access complete and accurate information in evaluating the performance of the entity. It will also lower the multinational corporation's compliance costs. In contrast to the previous Nigerian accounting standards, which were published by the Nigeria Accounting Standard Board and were based on regulations, IFRS is an accounting standard that is based on principles. According to Susan (2010), the manager can use the accounting standards' alternative to their advantage by altering the entity's financial statements to make them appear healthier than they are for reasons that are most obvious to them. This is where an agency issue in the stewardship (Principal agent arrangement) relationship arises.

The effect of worldwide financial reporting on Nigerian EM was examined by Egiyi (2022). Discretionary accruals, which functioned as a gauge of EM, served as the study's dependent variable. The study performed several tests before using an OLS fixed-effect model to analyse the data. The analysis's findings showed that the adoption of IFRS was linked to an increase in EM on an annual basis. The results of the examination show that using IFRS helped companies to become more efficient and made their financial numbers better each year. Rioui, Rigar, and Grine (2021) assessed the impact of implementing IFRS in the Moroccan setting and evaluated the degree of earnings management, specifically earnings smoothing, among companies listed on the Moroccan stock market. From the period 2010 and 2015, they studied 74 companies registered on the Casablanca Stock Exchange by using a quantitative analysis method. The researchers used a logistic regression model to analyse the data and look at how the implementation of IFRS affected EM. Their investigation findings provided strong proof that, in comparison to Morocco's previous usage of local accounting standards, the adoption of IFRS resulted in less EM. This study has repercussions for policymakers and regulators since it implies that IFRS adoption can be beneficial by reducing profit management practices.

Doddy, Fauziah Md, Lian-Kee, and Hong-Kok (2019) in their study looked at how the adoption of the International Financial Reporting Standards affects both accrual-based and real EM. They also looked at how independent commissioners might affect how IFRS adoption and EM are related. To assess the robustness of accrual and real EM, the researchers employed the modified Jones model and Roychowdurry model, respectively. The study examined 1,127 firm-year observations from the Indonesian Stock Exchange between 2007 and 2010 with a focus on non-financial enterprises. The study's findings showed that IFRS adoption reduced the need for accrual EM. This indicates that, in comparison to earlier eras, the level of accrual earnings management was lower following the adoption of IFRS. Both the modified Jones model and the Jones model as measures of accrual earnings management did not change the study's conclusions. This may indicate that the decline in accrual EM seen after the adoption of IFRS is significant. For a variety of reasons, managers are driven to manage earnings. Debt covenants, political costs, internal finances, and equity ownership are among the issues that support profit manipulation, according to Aman et al. (2006).

Malofeeva (2018) in a related study observed that earnings management increased for companies audited by the Big Four accounting firms with the adoption of IFRS in Russia. Thus, highlighting the significant impact of IFRS on earnings manipulation. Hence, to determine whether or not IFRS has attained

the essential characteristics of accounting quality, Yosra and Imen (2016) looked into whether the adoption of IFRS in South Africa has decreased the incidence of earning management among corporate entities in South Africa. By determining the size of discretionary accruals and the calibre of accruals, they evaluated earning management. In their analysis, earning management practices from the pre-mandatory IFRS adoption period (2002 to 2004) and the post-IFRS adoption period (2010 to 2012) were compared. From the 413 companies quoted in South Africa, they selected 46 companies as a sample, and 276 observations were examined. The study used a regression model to look at how the mandated adoption of IFRS, corporate governance structures, and discretionary accrual relate to one another. They concluded that the adoption of IFRS by South African companies had diminished gaining administration honours and, as a result, hence the adoption of IFRS had upgraded the quality of financial data.

Ahmed, Salisu, and Tesleem (2016) studied how Nigeria's use of IFRS affected the way 75 non-financial companies listed on the Nigerian Stock Exchange managed their earnings. Their research showed that the idea that IFRS is a great accounting standard and will reduce the manipulation of earnings is incorrect. They found that the requirement to use IFRS in Nigeria does not influence the propensity of companies to manipulate or control their earnings.

In a similar study by Baiga and Khanb (2016), they looked at how IFRS affected Pakistan's EM by comparing the time before and after IFRS was implemented. The study examined 100 companies listed in the Karachi Stock Exchange using the cross-sectional modified Jones model, created by Kothari et al. (2005). The researchers tested the beliefs about how IFRS affects EM by analyzing data and using regression analysis. The study found that there was a decrease in the use of EM techniques in Pakistan after they started using IFRS. This implies that the companies' manipulation of their earnings decreased when they started using IFRS. The study found that when Pakistan started using IFRS, it helped reduce manipulation of financial earnings. The findings support the belief that using IFRS can improve the accuracy and clarity of financial reports.

3. Methodology and data

This study included 21 consumer goods companies that were listed on the Nigeria Exchange Group as of December 31, 2022. The study uses a research design where researchers look at things that have already happened (i.e. the ex-post facto research design). The research lasted for twenty years. The study time was split into two parts. The study period was divided into two. The pre-IFRS adoption period (2001-2011) and post-IFRS adoption (2012-2022). The population was adjusted using two filter criteria. Firms that were not listed as of December 31st 2001 till December 2022 would be excluded from the study. Additionally, the researchers only considered people who had annual reports available when analyzing the popular. Hence the study used a sample of 9 firms (Cadbury, Nestle, Guinness, Floor Mill, NASCON, Nigeria Breweries, PZ Cusson, Unilever and Vitafoam). The research also used information from the company's yearly report and the Nigeria Exchange Group website. The research used descriptive statistics and a special test called Mann-Whitney to analyze the information.

3.2. Data analysis instrument

Using absolute discretionary accruals from Dechow et al. (1995) and Kothari et al. (2005), the study used an ex-post facto research design and non-parametric tests in conducting the research. The sample is split between the pre-IFRS era (2001-2010) and the post-IFRS era (2012-2020).

3.3. Development of hypothesis

The research hypothesis in this study is stated in the null form.

H₀₁: There is no relationship between pre and post-adoption of IFRS and earnings management in Nigeria.

H₀₂: There is no significant relationship between Nigerian accounting standards (SAS) switch to IFRS and earnings management.

H₀₃: There is no relationship between the adoption of IFRS in Nigeria and the tendency of Nigerian companies to manage their earnings.

3.4. Model Specification

This study aims to assess the impact of IFRS adoption on EM practices both before and after its implementation. The use of discretionary accruals as a stand-in for monitoring EM is where our main focus is. This study looked at how adopting IFRS affects EM practices before and after it is put into action. The study focuses on using discretionary accruals to monitor EM. Two methods of discretionary accrual were applied to achieve this goal. The Modified Jones Model, a well-known profits management model created by Dechow, Sloan, and Sweeney in 1995, was used. Dechow et al. (1995) and Guay, Kothari, and Watts (1996) oppose the Modified Jones Model is the best method for spotting EM when managers have the authority to recognise revenues, despite some criticism of its effectiveness in doing so. Another approach for calculating earnings management was the modified Jones model by Kothari et al. (2005).

Dechow et al. (1995) Modified Jones Model is

$$TACC_{t-1} = \alpha_1 A_{t-1} + \alpha_2 (\Delta REV_{it} - \Delta REC_{it}) A_{t-1} + \alpha_3 PPE_{t-1} + \epsilon_{it} \quad (Eq. 1)$$

Kothari et al. (2005) Performance Match Model

$$TACC_{t-1} = \alpha_1 A_{t-1} + \alpha_2 (\Delta REV_{it} - \Delta REC_{it}) A_{t-1} + \alpha_3 ROA_{it} + \epsilon_{it} \quad (Eq. 1)$$

Where:

$$TACC_{it} = NI_{it} - CFO_{it} / A_{t-1}$$

$$NI = \text{Net Income}$$

$$CFO = \text{Cash flow from Operating Activities}$$

$$TACC_t = \text{Total accruals in year } t \text{ divided by total assets in year } t-1$$

$$\Delta REV_t = \text{Revenues in year } t \text{ less revenues in year } t-1$$

$$\Delta REC_t = \text{Delta revenues in year } t \text{ less delta net receivables in year } t-1,$$

$$PPE_t = \text{Gross property plant and equipment in year } t$$

$$ROA = \text{Return on asset for companies in year } t$$

$$A_{t-1} = \text{Total assets in year } t-1,$$

$$\alpha_1 \text{ and } \alpha_2 = \text{Parameters to be estimated, namely alphas,}$$

$$\epsilon_t = \text{Residuals in year } t$$

The study used the absolute residual values generated from both models as a measure of earnings management.

3.5. A priori expectation

The independent variable coefficients (α_1) and (α_2) are anticipated to have a negative correlation with the performance measure (ROA), meaning that both α_1 and α_2 are expected to be less than zero. On the other hand, the coefficient (α_3) is expected to have a positive correlation with the performance measure, indicating that α_3 is greater than zero.

4. Result and Discussion

4.1. Descriptive Analysis

This part explains the characteristics of the variables used in the study, including their average, spread, lowest value, and highest value.

Table 1

Descriptive statistics

| <i>Variables</i> | <i>Period</i> | <i>No of obs</i> | <i>Mean</i> | <i>Std. Dev.</i> | <i>Min</i> | <i>Max</i> |
|---------------------------------------|-------------------|------------------|---------------|------------------|-------------|--------------|
| <i>PREIFRS 1995 MJM DAC</i> | <i>2001-2011</i> | <i>99</i> | <i>.25961</i> | <i>.240004</i> | <i>.006</i> | <i>1.474</i> |
| <i>POSTIFRS 1995 MJMDAC</i> | <i>2012 -2022</i> | <i>99</i> | <i>.20214</i> | <i>.143285</i> | <i>.001</i> | <i>.667</i> |
| <i>PREIFRS Performance Match DAC</i> | <i>2001-2011</i> | <i>99</i> | <i>.21573</i> | <i>.249062</i> | <i>.001</i> | <i>1.442</i> |
| <i>POSTIFRS Performance Match DAC</i> | <i>2012 -2022</i> | <i>99</i> | <i>.16515</i> | <i>.131264</i> | <i>.001</i> | <i>.492</i> |

Source: SPSS Output, 2023

Table 3 depicts the EM variables for the firms before and after they adopted IFRS accounting standards, using both Dechow et al. (1995) Modified Jones model and Kothari et al. (2005) performance match discretionary models during the period of the study. The table displays that the MJM DACC before the implementation of IFRS is 0.260, while after the implementation of IFRS it is 0.202. This shows that the number of posts (adoption) on average is lower than before (adoption) of IFRS. Regarding the performance match DAC Model, the average scores for both periods are 0.216 and 0.165 respectively. This also advocates that the post-IFRS DACC for the performance match h model is less than the pre-IFRS Adoption. These by implication imply that on average the EM is less during the post-IFRS period. The standard deviation also recommends a low dispersion from the mean for both periods for the MJ model and post-IFRS performance match DACC. Only pre-IFRS adoption DACC for performance match indicates a wide dispersion from the mean.

Table 1 demonstrates that the values of the earnings management metrics differ between the pre-adoption era and the post-adoption period. The importance of these changes will then be evaluated as a further step. Checking whether the data for the earnings management metrics studied in the study are normally distributed is required before analysing the relevance of these variances. The significance of the changes between earnings management metrics in the pre and post-adoption periods will be examined in this step, which will help decide the best test (a parametric or nonparametric test) to use. The null hypothesis for the study was that the data under investigation were normally distributed, while the alternative hypothesis was that they were not, and the Kolmogorov-Smirnov test was used to ascertain this. The findings of the Kolmogorov-Smirnov test are shown in Table 2.

Table 2

Kolmogorov-Smirnov Normality Test

| <i>Variables</i> | <i>Statistic</i> | <i>Df</i> | <i>P>0.000</i> |
|---------------------------------------|------------------|-----------|-------------------|
| <i>PREIFRS 1995 MDJ DAC</i> | <i>.160</i> | <i>99</i> | <i>.000</i> |
| <i>POSTIFRS 1995 MDJDAC</i> | <i>.103</i> | <i>99</i> | <i>.012</i> |
| <i>PREIFRS Performance Match DAC</i> | <i>.194</i> | <i>99</i> | <i>.000</i> |
| <i>POSTIFRS Performance Match DAC</i> | <i>.140</i> | <i>99</i> | <i>.000</i> |

Source: SPSS Output, 2023

Table 2 shows that the null hypothesis of regularly distributed earnings management data is rejected at the 0.05 level of significance in support of the alternative hypothesis. The study used the Mann-Whitney test, a nonparametric alternative to the t-test, to assess if the pre- and post-adoption periods' mean differences across earnings management KPIs are statistically significant at the 5% level of significance.

Table 3

Mann-Whitney test

| <i>Variables</i> | <i>Period</i> | <i>Obs</i> | <i>Mean Rank</i> | <i>Sum of Ranks</i> | <i>Z-stat</i> | <i>P-value</i> | <i>Hypothesis summary</i> |
|-----------------------------|------------------|------------|------------------|---------------------|---------------|----------------|--------------------------------------|
| <i>Modified Jones Model</i> | <i>Pre-IFRS</i> | 99 | 104.88 | 10383 | -1.321 | 0.187 | <i>Fail to Reject the hypothesis</i> |
| | <i>Post IFRS</i> | 99 | 94.12 | 9318 | | | |
| <i>Kothari Model</i> | <i>Pre-IFRS</i> | 99 | 101.45 | 10044 | -0.480 | 0.631 | <i>Fail to Reject the hypothesis</i> |
| | <i>Post IFRS</i> | 99 | 97.55 | 9657 | | | |

Source: SPSS Output, 2023

The study uses the Mann-Whitney test to compare pre- and post-adoption earnings management measures, specifically discretionary accrual from the modified Jones model and the performance match model by Kothari. Table 3 shows no significant impact of the Nigerian accounting standards (SAS) to IFRS on earnings management measures before and after adoption using the Dechow et al. (1995) Modified Jones model. The Kothari et al. (2005) model's p-value of 0.631 advocates that the null hypothesis that Nigerian (SAS) to IFRS has no substantial impact on EM should be accepted at a 0.05 level.

The Z-statistic for both models reveals a value of -1.321 and -0.480. These advocate that there is a negative difference in the post-IFRS adoption EM and pre-IFRS adoption EM measures. Nonetheless, the differences between the two were negligible. This further suggests that IFRS adoption has a negative and insignificant influence on the EM of listed consumer goods firms in Nigeria. However, the negligible p-value advocates that the Nigerian adoption of IFRS has not significantly reduced the use of EM in the country's listed consumer goods. Nigeria's adoption of IFRS aimed to improve financial reporting quality and reduce earnings management, but its success depends on factors like corporate governance, auditor independence, and ethical culture. In tandem with the study of Ahmed et al., (2016) this study found that mandatory IFRS adoption in Nigeria does not significantly impact Nigerian companies' earnings management. However, Egiyi (2022) and Malofeeva (2018) suggest increased EM after IFRS implementation, while Yosra and Imen (2016) claim that the adoption of IFRS results in fewer earning management techniques.

5. Conclusion and Recommendation

It is crucial to research the effects of implementing the IFRS in various nations because the institutional structures, general levels of financial knowledge, and sociocultural aspects of various nations vary to varying degrees. Despite the focus of research on this subject in developed countries, particularly in Europe, the number of studies analyzing the economic effects of IFRS implementation in developing countries is still modest. This study examines the effects of IFRS adoption on EM by publicly traded consumer goods companies in Nigeria using a sample of 9 companies. Absolute discretionary accruals from the works of Dechow et al. (1995) and Kothari et al. were used to quantify earnings management and Kothari et al. (2005). The period of study covered the pre-IFRS era (2001-2010) and the post-IFRS era (2012-2020). The study indicated that the EM metrics connected with Dechow et al. (1995) and Kothari et al. (2005) did not change substantially when comparing both periods of adoption using the Mann-Whitney U test. According to these results, the earnings management of publicly traded consumer products businesses was not affected by the conversion to IFRS in

2012. This is because the local Nigerian standards (SAS) utilised before 2012 were not materially different from IFRS. This study adds to the body of existing literature by examining the effects of IFRS adoption in emerging nations like Nigeria. However, there are significant shortcomings in this study. One of these restrictions is the small sample size because the majority of the listed consumer goods companies included in the study period did not have the entire twenty (20) year annual reports available. Even though the study only identified a little difference, this might be due to the need for better corporate governance, auditor independence, and ethical culture. As a result, the study suggests that the board should increase their participation in monitoring to ensure better financial reporting quality. Future research should also be done to determine how excellent corporate governance practices affect how IFRS adoption and earnings management practices interact.

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APPENDICES

Descriptive Statistics

| Category | N | Minimum | Maximum | Mean | Std. Deviation |
|-------------------------------|----|---------|---------|--------|----------------|
| PREIFRSDACCMDJ | 99 | .006 | 1.474 | .25961 | .240004 |
| PREIFRSDACCPPerformanceMatch | 99 | .001 | 1.442 | .21573 | .249062 |
| POSTIFRSDACCMDJ | 99 | .001 | .667 | .20214 | .143285 |
| POSTIFRSDACCPPerformanceMatch | 99 | .001 | .492 | .16515 | .131264 |
| Valid N (listwise) | 99 | | | | |

Tests of Normality

| CATEGORY | Kolmogorov-Smirnova | | | Shapiro-Wilk | | |
|-------------------------------|---------------------|----|------|--------------|----|------|
| | Statistic | Df | Sig. | Statistic | df | Sig. |
| PREIFRSDACCMDJ | .160 | 99 | .000 | .770 | 99 | .000 |
| POSTIFRSDACCMDJ | .103 | 99 | .012 | .949 | 99 | .001 |
| PREIFRSDACCPPerformanceMatch | .194 | 99 | .000 | .721 | 99 | .000 |
| POSTIFRSDACCPPerformanceMatch | .140 | 99 | .000 | .901 | 99 | .000 |

a. Lilliefors Significance Correction

DECHOW 1995 MODEL

Ranks

| | IFRSADOPTION | N | Mean Rank | Sum of Ranks |
|---------------|--------------|-----|-----------|--------------|
| DECHOW1995MJM | .00 | 99 | 104.88 | 10383.00 |
| DA | 1.00 | 99 | 94.12 | 9318.00 |
| | Total | 198 | | |

Test Statistics

| | |
|-------------------------------|------------------------|
| | <i>DECHOW1995MJMDA</i> |
| <i>Mann-Whitney U</i> | 4368.000 |
| <i>Wilcoxon W</i> | 9318.000 |
| <i>Z</i> | -1.321 |
| <i>Asymp. Sig. (2-tailed)</i> | .187 |

a. Grouping Variable: *IFRS ADOPTION*

KOTHARI MODEL

| <i>Ranks</i> | <i>IFRSADOPTION</i> | <i>N</i> | <i>Mean Rank</i> | <i>Sum of Ranks</i> |
|--------------------------------------|---------------------|----------|------------------|---------------------|
| <i>KOTHARI2005PERFORMANCEMATCDAC</i> | .00 | 99 | 101.45 | 10044.00 |
| | 1.00 | 99 | 97.55 | 9657.00 |
| | <i>Total</i> | 198 | | |

Test Statistics

| | |
|-------------------------------|--------------------------------------|
| | <i>KOTHARI2005PERFORMANCEMATCDAC</i> |
| <i>Mann-Whitney U</i> | 4707.000 |
| <i>Wilcoxon W</i> | 9657.000 |
| <i>Z</i> | -.480 |
| <i>Asymp. Sig. (2-tailed)</i> | .631 |

Grouping Variable: *IFRS ADOPTION*