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BENEFITS AND CHALLENGES OF CONVERGENCE TO INTERNATIONAL FINANCIAL REPORTING STANDARDS BY PUBLIC ACCOUNTABILITY COMPANIES IN NIGERIA

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ABSTRACT

Preparation of accounts in line with Generally Accepted Accounting Principles is a pre-requisite for successful audit. This paper examines the challenges and benefits of convergence to International Financial Reporting standards by public accountability companies in Nigeria. Questionnaires were administered to public audit staff who serves as auditors of the public accountability companies in Kano, Kaduna and Abuja in order to get the data which was analyzed using descriptive and chi square. It is discovered that comparativeness, disclosure, access to international capital market and better quality of financial reporting are the benefits to be derived from convergence to IFRS while regulatory overlap, cost, sanctions for non-compliance and time are the major challenges facing the convergence to IFRS. It is recommended that much emphasis should be placed on training of accountant by the public accountability companies for them to master the standard, adherence to ethical standard in the preparation of accounts, consideration of Nigeria been emerging economy in the convergence process, stiff penalties for non-compliance and proper enlightenment by stakeholders will go a long way not only in overcoming the challenges but will enhance the quality of financial reports in Nigeria. This will consequently increase the level of confidence users have on the financial statement.

KEYWORDS

Convergence, International Financial Reporting Standards, Public Accountability Companies.

INTRODUCTION

Auditing was recognized as a branch of accounting in the later part of the 19th century. Originally an auditor was one whom the receipts and payments of an establishment were read (The original Latin word AUDIRE means to hear). This practice was known to have existed in the ancient civilization such as Egypt.

As financial statement are prepared by management for consideration of the owners of joint stock companies, the need for the certification of an independent person, who should be knowledgeable in accounting becomes apparent, it is for this reason that the role of an auditor was recognized in the accounting profession. The conduct of audit makes users of financial statements to have more confidence in the statements prepared by the management for their consumption.

The financial statements prepared by accountants are governed by various rules and regulations which are reviewed from time to time. Because of the variety of measurements and methods that can be applied to accounting data, some standards are necessary to maintain integrity of data and to facilitate comparisons between business entities. An accounting standard is a rule or set of rules which prescribes the methods by which accounts should be prepared and presented. These working regulation are issued by a national or international body of accounting profession (Sanni, 2006).Among these accounting standards is the International Financial Reporting Standard (IFRS). International Financial reporting Standards (IFRS) are a set of accounting standards developed by the international Accounting Standards Board (IASB) that is becoming the global standards for the preparation of public company financial statements. It refers to a series of accounting pronouncements published by the International Accounting Standard Board (IASB) to help the preparers of financial statements throughout the world, produce and present high quality transparent and comparable financial information. The emergence and development of multinational concerns, the growth of international financial markets and changing investor behavior have, among other factors, contributed to the internationalization of economic activity. As a result of this phenomenon, financial reporting has spread beyond national borders. However, interpretation and understanding of financial information at the international level is hindered by a multitude of factors, including the diversity of the accounting principles and rules governing the preparation of reports (Callao, Jarne, and La´ınez, 2007).

Auditing is an independent examination and expression of an opinion on the financial statements of an enterprise by an appointed auditor in accordance with his terms of engagement and the observance of statutory of regulations and professional requirements (Dandago 2002). The process of auditing will involve distinct procedures. This include ascertaining the validity of the original transactions, confirming the completeness and accuracy of the recording of these transactions and ensuring the financial statements have been prepared from and are in agreement with records.

Publicly Accountability companies been companies whose shares are listed in the Nigerian Stock Exchange must apply a single set of high quality accounting standards, in the preparation of their separate as well as consolidated financial statements as the case may be, in order to contribute to better functioning capital markets. IFRS has the potential to facilitate cross-border comparability, increase reporting transparency, decrease information costs, reduce information asymmetry and thereby increase the liquidity, competition and efficiency of markets (Ball, 2006; Choi and Meek, 2005). These potential benefits rely on the presumption that mandatory IFRS adoption provides superior information to market participants or increased accounting comparability compared to previous accounting regimes.

In recent years, the development of international accounting standards and adoption by such industrialized countries as: Britain, Germany, United States of America, Canada and the Members of the European Union have been a major of concern among accounting professionals. Obazee (2011), stated that Nigerian government took a decision on July 28, 2010 to adopt IFRS by major overhaul January 1, 2012. Transition to IFRS would improve transparency, management information, and consistency of reporting. Prior research has forwarded several reasons why International Financial Reporting Standards (IFRS) could lead to improvements in accounting quality (Barth et al. 2008; Daske et al. 2008; Christensen et al. 2008; Li 2008; Armstrong et al. 2009). It is considered to be principles-based and thus are potentially more difficult to circumvent than rules-based standards. The reporting standards limit the set of allowable accounting alternatives and thus reduce the potential for abuse through discretion over accounting methods. It requires more extensive use of fair value accounting which could result in an improvement in the ability of accounting numbers to capture the underlying economics on a timelier basis and by enhancing the comparability of financial statements across countries, IFRS potentially reduce the costs of processing and interpreting accounting information and thus could enhance external monitoring of firms' accounting choices which would lead to improvements in accounting quality.

Alternatively, IFRS may not yield the expected improvements in quality for several reasons. Ahmed, Neel, and Wang (2009) argued that the principles-based standards inherently allow more flexibility and this flexibility could lead to either inconsistent treatments for similar transactions and/or potential misuse of accounting discretion by managers. The elimination of accounting alternatives that were permissible under local GAAP could constrain the ability of managers to convey information and this could result in a reduction in accounting quality. Thus, the net effect of IFRS on accounting quality may not be favorable. An external auditor is expected to conform to technical standards issued by the appropriate professional bodies, institutions and agencies. IFRS is new and as such obviously may pose certain challenges to external auditors as auditors are expected to comply with the provisions of these standards in corporate financial reporting.

LITERATURE REVIEW

THE INDISPENSABILITY OF ACCOUNTING STANDARD

Accounting standards ensure the uniformity and comparability of financial reports prepared by different business entities, hence, the accounting standards are essentials in the preparation of financial reports that help various users of accounting information to making informed economic decisions. Babatunde (2002) asserts that the need for the standardization of accounting treatment given to a particular transaction has been recognized in Nigeria as far back as 1972 during the first phase of the indigenization program. When the Nigeria Enterprise Promotion Act in 1977 was promulgated to force foreign controlled public-quoted Nigerian companies to transfer their ownership to Nigerians, Several of these companies in an effort to value their equities carried out revaluation of their assets. Different accounting treatments were given to the resultant revaluation surpluses because of the absence of the uniform accounting rule the treatment of such items. This resulted in serious confusion because of the multitude of accounting practices that were reflected in the accounts of the companies concerned. The auditors were unable to save the situation because whenever they challenged the management of their client about the appropriateness of a particular accounting practice used, the management usually asked the auditors to produce the laws prohibiting the use of such practice. It was in an effort to put an end to these abuses of accounting practice and also to ensure that the situation does not repeat itself that prompted the establishment of an accounting standard setting body in Nigeria (The Nigerian accounting standard board).

Globalization of business and capital markets has led to an economic environment in which uniform procedures for financial statement preparation would benefit investors, lenders, financial analysts, accountants, and auditors (Gaspar et al. 2006). Uniformity in accounting standards helps provide comparability of financial statements among companies/businesses in diverse country locations. The International Accounting Standards Board (IASB) is endeavoring to develop harmonized financial accounting standards to satisfy worldwide demands.

Companies engaged in international business encounter a variety of challenges as a result of their global operations. Challenges result from different cultures, language differences, different legal systems, political differences, different operating environments, and different accounting and financial reporting standards. Barth et al. (2008) assume that less income smoothing, more conservative accounting (or more timely loss recognition), and higher value relevance are indicators of higher accounting quality. The adoption of IFRS would help in having higher quality accounting report by public accountability companies in Nigeria.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Prior literature argues that financial reporting standards have co-developed with a country's economic, political, and cultural institutions. In particular, the nature of standards comprising a reporting regime represents an equilibrium based on the monitoring and information processing capabilities of existing capital market institutions such as auditing, securities laws, courts, and financial intermediaries. Under the institutional complementarities hypothesis, a change in a country's financial reporting standards should accompany complementary changes in its monitoring and information processing institutions. However, the rapid proliferation in IFRS adoption across countries has seldom been accompanied by substantial changes in enforcement institutions

One implication from this is that countries with well-developed institutions are likely to have developed financial reporting systems that uniquely correspond to these institutions. Given this notion of institutional complementarities, adopting IFRS in lieu of domestic standards can be a net costly proposition. Put differently, institutional differences across societies can explain countries' equilibrium choices on IFRS (i.e., adopt or not). In this vein, Ramanna and Sletten (2009) describe a number of institutional hypotheses for why countries do not adopt IFRS, including quality of local governance standards, international influence, and cultural distance from the EU

As stated by Spence (1973); and Tarca (2004) signaling theory has been used to show why companies adopt IFRS in international capital markets. Agency problems and information asymmetry are likely reduced following adoption of IFRS, as insiders face greater risk of legal action by minority shareholders (Hope et al. 2006). Ding et al. (2006) show that IFRS require greater disclosure than that required by most countries' domestic accounting standards. Rees and Weisbach (2002) show that greater investor protection lessens the capacity of managers to expropriate wealth from the company; this consequently improves the company's stock price. In countries that have weak financial disclosure requirements, investors generally demand additional financial information when companies issue equities (stock). As a result, governments in these countries are often compelled to revise or develop securities laws that require improved financial reporting disclosure. Developing accounting and financial reporting requirements, that is, generally accepted accounting principles, is a complex and time-consuming process. An easier and more effective solution is to adopt IFRS, which have a higher level of financial reporting disclosure than most countries' GAAP.

For those countries that have strong financial disclosure requirements, such as the US, there is less incentive to adopt IFRS, due to a smaller incremental benefit of investor protection. However, countries with strong financial disclosure requirements in their existing GAAP can still benefit from adopting IFRS; specifically, these countries benefit by participating in uniform reporting standards across countries. Investors therefore benefit from cross-country comparability (Pownall and Schipper 1999). Uniform reporting standards lower the costs of financial statement reconciliation associated with multinational equity (stock) listings and potentially promote economic development (Biddle and Saudagaran 1989; Hope et al. 2006 and Smith 2006)

Penman (2007) stated that investors seem to rely more on the book value of shareholders' equity and less on earnings information after the adoption of IFRS. He also found no change in the overall increase accounting information's ability to predict future equity values. However, the results must be interpreted with caution; the results could be driven by a number of alternative explanations that must be explored.

Over the years the business community has admitted that the accounting is "the language of business" and financial information is a form of language. And undoubtedly, to ensure its usefulness, financial information should not only be intelligible, but also be comparable so that investment and credit decisions can more readily be taken. Over the past few decades, the accounting profession has been facing the pressure of globalization and continuously seeking the way to present financial situations using unique accounting procedures which can be understood by the entire business community. Due to the fact that this process followed the global trends, and the globalization is first of all a political process; the starting point in creation of a unique accounting system needed to pass a difficult process where the main accounting systems will litigate to impose their accounting policies and practices (Belkaoui, 1994). Despite the difficult process Anderson (1993) state that a set of international accounting standards will allow new horizons of evolution due to the fact that comparative analysis of the rates of returns established based on the balance sheets and profit and loss account between the companies being in competition become relevant. The comparison, as the basic form of economical judgment can be realized only if the accounting system is unique for all the companies involved in the analysis. Also harmonization is absolutely necessary because national standards of financial statements are virtually useless; financial markets in more regulated countries are threatened with a loss of market share; and multinational corporations must prepare multiple reports for different nations they do business in. (Nobes and Parker 1991). In order to accomplish this target the accounting profession developed the solutions like: the American solution GAAP or the European solution (British solution) IAS/IFRS. On the backdrop of getting a single set of international accounting standards (since October 2002, the IASB and FASB have been working systematically toward convergence of IFRS and U.S. GAAP), IFRS is rapidly gaining acceptance as over 100 countries have recently moved to IFRS

Although earlier studies on 'voluntary adopters' provide valuable insights as to the effect of IFRS on disclosure, these results may not be generalize in the current mandatory setting (Daske et al, 2008; and Horton and Serafeim (2010)). Guan et al, (2006) expect that effects from IFRS mandatory adoption to be different from those documented for voluntary IFRS adopters since the former group is essentially *forced* to adopt IFRS, compared to the latter that *chooses* to adopt. IFRS reporting is only one element of a broader strategy that increases a firm's overall commitment to transparency Thus, any effects around voluntary IFRS adoptions cannot be attributed solely to IFRS compliance. Moreover, under a mandatory setting firms are more likely to be affected by reporting externalities i.e. disclosure by one firm being useful in valuing other firms through intra-industry information transfers. In contrast, under a voluntary setting there are fewer firms disclosing and therefore such externalities may be moderate. Indeed positive externalities are often used as a rational in favor of disclosure regulation.

Furthermore, for the first few years of IFRS adoption it might be hard for investors and analysts to understand and forecast fundamentals because of limited experience with IFRS and/or because of the break in the historical time-series of earnings. Acker et al., (2002) find that the implementation of the UK Financial Reporting Standard 3 impairs analyst forecasting ability for UK firms, in the first year of adoption, but that in the following years forecast accuracy improves. A similar learning effect could also take place in the first years of IFRS reporting, leading initially to larger forecast errors. Cuijpers and Bujink (2005) find that

uncertainty among analysts and investors is higher for firms using IAS or US GAAP than for firms using local GAAP. They compare early and late adopters and find some evidence that the benefits from IFRS disclosure, take time to materialize.

A country's status of adoption of IFRS can take any of the three forms which can be non adoption, partial adoption or full adoption (Smith 2006). Non adopter refers to countries with no IFRS harmonization activity. Partial adoption refers to applying IFRS with exception or only for some firms in the economy and includes Convergence project, Voluntary adoption and Required for some. Convergence project refers to countries attempting to reconcile their domestic accounting standards with IFRS, without directly adopting IFRS. Voluntary adoption refers to countries permitting at least some listed firms in their jurisdiction to adopt IFRS as issued by the IASB while "Required for some" refers to countries requiring IFRS as issued by the IASB for some listed firms in their jurisdiction. Finally, Full adoption refers to countries requiring IFRS as issued by the IASB for all listed firms in their jurisdiction.

There is evidence that more powerful countries are less likely to adopt IFRS, consistent with more powerful countries being less willing to surrender standard-setting authority to an international body. There is also some evidence that the likelihood of IFRS adoption at first increases and then decreases in the quality of countries' domestic governance, consistent with IFRS being adopted when governments are capable of timely decision making and when the opportunity cost of domestic standards is relatively low.

As stated by Horton, Serafeim and Serafeim (2008), during the mandatory transition period to IFRS, the largest improvement in the information environment are for those firms that voluntarily adopt IFRS earlier. For firms mandatorily adopting IFRS, there is also an improvement, but this is limited to non-financial firms, consistent with the controversy surrounding fair values. Furthermore, they document a learning curve during IFRS adoption. It was also ascertain that the change in transparency is proportional to firm-specific differences between IFRS and local GAAP, suggesting IFRS is the causal mechanism of the improvement. The other major potential benefit from the global move towards IFRS is an increase in accounting comparability. Studies have shown that accounting comparability reduces home bias and improves the efficiency of information intermediaries. Bradshaw et al. (2010) states that, voluntary IFRS adoptions facilitate cross-border equity investments and foreign analysts are more likely to cover a firm that adopts IFRS, and that forecast accuracy for these analysts improves after mandatory IFRS adoption. (Bradshaw et al., 2004 2010

However, the potential for IFRS to increase comparability is questioned by many, because the same accounting standards can be implemented differently. In the absence of suitable enforcement mechanisms, real convergence and harmonization is infeasible, resulting in diminished comparability. Cultural, political and business differences may also continue to impose significant obstacles in the progress towards this single global financial communication system, since a single set of accounting standards cannot reflect the differences in national business practices arising from differences in institutions and cultures (Armstrong et al., 2009; Ball 2006);

The benefits from improved comparability are based on the assumption that information about a given firm is more useful when it adopts the same accounting standards as the standards used by its industry peers. The notion is that increased uniformity leads to improved comparability, where increased uniformity is defined as an increase in the number of firms using the same accounting standards as the firm of interest. The role of uniformity in comparability is also highlighted in the FASB/IASB Conceptual Framework, which argues that comparability is the desired outcome of adopting a set of uniform accounting standards. This is also consistent with the SEC's emphasis on uniformity in its recent proposal to mandate IFRS in the U.S. In particular, the SEC's original proposed roadmap to IFRS adoption states that U.S. companies qualify for early IFRS adoption when they are in industries where IFRS is the most frequently used foreign standard (SEC, 2008). In other words, the proposal only allows early adoption when it results in a relatively large increase in uniformity between the adopter and its industry peers.

IFRS adoption is therefore likely to substantially improve comparability only among firms that experience large increases in uniformity. Change in uniformity is measured using the ratio of the number of a firm's industry peers that use the same accounting standards before and after mandatory IFRS adoption.

IFRS AND FOREIGN EQUITY INVESTMENT

As cited by Lee (2010), the seminal work of French and Poterba (1991) documented a disproportionate overweighting in domestic stocks relative to a fully diversified portfolio – home country bias. They attribute investors' bias against foreign equities to information asymmetries from the lack of information about foreign markets, institutions and firms. From an investors' perspective, to the extent that adopting IFRS improves the information environment or increases comparability, it can be predicted that investors' bias against investment in foreign equities will decrease. The familiarity with accounting systems aids investors' understanding and increases investment in foreign equity. Bradshaw et al. (2004) argue that when non-United States (US) firms use accounting standards that are similar to US standards, the ability of US investors to process information increases due to familiarity. Non-US firms that conform more to US GAAP attract larger investments from US investors. Similarly, Ahearne et al. (2004) argue that the required use of US accounting standards by cross-listed firms increases understandability and credibility for US investors, and hence increases investment in the equity of these firms.

To the extent that countries adopt IFRS to improve the information environment and to increase comparability, it can be predicted that foreign investment in the equity of the country should increase. Greater disclosures required by IFRS, potentially reduce estimation risks of future returns and lower the uncertainty of a firm's value. Greater perceived credibility also increases investors' confidence in the information provided. In addition, the use of a single standard increases comparability of financial reports across adopting countries. The increase in familiarity lowers information costs and information risk (Leuz, 2009; Morais and Fialho, 2008; Barth et al., 2008; Ball, 2006; Ahearne et al., 2004; and Bradshaw et al., 2004).

STATEMENT OF THE PROBLEM

Public accountability companies in Nigeria are expected to annually prepare and publish their account. In preparing the accounts they are expected to comply with the provisions of the Companies and Allied Matters Act (CAMA 1990), Securities and Exchange Commission, Banks and other Financial Institutions Act, Statement of Accounting Standards and others. The statement of accounting standards issued by the Nigerian accounting Standards Board (NASB) now Financial reporting Council serve as a guide for the preparation of accounts which will aid users of financial statement in making financial decisions. The 30 standards issued by the NASB from inception are mostly replica of the international accounting standards with some modification to suit Nigeria's economic environment. The preparation of accounts by public accountability companies in Nigeria in line with such standard has created comparability problems, difficulties in access funds internationally and increase cost of conversion. Recently a road mark for convergence to the international financial reporting standards was prepared and public accountability companies are expected to prepare their accounts in line with the IFRS. The decision to adopt IFRS as the reporting standard has created mixed reactions from stakeholders. While others view it as a giant step toward standardization in financial reporting, others considered it as untimely and at present may not achieve the desired objective. This research therefore, looks at the benefits of convergence ti IFRS as well as challenges of convergence by public accountability companies in Nigeria.

SIGNIFICANCE OF THE STUDY

The research will be of immense importance to public accountability companies in Nigeria as it will highlight on the benefits and the challenges to be faced in convergence to international financial reporting standards. Users of financial statement will find this research useful in that it will broaden their horizon of knowledge particularly in the area of international financial reporting standrads. Regulatory agencies such as the Financial Reporting Council, Nigerian Stock Exchange, Securities and Exchange Commission among others will find this research resourceful as the findings will help them in discharging their functions effectively.

OBJECTIVES OF THE STUDY

The objectives of the study are to:

a) Highlight on the need and indispensability of accounting standards
b) Find out the benefits of convergence to International Financial Reporting Standards to Public Accountability Companies in Nigeria
c) Find out the challenges that are to be faced by public accountability companies in Nigeria in convergence to international financial reporting standards

HYPOTHESIS OF THE STUDY

On the basis of the objectiveS of the study, two hypothesis were formulated AS FOLLOWS

Hypothesis One: Benefits of convergence to IFRS by public accountability companies in Nigeria does not outweigh the cost

Hypothesis Two: Public Accountability Companies in Nigeria will not face any challenge in convergence to IFRS

METHODOLOGY

Data for the research was collected through administration of questionnaire to audit staff in Kano, Kaduna and Abuja and were analyzed using descriptive and chi square method .The public auditors were chosen as respondent because they serve as auditors to those public accountability companies and as such have the required information for the research. 40 questionnaires were distributed to eight audit firms in Kano, Kaduna and Abuja, five for each firm out of which 30 were returned and analysis was made on the basis of the returned questionnaire. The firms are:

1) Akintola Williams and Deloite, Abuja
2) Kunle Egbeleke and Co Chartered Accountants, Abuja
3) Ahmed Zakari and Co Chartered Accountants Kano
4) Panel Kar Foster Professional Services Chartered Accountants Kano
5) Aminu Ibrahim and Co Chartered Accountants Kano
6) Panel Kar Foster Professional Services Chartered Accountants, Kaduna
7) Sulaiman and Co Chartered Accountants, Kaduna
8) Sada idris and Co Chartered Accountants, Kaduna

DISCUSSION OF RESULTS

RESPONDENTS CHARACTERISTICS

Table 1 shows the respondents characteristics covering their academic qualification, working experience and position:

TABLE 1: RESPONDENTS CHARACTERISTICS

Acad. Qualification	**No of Respondents**	**Percentage**
B.Sc/HND	23	76
PGD/Masters	7	24
Total	**30**	**100**
Working Experience		
0-5 Years	19	63
6-10 Years	6	20
above 10 Years	5	17
Total	**30**	**100**
Position		
Principal Partner	2	7
Resident Partner	2	7
Senior Manager	6	20
Senior	4	13
Audit Trainee	16	53
Total	**30**	**100**

Source: Field Survey 2012

Table 1 show that 76% of the respondents have B.Sc or HND as their highest qualification, while the remaining 23% have master's Degree. On working experience, 63% of the respondents have worked in audit firm for 0-5 years, 20% have 6-10 years working experience and 17% have worked for more than 10 years in audit firm. On the respondents' position, 7% of the respondents are principal partner, another 7% of the respondents are resident partner, 20% senior manager, 13% senior and the remaining 53% are audit trainee. In addition 67% of the respondents are qualified chartered Accountants. This shows that the respondents are qualified and makes the data collected from the respondents more reliable.

CHI SQUARE COMPUTATION ON THE CHALLENGES AND BENEFITS OF CONVERGENCE TO IFRS

Contingency Table on the Challenges of the Convergence to IFRS

TABLE 2: CONTINGENCY TABLE ON THE CHALLENGES OF IFRS ADOPTION

	Observed N	Expected N	Residual
Disgree	2	7.5	-5.5
Undecided	2	7.5	-5.5
Agree	12	7.5	4.5
Strongly Agree	14	7.5	6.5
Total	30		

Source: Computed by the researcher using SPSS 16

Table 2 shows the contingency table of the challenges of convergence to IFRS. The observe frequency shows that strongly agree and agree gives a residual value of 4.5 and 5.5 respectively meaning that the observe frequency is greater than the expected. The chi square is then computed below.

Chi square Results on the Challenges of convergence to IFRS

TABLE 3: CHI- SQUARE RESULT ON THE CHALLENGES OF IFRS CONVERGENCE

	Challenges of IFRS Adoption
Chi-Square	16.400[a]
Df	3
Asymp. Sig.	.001

Source: Computed by the researcher using SPSS 16

Table 3 shows the chi square results of the challenges of IFRS adoption. The calculated chi-square (X_c) is 16.40 which is greater than the tabulated chi-square (X_t) at (df 3 and 5% level of significant), the (X_t) is 7.815. This result provide the basis for rejection of the first null hypothesis **(**$H_{0.1}$**)** of the study, which states that

public accountability companies will not face any challenge in the adoption of IFRS. Therefore, public accountability companies will face some challenges in the convergence to IFRS.

Contingency Table on the Benefits of IFRS Outweigh the Cost

TABLE 4: CONTINGENCY TABLE ON THE BENEFITS OF IFRS ADOPTION OUTWEIGH THE COST

	Observed N	Expected N	Residual
Disagree	4	7.5	-3.5
Undecided	2	7.5	-5.5
Agree	8	7.5	.5
Strongly Agree	16	7.5	8.5
Total	30		

Source: Computed by the researcher using SPSS 16

Table 4 shows the contingency table on whether the benefits of convergence to IFRS outweigh the cost. The observe frequency expected shows that strongly agree and agree gives a residual value of 0.5 and 8.5 respectively meaning that the observe frequency is greater than the expected for strongly agree and Agree. The chi square is then computed below.

TABLE 5: CHI- SQUARE RESULTS IN THE BENEFITS OF IFRS ADOPTION OUTWEIGH THE COST

	Benefits of IFRS adoption outweigh the Cost
Chi-Square	15.333[a]
Df	3
Asymp. Sig.	.002

Source: Computed by the researcher using SPSS 16

Table 5 shows the chi square results on whether the benefits of convergence to IFRS outweigh the cost. The calculated chi-square (X_c) is 15.33 which is greater than the tabulated chi-square (X_t) at (df 3 and 5% level of significant), the (X_t) is 7.815. This result provides the basis for rejection of the second null hypothesis **(**$H_{0.2}$**)** of the study, which states that the benefits of convergence to IFRS do not outweigh the cost. Therefore, the benefits of convergence to IFRS outweigh the cost

FINDINGS

i) BENEFITS OF CONVERGENCE TO IFRS

Respondents were asked as to the benefits to be derived from the convergence to IFRS. Some of the benefits as stated by the respondents include:

a) Comparativeness: the financial statements will now enjoy a wider or global coverage. Comparisons between the financial statements of companies will now be easier; IFRS will help in speaking one language in financial reporting, Investors may not require experts' interpretation of locally prepared financial statements for the purpose of taking decisions. Consequently cost will also reduce as single set of account can be used by users across the globe

b) Disclosure: The implementation of IFRS provides more disclosure on financial events and transactions relevant to explain the quantitative information provided on the financial statement. There will be no hiding place for companies. Fraudulent activities will be reduced

c) Employment opportunities: With the implementation of IFRS, professionals with the required IFRS training will be opportune to seek job overseas where the accepted GAAP is IFRS and this will create a more competitive environment.

d) Company will get improved access to international capital market there by removing risk premium. It will eliminate barriers to cross broader trading in securities and make cross-border investments easier.

e) The adoption of IFRSs is expected to result in better quality of financial reporting due to consistent and uniform application of accounting principles. This will increase the level of confidence of users of financial statement

ii) CHALLENGES OF IFRS IMPLEMENTATION BY PUBLIC ACCOUNTABILITY COMPANIES IN NIGERIA

Respondents were asked as to the challenges to be in convergence to the International Financial reporting standards. They stated the challenges include:

a) **Regulatory overlap:** For the implementation of IFRS to be successful, the requirement of CAMA 2004 on reporting, SEC rules and regulations on Public entities will need to be harmonized.

b) **Cost:** The conversion and implementation are highly capital intensive. These cost will include staff training, Financial report system redesign or replacement, consultancy on experts to ensure that the 3 year to be presented are properly presented in accordance with the requirement of IFRS. Most accountants are used to the NASB standards in performing their duties but for the implementation to kick –off the accountants need training, regular retraining of accountants , special training of newly absorbed or recruited accounts staff or attachment students as their syllabuses currently are not IFRS compliant. Public Accountability companies also must upgrade or replace their accounting software and also there will be an increase in the cost of consultancy as experts may be required in areas requiring specialist assistance. These and many others require a lot of money.

c) **Sanctions for non-compliance:** The proposed sanctions for non-compliance will not be effected till 2014. This in itself is as much as considered a motivator, is a setback considering the Nigeria attitude of waiting to the last minutes and possible expecting extensions.

d) **Time:** the time lag between the preparation for accountants and implementation of the IFRS is not adequate. For the accountants to master the IFRS sufficient time need to be given on how to prepare accounts using the IFRS

CONCLUSION AND RECOMMENDATIONS

From the data obtained from the respondents it is discovered that a lot of benefits are derivable from the adoption of IFRS. These benefits include comparativeness, disclosure, access to international capital market and better quality of financial reporting. It was also discovered that regulatory overlap, cost, sanctions for non-compliance and time are the major challenges facing the convergence to IFRS. The results from the test of hypothesis make us conclude that the benefits of convergence to international financial reporting standard outweigh the cost.

It is recommended that much emphasis should be placed on training of accountants adherence to ethical standard in the preparation of accounts, consideration of Nigeria been emerging economy in the convergence process, stiff penalties for non-compliance and proper enlightenment by stakeholders will go a long way not only in overcoming the challenges but will enhance the quality of financial reports in Nigeria. This will consequently increase the level of confidence users have on the financial statement.

RECOMMENDATION FOR FURTHER RESEARCH

Although this research focuses on the benefits and challenges of convergence to international financial reporting standards by public accountability companies in Nigeria, it is recommended that research on the impact of convergence on the performance, profitability and financing by public accountability companies as well as other entities after the convergence will be an area need to be exploited by researchers with the view to appreciate the impact or effect of convergence to the international financial reporting standard.

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