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Effect of IFRS Convergence on Real Earnings Management in Nigerian Manufacturing Firms.

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ABSTRACT

This research endeavors to present empirical insights into the influence of IFRS convergence on real earnings management (REM) within Nigerian Manufacturing Firms. The study utilizes data sourced from the Nigerian Exchange Group (NGx), with a sample size consisting of 5 manufacturing firms. Secondary data is employed for analysis. Financial statements spanning from 2014 to 2023 were utilized to conduct descriptive statistical analyses pertaining to the pre-convergence stage of IFRS. The study employed ex-post facto research design. The methodology incorporates descriptive, correlation, and regression analyses. This impact is observed through the abnormal operation cash flow proxy, both before and after the convergence of IFRS, with firm size serving as a control variable. The findings of this investigation suggest a positive impact of IFRS convergence on REM and firm size within the selected manufacturing firms in Nigeria. The study thus concluded that IFRS convergence on has a huge significant impact on real earnings management (REM) of Nigerian Manufacturing Firms. The study recommended amongst other that there is a pressing need for enhanced monitoring and enforcement mechanisms to ensure compliance with IFRS standards and prevent any potential resurgence of earnings management practices

Keywords: IFRS Convergence; Real Earnings Management, Manufacturing Firms, Abnormal Operation Cash flow, Firm Size.

INTRODUCTION

The issue of convergence with the International Financial Reporting Standards (IFRS) has grown. The fact that the IFRS are fair value based and, in certain cases, recognize unrealized gains and include them in the income statement is one of the concerns brought up. It is inevitable that the IFRS convergence exercise will pick up steam in spite of opposition.

Nigeria has been converting to the IFRS from its previous accounting standards since the early 2000s. The main international organizations that make up the IFRS include International Accounting Federation, the European Community Commission, the International Organization of Capital Market and International Accounting Federation Standard. These standards are used by many countries to enhance the quality of International Financial Statements (Akindele, 2017; Okoye & Egbunike, 2016). The Nigerian Accounting Standards Board (NASB), which is now known as the Financial Reporting Council of Nigeria, mandated that IFRS be adopted by all listed companies in Nigeria in 2012. This marked the beginning of the convergence process. The goal of implementing IFRS in Nigeria was to enhance the compatibility, quality, and transparency of financial reporting by bringing the nation's accounting standards into line with international standards. Financial reporting practices were significantly impacted by the convergence process, which involved significant changes in accounting policies, procedures, and disclosures across various industries (Akindele, 2017; Okoye & Egbunike, 2016).

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Manipulating earnings is one of the things that managers of the company do. Earnings management, which is another term for manipulation of earnings, earnings management involves managers manipulating financial statements by applying constraints or influencing accounting principles to give users of financial statements asymmetric information. Earnings management aims to elevate the quality of the company by creating accounting policies that adhere to predefined standards. The company's true financial statements are frequently withheld by earnings management (Rahmawati & Putri, 2019).

Real earning management (REM) is a widely used strategy that hasn't gotten as much attention in the accounting literature, according to Yimenu & Surur (2019). Managers favor REM over accrual earnings management (AEM) because REM can be hard to identify in financial statements. This study sought to examine the impact of IFRS convergence on REM in Nigerian manufacturing firms, taking into account the background of the aforementioned issues.

Converging with the IFRS is becoming a more important process for nations that want to harmonize their accounting procedures with international standards. Nigeria is one of these nations that has started the process of IFRS convergence, indicating a dramatic change in the country's financial reporting environment, especially for the manufacturing industry. In addition to introducing significant changes in accounting procedures and signifying a commitment to improving transparency and comparability, the switch from local accounting standards to IFRS may have an impact on how earnings are managed within businesses (Adeyemo & Salami, 2022). Accounting research has long been interested in earnings management, which includes accrual-based and real earnings management (REM) strategies (Uwuigbe & Uwuigbe, 2023).

REM involves concrete operational decisions that have an impact on actual cash flows, as opposed to accrual-based earnings management, which manipulates accounting entries (He et al., 2023). Even with a wealth of research on the subject, little is known about earnings management (REM), especially when it comes to Nigerian manufacturing firms' use of IFRS convergence. Policymakers, regulators, investors, and businesses themselves must all comprehend how IFRS convergence affects REM because it provides insight into the dynamics of financial reporting practices and the integrity of financial statements in Nigeria's manufacturing sector during regulatory transitions (Adegbite et al., 2023). In order to contribute to the larger conversation on financial reporting quality and governance in emerging economies undergoing regulatory reform, this study intends to examine the effect of IFRS convergence on REM in Nigerian manufacturing enterprises.

Research Objectives

The core objective of this investigation is to examine the effect of IFRS convergence on real earnings management (REM) in Nigerian manufacturing firms. Other objectives are;

i. To examine the real earnings management in Nigerian manufacturing firms before and after IFRS convergence.
ii. To assess the impact of IFRS convergence on the level of REM in Nigerian manufacturing firms.
iii. To identify firm size influence on REM practices in Nigerian manufacturing firms following IFRS convergence.

LITERATURE REVIEW

2.1 Conceptual Review

Concept of IFRS Convergence (IC)

Mapping national accounting standards to IFRS principles and making sure financial statements prepared under national standards fully adhere to IFRS requirements are the two main components of convergence with IFRS. To achieve harmony while preserving some national variations, rather than adopting the IFRS word for word, is the goal (Musa, 2019). The adoption and convergence to IFRS generally lead to improvements in the quality of financial reporting by enhancing transparency, comparability, reliability, and cost-effectiveness. These benefits contribute to a more efficient and globally integrated capital market environment.

A distinct issue is the convergence and adoption of IFRS. Before adoption, the quality of financial reporting may vary significantly depending on the accounting standard used by individual countries. Different standards can lead to inconsistencies in financial reporting practices, making it challenging for investors and stakeholders to compare financial information across countries. This lack of comparability can hinder investment decisions and increase risk for investors. Convergence is a country's gradual transition from its national accounting standards to IFRS, according to Pranasari (2017); cited by Erly & Juannes (2020). Adoption is the national accounting standard that IFRS directly replaces in the interim. Two approaches exist for achieving IFRS convergence: the first involves adopting IFRS directly, and the second involves harmonizing it simply, either by fully adhering to international accounting standards or by synergizing to them only partially (Lestari, 2013); (cited by Erly & Juannes2020).

According to research by Daske et al. (2019), the adoption of IFRS tends to improve the quality of financial reporting by enhancing transparency, comparability, and relevance of financial information. IFRS adoption promotes consistency in accounting practices, leading to better comparability of financial statements across borders. This consistency facilitates cross-border investment and improves market efficiency. Moreover, IFRS convergence often leads to improvements in the reliability and accuracy of financial reporting. By implementing uniform accounting standards, countries can reduce the incidence of earnings management and financial fraud. Studies by Hope et al. (2021) indicate that IFRS adoption is associated with a reduction in earnings management practices, thereby enhancing the integrity of financial reporting. Furthermore, the adoption of IFRS can result in cost savings for multinational companies operating in multiple jurisdictions. Harmonizing accounting standards reduces the compliance burden associated with preparing financial statements according to different sets of regulations. This streamlining of reporting processes can improve the efficiency of financial reporting and lower compliance costs for businesses (Ball, 2020).

Real Earnings Management (REM)

REM is recognized as the manipulation of the firm's cash flow by management through the corporate's operational activities. According to Ahmar, Rokhmania, & Samekto, (2016); cited by Erly and Juannes (2020), operational decisions can be used to manipulate real earnings; these decisions are driven by managers' desire to deceive stakeholders who think that regular business operations have achieved the goals of financial reporting. Real earnings management can happen during the accounting period through ongoing business operations, rather than waiting until the end of the period, according to Asni & Mayasari (2018); cited by Erly & Juannes (2020). This will make it easier for managers to meet the targeted profit target.

Achieve a desired earnings target is a means of transferring earnings management from standard operating procedures to customized practices. What motivates this is the company's management's desire to mislead some shareholders into trusting the financial statements produced using routine business activities. REM can lower a company's value because it can negatively impact future cash flows from earnings management during the relevant period. When it comes to earnings, management or the company's representatives typically favor window dressing through actual activities over accrual activities.

Abnormal Level of Cashflow from Operating Activities

Cash flow from operating activities simply is the amount of money that a company receives from its regular, continuous business operations, such producing and selling products or offering customers services. Abnormal levels of cash flow from operating activities in Nigerian manufacturing firms, particularly in the context of IFRS convergence on REM, can be attributed to several factors. Before the convergence, inconsistencies in accounting standards might have led to discrepancies in how revenue, expenses, and margins were recognized and reported. This could result in abnormal fluctuations in cash flow from operating activities. According to a study by Adegbite et al. (2019), Nigerian manufacturing firms experienced challenges in revenue recognition practices prior to IFRS convergence, leading to distortions in cash flow reporting. The lack of uniformity in accounting standards could contribute to abnormal cash flow levels, as firms may adopt different methods for recognizing revenue and expenses, impacting their reported operating activities. However, after the adoption of IFRS, there is an expectation of increased transparency and comparability in financial reporting, including cash flow from operating activities.

Manufacturing Firms and Firm Size (FMZ)

In manufacturing firms setting, firm size is a significant factor that can influence various aspects of their operations, performance, and strategic decisions. According to a study by Li et al. (2019), firm size in the manufacturing sector can impact innovation capabilities and competitiveness. Larger manufacturing firms may have more resources and economies of scale to invest in research and development, leading to higher innovation outputs compared to smaller firms. Conversely, smaller manufacturing firms may demonstrate agility and flexibility in responding to market changes due to their leaner organizational structure.

Moreover, the size of manufacturing firms can influence their access to capital and financial performance. Research by Iyoha et al. (2021) found that larger manufacturing firms tend to have better access to financing options and may exhibit more stable financial performance compared to smaller firms. This access to capital allows larger firms to undertake expansion projects, invest in technology, and withstand economic fluctuations more effectively. Furthermore, firm size can affect the adoption and implementation of sustainable practices in manufacturing operations.

2.2 Theoretical Review

Agency Theory

Stewardship and the connection between the agency principle and management are taken into consideration by the agency theory in order to explain management's interest in earning management. Disregarding the stewardship, management puts its own interests ahead of partnership investors' interests (Fransiska, 2021). Yimenu & Surur (2019) contend that in the event that shareholders and auditors are unable to properly shed light, management will use their light shade to further their own interests. Management also uses REM to communicate the company's performance to stakeholders. The theory explains how managers express their motivation in connection to their output (Oruke et al., 2021). Adhikary et al. (2021) assert that management can affect the stock price by giving investors insider information about what they expect in the future by gradually building a steady and expanding earning stream.

Signaling Theory

Signaling theory suggests that companies engage in earnings management practices to convey information to investors and stakeholders about their financial performance and prospects (Kothari et al., 2019). Real earnings management involves manipulating operational activities to alter reported earnings, potentially influencing perceptions of the firm`s health and future prospects (Dechow et al., 2019).

The convergence with International Financial Reporting Standards (IFRS) has implications for real earnings management practices. As countries align their accounting standards with IFRS, there is often increased scrutiny and pressure for transparency in financial reporting (Glaum et al., 2020). However, because IFRS principles allow for more discretion and judgement, adopting them can also give businesses the chance to manipulate earnings in greater detail (Christensen et al., 2021).

Signaling theory explains how firms use financial reporting to signal transparency and quality through IFRS adoption, with managers adjusting earnings to convey financial health. Analyzing IFRS convergence through signaling theory reveals how changes impact firms` signaling behavior in the Nigerian manufacturing sector. Integrating both theories aids in understanding the drivers behind managerial behavior in response to accounting standards, providing a framework for interpreting results and implications for financial reporting and governance.

2.3 Empirical Review

Saravanan et al. (2023) analyze the impact of IFRS convergence on corporate risk disclosure in Indian-listed firms. Using firm-fixed effect regression on data from 2012-2016 and 2017-2021, they find significant

enhancement in risk disclosure post-IFRS convergence, with increased usage of risk-related language in financial reports

Dante et al. (2022) investigate the effect of mandatory IFRS adoption on accrual-based and REM in emerging markets, finding a shift from REM to accrual-based earnings management. This shift is less pronounced in fully adopting countries compared to those with modified adoption.

Abdulwahid & Faozi (2021) examine the impact of corporate governance mechanisms and IFRS adoption on compliance, earnings management, and financial reporting quality in Saudi listed firms from 2014 to 2019. Findings reveal mixed effects of governance mechanisms on compliance, earnings management, and financial reporting quality under IFRS.

Arif et al. (2020) corroborate these findings regarding REM's negative relationship with dividend policy, noting that smaller firms tend to pay higher dividends. Jessica (2020) further explores the influence of firm characteristics on REM. Erly & Juannes (2020) investigate the influence of IFRS convergence on accrual earnings management and REM in mining firms listed on the Indonesia Stock Exchange, from 2008-2011 and 2014-2017. Results indicate that IFRS convergence affects accrual earnings management but not REM.

Rahmawati & Putri (2019) explore how IFRS convergence affect earnings management of non-financial firms in Indonesia, considering corporate governance mechanisms as moderating variables. Discretionary accruals was utilized to measure earning management, Results suggest a significant effect of IFRS convergence, indicating a potential deterrent to earnings management actions by managers. Additionally, corporate governance mechanisms are found to reinforce and mitigate the impact of earnings management during the convergence process. The analysis of the influence of exchange rate movements on real earnings management was done by (Lock et al., 2019) by observing a contribution to REM during weakening exchange rates but no significant relationship with strengthening rates. They also find a positive effect of REM on annual stock returns in Malaysia.

In the study of Malofeeva (2018), the impact of adopting IFRS on earnings management in Russia was done. The study focuses on discretionary accruals as the dependent variable, with accounting standards and several control variables as independent variables. The study sampled 361 Russian public companies spanning from 2010 to 2015. The findings reveal a heightened level of earnings management following the implementation of IFRS.

Farhood (2018) verify the influence of pre and post IFRS adoption on earnings management in Iraqi banks, employing Jones' modified method. The research covers the period from 2012 to 2016 and compares the extent of earnings management under the unified accounting system with that under IFRS. Outcome of the demonstrated a similarity in the percentage of earnings management between the periods, suggesting that the application of IFRS did not significantly alter earnings management practices in banks.

Research on IFRS convergence impact on earnings management lacks specificity, often overlooking industry or regional intricacies. Longitudinal analyses are scant, hindering understanding of IFRS effects over time. Studies incorporating governance mechanisms are limited, ignoring factors like firm size or managerial incentives. Qualitative research is needed to supplement quantitative data, offering a nuanced view of earnings management practices.

Given the theories of agency and signaling, the study by Erly & Juannes (2020) appears to be a fitting choice for examining the impact of IFRS convergence on real earnings management in Nigerian manufacturing firms. This study directly explores how accounting standard changes influence managerial behavior in terms of earnings manipulation, taking into account the specific context of the Nigerian manufacturing sector.

In contributing to this area of study, synthesis of existing literature helps identify research gaps and emphasizes the importance of theoretical frameworks in understanding earnings management dynamics post-IFRS convergence. Additionally, the study offers insights into the implications of empirical findings based on

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agency and signaling theories, aiding researchers and practitioners in navigating the complexities of accounting standard changes and their ramifications on financial reporting practices.

METHODOLOGY

3.1 Research Design

Ex-post facto research design was employed for this study. The reason is simply because the study relies on secondary data to examine the relationship between IFRS Convergence and real earnings management, where were sourced from audited annual report and account of the selected manufacturing firms in Nigeria. This, thus give room for verification by the general public and also gives no room for manipulation by the researcher.

3.2 Method of Data Collection

The research used secondary sources to gather its data. Through the Nigerian Exchange Group's (NGX) annual reports and accounts of the chosen manufacturing firms, secondary data were collected from five listed manufacturing firms between 2014 and 2023. Purposive sampling strategies were used in the study. Due to the availability of data, the study used this technique. To examine IFRS convergence in the sample firms, this study primarily used content analysis. Since it is among the most methodical, objective, and quantitative data analysis techniques used, the content analysis method was chosen. A panel data multiple regression model is specified considering the methodological knowledge acquired from the empirical literature.

3.3 Model Specification

To have a valid and reliable model, this study adapted the model from Erly & Juannes (2020), which was modified in-line with Roychowdury (2006) by utilising the 3REM abnormal production costs, abnormal discretionary expenses and abnormal cash flow level to suit our study and are stated as follows:

In functional form, the model for this study was specified as:

$REM = f\,(IFRS, FMZ)$ ……………………… (1)

The econometric form of the model is explicitly specified as:

$REM_{it} = \beta_0 + \beta_1(IFRS)_{it} + \beta_2(FMZ)_{it} + \varepsilon_{it}$ … …. (2)

Where:

Dependent Variable:

$(REM)_{it}$ = Real earnings management

Independent Variable:

$(IFRS)_{it}$ = International financial reporting standard convergence

Dummies for IFRS convergence = (0: before IFRS Convergence and 1: after IFRS Convergence).

Control Variables:

$(FMZ)_{it}$=Firm Size

ε_{it}= error term

Real earnings management practices were evaluated both before and after IFRS convergence using a quantitative approach that makes use of financial data analysis. We employed dummies for IFRS convergence (0: before IFRS Convergence and 1: after IFRS Convergence). This methodology facilitates the analysis of

factual data to comprehend the influence of implementing IFRS on the conduct of earnings management within the framework of manufacturing companies in Nigeria. The targeted variable in the study was the abnormal amount of cash flow from operations, which was measured using real earnings management. Firm size serves as a control variable and IFRS convergence as an independent variable.

3.4 Method of Data Analysis

Quantitative analysis was employed to examine the gathered data. To determine the kind of relationship between the variables, E-VIEW 9.0 computer software will be used for descriptive statistics, correlation analysis, and multiple regression analysis.

RESEARCH ANALYSIS AND FINDINGS

4.1 Descriptive Analysis

The descriptive statistics was used to explain or characterize data. The study's descriptive statistical analysis produced the following findings.

Table 4.1: Descriptive Statistics

	Before		After		IFRS
	REM	LOGFMZ	IFRS_REM	IFRS_FMZ	
Mean	14.97234	17.56126	13.09540	15.46292	0.880000
Median	13.23000	15.64703	10.80000	15.53428	1.000000
Maximum	43.80000	22.43452	23.80000	22.43452	1.000000
Minimum	-9.200000	13.96994	0.000000	0.000000	0.000000
Std. Dev.	10.22404	2.863970	10.98361	6.367669	0.328261
Skewness	0.378721	0.502345	0.535585	-1.512362	-2.338738
Kurtosis	3.327176	1.467618	3.053010	4.592319	6.469697
Jarque-Bera	1.418256	6.994994	2.396278	24.34256	70.66164
Probability	0.492073	0.030273	0.301755	0.000005	0.000000
Sum	748.6170	878.0628	654.7700	773.1461	44.00000
Sum Sq. Dev.	5122.023	401.9138	5911.349	1986.813	5.280000
Observations	50	50	50	50	50

In Table 4.1 it was shown that the mean value of real earning management (REM)of the selected manufacturing firm before IFRS convergence was 14.97234 which ranges from -9.200000 to 43.80000 with standard deviation of 10.22404 compared to mean value of 13.09540 for REM after IFRS convergence which ranges from 0.000000 to 23.80000 with standard deviation of 10.98361.This implies that real earning management (REM) of the selected manufacturing firms in Nigeria decreases after IFRS convergence. The mean value of firm size (FMZ) of the selected manufacturing firm before IFRS convergence was 17.56126 which ranges from 13.96994 to 22.43452 while the mean value of firm size (FMZ) of the selected manufacturing firm after IFRS convergence was 15.46292 which ranges from 0.000000 to 22.43452. It can be

deduced that both real earning management and firm size of the selected manufacturing firms in Nigeria within the period under study decreases slightly after IFRS convergence.

4.2 Correlation Analysis

Table 4.2 Correlation Coefficient

	REM	IFRS	IFRS_FMZ	FMZ
REM	1.000000			
IFRS	0.254169	1.000000		
IFRS_FMZ	0.850948	0.239844	1.000000	
FMZ	0.491681	0.407892	0.508779	1.000000

Table 4.2 shows that correlation coefficient between REM and IFRS was 0.254169, meaning that IFRS convergence has weak positive relationship with REM of selected manufacturing firms in Nigeria. The correlation coefficient between REM and IFRS_FMZ was 0.850948, meaning that after IFRS convergence firm size has a highly strong positive relationship with REM of selected manufacturing firms in Nigeria. Lastly, the correlation coefficient between REM and FMZ was 0.491681, meaning that before IFRS convergence firm size has a fairly strong positive relationship with real earning management of selected manufacturing firms in Nigeria. By implication IFRS convergence positively related with real earning management of the selected manufacturing firms in Nigeria within the period under study.

4.3 Hausman Test

Table 4.3 Hausman Test

Chi-Sq. Statistic	D.F.	Prob.
8.371896	3	0.0378

The Hausman test results are shown in Table 4.3 above. The table displays the Hausman statistic value, which is 8.371896 with a p-value of 0.0378. The random effect is appropriate model, according to the null hypothesis, but this was rejected because the p-value is less than the 0.05 significant level. This suggests that the fixed effect model was more suitable for estimation of the variables under study.

4.4 Regression Analysis

Table 4.4 Regression Model

Variable	Coefficient	Std. Error	t	P value
C	18.48614	28.04587	0.659139	0.5139
IFRS	5.766176	2.270610	2.539483	0.0441
LOG(FMZ)	0.839171	0.255480	3.284683	0.0100
IFRS_FMZ	1.904141	0.451910	4.213540	0.0074
R^2	0.808348	Mean dependent var		14.97234

Adjusted R-squared	0.748404	S.D. dependent var		10.22404
S.E. of regression	10.46856	AIC		7.753525
F	23.81477	Durbin-Watson		1.854997
P value	0.000243			

Table 4.4 shows the result of panel regression model for estimating the impact of IFRS convergence on real earning management of the manufacturing firms in Nigeria. The results shows that the coefficient of determination was 0.808348, meaning that IFRS convergence and firm size accounted for about 80.8 per cent of variation in real earning management of the selected manufacturing firms in Nigeria while the remain percentage of variation could be attribute to other variables not in the model. The adjusted R-square of 0.748404 indicates that the predictive power of the estimated model was very high. Hence, the explanatory variables under study are good predictors. The F-statistics of 23.81477 and its probability of 0.000243 is an indication that that overall model is statistically significant. Hence, IFRS convergence and firm size has a significant contribution on real earning management of the selected manufacturing firms in Nigeria. However, the coefficient of IFRS was 5.766176 and is significant at 5 per cent, meaning that a unit increase in 5.7661765.766176 IFRS convergence increase the real earning management of manufacturing firms by 5.766176. Also, the coefficient of LOG(FMZ) before IFRS convergence was 0.839171 and is significant, meaning that a unit increase in firm size before IFRS convergence brings about 0.839171 increase in real earning management of the selected manufacturing firms in Nigeria. Lastly, the coefficient of IFRS_FMZ was 1.904141, meaning that a unit increase in firm size after IFRS convergence will lead to 1.904141 increase in real earning management of the selected manufacturing firms in Nigeria. Judging by the coefficient of firm size before (0.839171) and after (1.904141) IFRS convergence, it can be deduced that IFRS convergence has really improved the real earning management of the selected manufacturing firms in Nigeria within the period under study. This study however differs from the findings of Erly & Juannes (2020), whose study discovered that the adoption of IFRS influenced accrual earnings management, as evidenced by the proxy of discretionary accruals. Descriptive statistics indicated a decrease in accrual earnings management following the post-convergence stage of IFRS compared to the pre-convergence stage. However, the analysis revealed that IFRS convergence did not impact real earnings management, as indicated by the proxy of abnormal operation cash flow, both before and after the convergence stage of IFRS.

CONCLUSION AND RECOMMENDATIONS

Conclusion

This study explores how Nigerian real earnings management was affected by IFRS convergence from 2014 to 2023. The study's specific goal is to look at how the measures of IFRS (before and after convergence), abnormal level of cash flow from operations, and firm size coexist. A sample of five (5) manufacturing firms was selected for this paper due to time constraints and data computation challenges. Originally, the focus was on 173 manufacturing firms listed on the Nigerian Exchange Group (NGx) as of 2022. The result from the panel regression model demonstrates the significant explanatory power of firm size and IFRS convergence, which together account for 80.8% of the variation in REM. REM rises significantly in proportion to a unit increase in IFRS convergence. Furthermore, the positive and continuous influence of firm size on REM prior to and following IFRS convergence indicates that REM practices in Nigerian manufacturing firms improved after IFRS implementation. It was observed that the results highlight the significant impact of IFRS convergence on the financial reporting practices and firm dynamics of Nigeria's manufacturing industry. Descriptive statistics indicated a decrease in accrual earnings management following the post-convergence stage of IFRS compared to the pre-convergence stage. However, the analysis revealed that IFRS convergence did not impact real earnings management, as indicated by the proxy of abnormal operation cash flow, both before and after the convergence stage of IFRS. The study therefore concluded that IFRS Convergence had a considerable positive effect on REM in Nigerian manufacturing firms.

Recommendations

The study's conclusions led to the following recommendations being made:

1) There is a pressing need for enhanced monitoring and enforcement mechanisms to ensure compliance with IFRS standards and prevent any potential resurgence of earnings management practices.

2) To increase knowledge of IFRS principles, appropriate accounting procedures, and the negative effects of earnings management on financial stability and investor confidence among accounting professionals, managers, and stakeholders, ongoing education and training programmes are crucial.

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