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Assessing the Level of Compliance with the International Financial Reporting Standards by Small and Medium Enterprises in Nigeria

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ABSTRACT

The study examined the level of compliance with IFRS adoption by Small and Medium scale Enterprises in Nigeria. A 5 points Likert scale instrument was administered to 141 participants who were randomly drawn from population spread across the 6 geographical zones of the country. Reliability of the instrument was ensured by yielding a Cronbach alpha score of .85. The internal consistency and factor analysis all supports the instrument reliability. Content validity of the design was ensured. Data were analyzed using a parametric test of simple regression analysis. Parametric statistic guarantees strong internal validity of the design. Findings indicate that negative perception impedes smooth IFRS adoption by SMEs in Nigeria. Equally instructive is the finding that institutional inadequacies hampered adoption by most SMEs, while statistics supports the assertion that adopting IFRS will lead to higher quality financial reports. The study is a valid contribution to body of knowledge and a call on relevant agencies of government to enshrine programs of activities towards driving compulsory adoption of IFRS with a view to bringing more SMEs into the adoption net. This is more so, that the contribution of SMEs towards economic growth was glaringly highlighted in the study.

Keywords: Adoption, Convergence, Globalization, IFRS, Economic development

INTRODUCTION

The adoption of the International Financial Reporting Standard (IFRS) by countries around the world including EU has been faced with a lot of challenges which emanates from perceived complexities of the reporting standards, unskilled manpower to drive the adoption and absence of institutional framework to support seamless transition from the old reporting standards. On the 28th of July, 2010, Nigeria formally signed the paths for full adoption within the specified timelines spanning 2012 to 2014. All public listed entities were made to mandatorily adopt IFRS on 1st January, 2012, (Odia & Ogiedu 2013)

The phase one implementation of the IFRS started with the publicly listed entities and significant public interest entities. These entities were expected to prepare their financial statements using applicable IFRS by December 31, 2012. For the phase two implementation, other public interest entities are expected to comply with the standard. In fact, all public interest entities are expected to mandatorily adopt IFRS, for statutory purposes by December 31, 2013. The other public interest entities are entities that are not listed which have significant public interest because of the nature of business, size and number of employee. For the phase three, it is expected that SMEs will adopt theirs by December 31 2014. (Egwuatu 2014)

Small and Medium-sized Entities (SMEs) refer to entities that may not have public accountability and their debt or equity instruments are not traded in a public market. Small and Medium Enterprises are seen today as the backbone of every economy throughout the world. In July 2009, International Accounting Standard Board (IASB) published IFRS for SMEs for use in preparation of their annual financial reporting purposes. Small and medium scale enterprises are the engine that drives most economies of the world. Their importance to the economy of Nigeria cannot be overlooked. SMEs activities-both international and locally, have contributed immensely to the gross domestic product of the economy as they are involved in manufacturing, importation, exportation etc. According to Edmore (2017), SMEs contribute to output and employment creation and they are also a nursery for the larger firms of the future.

The IASB promulgated a simplified version of the IFRS applicable to SMEs-the IFRS for SMEs. As a result of broad discussion of SMEs and common standards for SMEs worldwide, the International Accounting Standard Board (IASB) introduced an International Financial Reporting Standard (IFRS) designed for use by small and medium-sized entities (SMEs) on July 9, 2009 (International Accounting Standards Board, 2010). IFRS Comprehensive review (2012-2014).

Statement of the Problem

Small and medium enterprises (SMEs) have been recognized to be relevant in the growth and development processes of many developed, emerging and developing economies the world over. It has been known that since the 1960s to date, the small and medium-sized enterprises (SMEs) had been given recognition both in developing and developed nations creating and accelerating economic growth, development and stability (Ogbuanu, Kabuoh & Okwu 2014). Many SMEs do not often keep proper books of account, and so cannot measure performances of their business as there is no clear separation between their business and personal funds.

It was Ogbenjuwa (2009) who argued that most small and medium enterprises only keep such records as they are competent to prepare as they are not literate in accounting as such, view accounts records as complex and unnecessary book troubles. Ogbenjuwa (2007) held that even the spending patterns of many SMEs do not indicate any demarcation between private cash and that of the business. He argued further that some of the business financial records may be tucked away under the pillows of the sole trader. According to Ogbenjuwa (2007) preparing a set of financial statement from the books of the SMEs is a difficult task needing a lot of skills and proficiency.

A study conducted in Nigeria by Solanke, Adinnub and Alhassan (2016), affirmed that the financial reporting practice of SMEs in Nigeria is not only poor, but also majority of the business entities do not prepare financial reports in line with the guidelines of the IFRS for SMEs, this in turn affects accounting information quality in the SMEs.

In spite of the acknowledged necessity for IFRS adoption such as quality-improvement, and reliability-enhancement in financial reporting, the level of compliance of IFRS by SMEs in Nigeria was found to be low, partly because of the factors hampering, especially the short time-frame and high cost of acquiring requisite technological infrastructures that support an IFRS-compliant accounting systems and internal business processes (Ogbenjuwa, 2016). Aside these explicit inhibitions to IFRS-for-SME, other perceptual factors such as necessity for adoption, perceived benefits, and personal qualities such as work experience, level of education, and age of SME proprietor significantly exact on the level of preparedness for IFRS compliance by SMEs in Nigeria (Oyewo, 2015).

Research Question

Research questions are products of the research problems. They are the research problems rendered in interrogative forms and align with the objectives of the study. For the purpose of this study the research questions are:

1. What is the perception of IFRS amongst SME operators in Nigeria?
2. What is the level of compliance with IFRS by SMEs in preparing financial statements in Nigeria?
3. What factors impede smooth transition to IFRS by SMEs in Nigeria?

Purpose of the Study

The purpose of this study is to determine if the adoption of IFRS by SMEs in Nigeria has improved the quality of accounting information. The specific objectives include:

1. To determine the level of perception of IFRS by SMEs in Nigeria;
2. To evaluate the level of compliance with IFRS by SMEs in Nigeria.

3. Identify impediments to the adoption of IFRSs by SMEs in preparing financial statements in Nigeria.

Research Hypothesis

Research hypothesis is a tentative statement of declaration, supposing a no-relationship between the variables. Hypothesis sets forth the process for statistical testing and inferential generalization of findings. Hypothesis is usually stated in a non-declarative form termed as null hypothesis (Ho) which is subjected to statistical test. There is also the alternate hypothesis (Hi) which is accepted as second option should the null hypothesis be rejected through statistical testing.

The following three (3) operational hypotheses outlined in null form:

1. Ho: There is no statistical significance between perception and successful adoption of IFRS by SMEs in Nigeria.

2. Ho: There is no statistical significance between the compliance with IFRS and the quality of financial reports of SMEs in Nigeria.

3. Ho: There is no statistical significance effect of the institution deficiencies and successful adoption of IFRS by SMEs in Nigeria.

Significance of the Study

Small and Medium Enterprises are no doubt the drivers of the economy. Achieving high quality reporting by this sector will open doors for more inflows of capita and would attract more cross border investors. Ogbenjuwa (2016) had argued that adopting IFRS will lead to more comparability and higher quality reporting. The effect will be increased economic activities leading to general growth in the economic sector. This has immediate macro-economic implications for economic generation and reduction in social vices. This study therefore is a spotlight for crystalizing economic growth in Nigeria.

Growth in SMEs will yield more revenue in taxes to all tiers of government. The entities may make substantial contribution to the local economy in various ways including creation of employment opportunities and provision of social services such as provision of good infrastructure, staff welfare facilities and other social facilities.

The study is significant for lenders and investors who would be attracted by the high quality reporting of the SMEs. The financial information rendered by the SMEs will be more elucidating and investor friendly. Lenders and investors confidence will be strengthened to the extent that return on investment and debt service will be more assured. The quality of information gotten from SMEs will enable these providers of risk capital and their advisers to determine the inherent risk and return provided by their investments. Shareholders are also interested in information which enables them to assess the ability of the SMEs to pay up their dividends.

Review of Prior Studies

Scientific research are justified by the existence of gaps in prior studies. Every known scientific phenomenon has been studied by various scholars and current research efforts serves the purpose of strengthening literature limitations and gaps in existing studies. Umoren and Enang (2015) affirmed that the mandatory adoption of IFRS has improved the value relevance of financial information in the financial statements of commercial banks in Nigeria.

In this study I reviewed existing literatures on SMEs and IFRS for SMEs compliance level. It examines the contributions of scholars on SMEs and their compliance to IFRS and its impact on the presentation of quality accounting information. In this study, I brought to limelight the concept of SMEs and IFRS, IFRS for SMEs, benefits of adopting IFRS for SMEs, steps taken by IASC and IASB to ensure implementation, how far have the SMEs implemented IFRS for SMEs, reasons for low level of implementation of IFRS for SMEs and the level of awareness.

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This study reviewed the conceptual framework, theoretical review, empirical review, literature gap and summary in relation to IFRS for SMEs and the compliance level of SMEs since the adoption of IFRS. I further examined several related literatures to shed light on the topic of the research work. Concept of small scale and medium enterprise is dynamic in characteristics and changes with time and also changes among institution organization and countries. The fundamentals parameters are not the same. These include asset and turn over and members of employees.

According to Sule (2009), small and medium scale enterprise provide an effective means of indigenous entrepreneurship, facilitating greater employment opportunities per unit capital invested and helping in the developing of local technology. Paul (2012), held that Nigeria Bank for Commerce and Industry (NBCI) defined small scale enterprise as those types of business investing in not more than five hundred thousand (N500,000) without the cost of land. National Economic Reconstruction Fund (NERFUND) defined small scale industries as an industries with N10 million monetary credit foreign trade and exchange rate policy guidelines, and those enterprises whose total cost does not include cost of land but with working capital between one million (N1,000,000) and ten million naira (N10,000,000). Clifford (2012) asserted that SME is an industry with a total number of employees ranging from 101-300.

The SMIE is defined small medium enterprise as any business enterprise with a maximum asset base of two hundred million (N200,000,000) excluding land and with the number employees not below 10 or more than 300.

Arguing further Subhan et al (2013) held that small scale and medium enterprises is recognized as an integral part for the economic growth of nations. Huq et al (2013) argued that small scale and medium enterprises (SMEs) is the main cause of economic growth through creation of new employment in the country. These aligned with Ali et al. (2013) who posited that small scale and medium enterprise helped in the society at general and economy development in the country through creation of employment and enhancing the income levels of the country people.

Yusuf (2012) asserted that SMEs in Nigeria had generated almost 50% of job opportunities in the country. This had led to series of macro-economic consequences in poverty reduction, utilization of local resources, better standard of living and economic prosperity. They also found out that in Nigeria 97% of enterprises are small scale and medium enterprise that provide 50% employment and it industrial sector counterpart provided 50% of the total output of the Nigeria economy. Syed (2012) posited that small scale and medium enterprises positively contributes to economic growth through earnings from export and employment creation or generation, poverty reduction, domestic resources utilization in the country. Batool (2012) equally agreed that small scale and medium enterprises is considered as an important or major factors in the economic growth of any country or nation. Adetula et al. (2014) examine the readiness of small and medium scale enterprises (SME) in Lagos State, for the adoption of IFRS using a descriptive survey design and found that a major factor motivating IFRSs adoption in Nigeria is because other countries have adopted them. They argued further that SMEs IFRS adoption process is currently confronted with diverse challenges that may impede the effective adoption and implementation within the specified timeline.

Ojeka and Mukoro (2011) posited there is still need to enlighten people especially the SME operators on the usefulness of the IFRS for SMEs. The accountants still struggle with conceptualizing adequately the framework for the new reporting standards. Ogbenjuwa (2016) highlighted institutional and regulatory inadequacies to support a smooth transition in Nigeria.

Characteristics of Small and Medium Enterprises in Nigeria

Small and Medium Enterprises (SMEs) cover the entire range of economic sector in Nigeria. There are number of challenges that currently affect Small and Medium Enterprises SMEs) in the country and some of these problems are constant across the changing types of Small and Medium Enterprises. These problems are: low access to credit facilities, highly competitive market for products, discriminatory legislation, poor communication or information flow, inability to acquire landed properties, weak linkage among different segments of the operation in the sector, weak operating capacities in terms of skill technology, knowledge and attitudes, lack of infrastructure etc.

According to Paul (2010), the main characteristics or features of Nigeria's Small and Medium Enterprises include the followings:

1. Lack of access to important information
2. No succession plan
3. Inability to access foreign market
4. Use of obsolete machines for processing, preserving and storage.
5. High cost of production as a result of inadequate infrastructures.
6. Mismanagement of financial resources
7. Poor or bad capital structures.
8. Poor managerial skills or knowledge
9. Dependent on imported goods such as spare part, raw materials etc.
10. Inability to access long term loan from financial institution.

Small scale enterprises is an enterprises with employers or workers from 10-49. And most of these small scale enterprises are sole proprietorship. The significant number is register business.

The medium enterprises are the formal enterprises in employing 50 to 199 employees or workers. The 2012 National small scale and medium enterprises survey put the total number of medium enterprises in Nigeria at 4,670 focusing in few sectors such as transportation, manufacturing, agro, and agro-allied, information and communication technology, oil and gas. They are well organized and connected. They all have good access organized and connected. They all have good access to services of government and financial institutions.

IFRS for SMES

According to International Accounting Standards Board (2010), IFRS for SMEs is a self-contained standard designed to meet the needs of small and medium-sized entities (SMEs), which are estimated to account for over 95% of all companies around the world. IFRS for SMEs is about good financial reporting made simple. It is simplified IFRSs, but built on an IFRS foundation. It is designed specifically for SMEs and is internationally recognized. The IASB took six years to develop it. The final standard was issued by the IASB on the 9th of July 2009. The standard is available for any entity to adopt, whether or not it has adopted full IFRSs. The IASB‟s only restriction is that listed companies and financial institutions should not use it. Over 99% of private entities around the world are expected to be eligible to use the standard. The definition is therefore based on the nature of an entity rather than on its size.

Where a transaction is not addressed by the IFRS for SMEs, management is expected to use judgment to determine its accounting policy. If such a transaction is covered in full by other IFRS, management may refer to the appropriate international standard, if it wishes but is not required to adopt IFRS for SMEs (Price Waterhouse Coopers, 2009). To assist in implementation, the IASC Foundation and the International Accounting Standards Board (2010) have taken a number of steps which had several implications that are worthy of note. These are:

• **Implementation guidance -** The IFRS for SMEs is accompanied by implementation guidance consisting of illustrative financial statements and a presentation and disclosure checklist.

• **Training material -** The IASC Foundation has developed a comprehensive free to download training material to support the implementation of the IFRS for SMEs,

• **IFRS Taxonomy -** The IFRS Taxonomy is a translation of IFRSs - including the IFRS for SMEs - into XBRL (extensible Business Reporting Language). XBRL is a digital 'language' used to communicate information between businesses and other users of financial information.

• **Workshops -** The IASC Foundation holds regional 'train the trainers' workshops, in co- operation with regional professional associations and the world's development agencies, to build capacity for the implementation of the IFRS for SMEs, particularly in developing and emerging economies (International Accounting Standards Board, 2010)

Perceptions about IFRS

IFRS is generally perceived as complex, difficult to comprehend, unnecessary affront of neo-colonialist and incoherent with Nigerian peculiar reporting culture. This negative perception to a large extent impedes heavily the smooth transition to the new standard. The transition plan to IFRS and its implications for preparers and users of financial statements, regulators, educators and other stakeholders have to be effectively coordinated and communicated. This should include raising awareness on the potential impact of the conversion, identifying regulatory synergies to be derived and communicating the temporary impact of the transition on business performance and financial position. The implementation of IFRS requires considerable preparation both at the country and entity levels to ensure coherence and provide clarity on the authority that IFRS will have in relation to other existing national laws (Committee on Roadmap, 2010) . Ogbenjuwa (2012) posited that the introduction of the international financial reporting standards brought about huge disclosure requirements and a lot of intellectual challenges to academics and practitioners in the field.

It is therefore incumbent on stakeholders to put all hands on deck to ensure revolution of knowledge and practice of accounting in Nigeria. Ogbenjuwa (2016) argued that negative perception about IFRS flows from the feelings of its incoherence with the business values and traditions in Nigeria. Stakeholders strongly contend that IFRSs are sets of standards crafted to ensure a neo-colonialist hold on the economies of developing countries. Ogbenjuwa (2016) the non-full adoption of IFRS by the US, which sits on the board of IASB as pointer to its inordinate intentions. In the face of these glaring negative perceptions, the study seeks to evaluate to what extent, successful adoption of IFRS is impeded by same.

Institution and legislative Amendments

In Nigeria, accounting practices are governed by the Companies and Allied Matters Act (CAMA) 2020, and the Statement of Accounting Standards (SAS) issued by the Nigerian Accounting Standards Board (NASB) and other existing laws such as Nigerian Stock Exchange Act 1961, Nigerian Deposit Insurance Act 2006, Banks and Other Financial Institution Act 1991, Investment and Securities Act 2007, Companies Income Tax Act 2004, Federal Inland Revenue Services Act 2007. All these provide some guidelines on preparation of financial statements but do not provide adequate institutional framework to drive a successful adoption. In view of the inadequacies, the Nigerian government in 2011 repealed the Nigerian Accounting Standards Boards and replaced it with the Financial Reporting Council of Nigeria (FRCN). FRCN was institutionalized to domesticate and customize all IFRS preparatory for full adoption by all reporting entities.

Review of IFRS implementation

South Africa, through the South African Institute of Chartered Accountants (SAICA) was the first country in the world to adopt the IFRS for SMEs as its national SME standard in 2009. It is expected that many organizations will follow SAICA example (Paul, 2009). The Council of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Council of the National Board of Accountants and Auditors of Tanzania approved the use of IFRS by SMEs in 2009. In UK, tens of thousands of the businesses were to adapt to the new accounting plans as at 2011, announced by the UK Accounting Standards Board (ASB) which will see the demise of UK GAAP, (Deloitte, 2010).

According to Bhattacharjee and Hossain (2010), a number of reasons were provided for the low level of adoption of IFRSs for SMEs which included unwillingness to accept a more principles-based set of accounting standards compared to the more rules-based IFRS (Adekoya, 2011). Practical implementation of IFRS requires adequate technical capacity among preparers and users of financial statements, auditors and regulatory authorities. Countries that implemented IFRS faced a variety of capacity-related issues, depending on the approach they took. One of the principal challenges Nigeria may encounter in the practical implementation process, shall be the shortage of accountants and auditors who are technically competent in implementing IFRS. Usually, the time lag between decision date and the actual implementation date is not sufficiently long to train a good number of professionals who could competently apply international standards (Adekoya, 2011).

Benefits of IFRS adoption

Adekoya (2011) argued that IFRS for SMEs have clear benefits for investors, lenders and those seeking to raise finance to expand operations. It will provide a standard which is simple and well understood and this will ease transition to full IFRS for growing entities once they become publicly quoted. IFRS for SMEs also provide an accounting framework for entities that do not have the resources to adopt full IFRS (Alp & Ustuntag, 2009). The Standard is predominantly welcome in some developing nations who also have difficulty in developing and interpreting their own sets of accounting standards. IFRS will lead to improved financial reporting and will enable compliance with reporting requirements. The ability to improve comparability and understandability of financial statements will also build investor confidence, (Adekoya, 2011). According to International Accounting Standards Board (2010), IFRS for SMEs is tailored to the needs of small and medium businesses.

Theory of Convergence

In the context of IFRS convergence can be viewed as a social process through which a country accept that national accounting standards are absorbed into the international accounting harmonization. It encompasses isomorphism which had existed for many years, in many countries. IFRS is not only used in Anglo Saxon Countries but IFRS harmonization are also evident in countries in a different accounting regime such as code law countries. China for example, from the Rusian style accounting standard in the past, China has been gradually accepting IFRS since 1997. Kazakhtan, a former USSR country, also tried to adopt IFRS since its independence in 1991. (Wahyuni, 2012).

The goal of International Accounting Standard according to Pappu and Devi (2011) is to provide the global business community a common Lingua franca by harmonizing global accounting standards. Pappu and Devi (2011) expressed the fear that IFRS convergence among Asian countries may not make much difference on the regional economy as there are noticeable non-coherence between convergence and actual practice even in China which had already fully adopted the IFRS. The fear expressed by Pappu and Devi (2011) conveyed their pessimism on the actual effects of IFRS adoption on other Asian countries of India, Indonesia, Singapore and Malaysia which have adopted or announced dates for adoption. The investigation by Pappu and Devi (2011) indicated that there is wide scale skepticism about income fluctuation using the fair value model as against the cost model.

When a country decides to adopt IFRS and abandon their previous accounting standard, the main reason should be economical such as IFRS will bring economic benefit to the country. The economic benefit can be the decline in the cost of capital or the significant increase of foreign investors in the country’s capital market. However, some studies suggest that the reason of a country adopting IFRS is not economical but more on achieving institutional legitimization, Odia & Ogiedu, (2013) and Ogbenjuwa, (2016).

Research Gaps

Prior research had documented IFRS by SMEs in Nigeria, As at the time of this study, no prior research had analyzed the level of compliance with the global standards with particular focus on SMEs and evaluating factors that might have contributed to non compliance by some reporting SMEs in Nigeria This study contributes to knowledge by bridging the gap in the existing literature through underlining the main issue attributed to the compliance of IFRS by SMEs. It also considers all the necessary factors associated with IFRS attitudinal perceptions. This research work also adds to the body of existing knowledge and a guide for researchers to further research on the subject matter in areas that may not have been addressed in this study.

METHODOLOGY

Methodology is defined as a plan that specifies how data should be collected and analyzed. It described all

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activities involved in the collection and analysis of all relevant data or information relating to the research (Edmore, 2017). This section focuses on the methods used in carrying out the study which ranges from the research design, types and sources of data, population of the study, sample size and sampling technique, method of data collection and analysis.

Research design

The study adopts the survey design in analyzing the research questions through a set of questionnaires which were designed to obtain information on the level of compliance of IFRS by SMEs in Nigeria since its adoption. Survey design is the type of research that provides specific structure responses in investigating the relationship that exists among the variables.

Research design is the framework of the research which specifies the information that should be collected, the sources and means by which it should be collected. Research design is a blueprint that guides the researcher in the paths of investigation and analysis (Edmore, 2017). The study made use of primary data in order to ascertain the level of compliance with IFRS by SMEs in Nigeria. Questionnaires which are a derivative of primary source of data consist of list of relevant questions designed, were administered to staffs of various SMEs in line with the hypotheses for the research work.

Since scientific problems are resolved on the basis of data, a major responsibility of the investigation is to set up a research design capable of providing the data necessary to the solution of this problem.

Population and sampling strategies

The population is the general environment from which data is generated. The population for this study is selected SMEs from the six geographical zones of Nigeria. The population consists of some two hundred and nineteen (219) registered small scale enterprises in the country (Ogbuanu, Kabuoh, & Okwu, 2014), randomly drawn using a stratified sampling strategies. This is to ensure equitable representation from the population of study.

Random sampling technique is the technique adopted in this study. This is a technique whereby the selection of some portion from the total population is done at random, such that each member of the population is given an equal chance of being selected for the purpose of the study,

According to Denga and Ali (2010) sampling ensures drawing from the population in such a manner that guarantees that all elements of the population stand equal chance of being selected.. A research sample is a selected group from the target population on which information is obtained Fraenkel and Wallen (2011). Sampling is the process of selecting individual for a study.

The statistical formula applied using the Yamani model to determine the sample size is;

$n = N / (1+ N (e)^2)$

Where:

n = Sample size
N = Population
1 = Constant
e = Sample error (Usually 0.10, 0.05, and 0.01 acceptable error)

(Taro Yamani)

$n = 219 / (1 + 219 (0.05)^2)$

$n = 219 / (1 + 0.5475)$

$n = 219/ 1.5475$

n = 141

Survey Instrument

I deployed the 7 points Likert scale to elicit responses from the participants. Likert scale enjoyed years of usage in social science research. Reliability was ensured by conducting Cronbach alpha with a score of .85. Internal consistency ratio was with the acceptable range of .78 while factor analysis supports the assertion of internal consistency reliability. Content validity of the instrument further strengthened reliability of the instrument.

Data analysis

In testing the hypotheses the Regression model will be used to analyze the relationship between the variables. It involves techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables (or 'predictors'). More specifically, regression analysis helps one understand how the typical value of the dependent variable (or 'criterion variable') changes when any one of the independent variables is varied, while the other independent variables are held fixed.

The linear regression analysis method will be used for this data analysis. Questions that were strongly related to the hypothesis are analyzed and tabulated. Linear regression is a way to model the relationship between two variables. You might also recognize the equation as the **slope formula.**

The equation has the form Y=a+bX, where Y is the dependent variable (that's the variable that goes on the Y axis), X is the independent variable (i.e. it is plotted on the X axis), b is the slope of the line and a is the y-intercept.

$$a = \frac{(\sum y)(\sum x^2) - (\sum x)(\sum xy)}{n(\sum x^2) - (\sum x)^2}$$

$$b = \frac{n(\sum xy) - (\sum x)(\sum y)}{n(\sum x^2) - (\sum x)^2}$$

The first step in finding a linear regression equation is to determine if there is a relationship between the two variables. This is often a judgment call for the researcher. A list of data in x-y format (i.e. two columns of data — independent and dependent variables) is required.

The presentation, analysis of data, interpretation and discussion of findings are important aspect of a research work.

One Hundred and Forty One (141) questionnaires were administered of which One Hundred and Two (102) were completed and returned. This represents 72.34% response rate while 27.66% was the missing data, which is acceptable in any standard research.

Table 1

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Question 1	102	3	5	4.2255	0.56124
Question 2	102	1	5	2.7255	0.94562
Question 3	102	1	4	2.1275	0.539

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Question 4	102	1	5	3.6078	0.75984
Question 5	102	3	5	4.2255	0.56124
Question 6	102	2	5	3.1569	0.92002
Question 7	102	2	5	3.8529	0.69506
Question 8	102	2	5	3.9608	0.75677
Question 9	102	2	5	3.8824	0.4934
Question 10	102	3	5	4.0196	0.28075
Valid N (listwise)	102				

Analysis of significant perception of IFRS guidelines amongst SMEs in Nigeria State using SPSS

Variables Entered/Removed[a]			
Model	Variables Entered	Variables Removed	Method
1	xb	.	Enter
a. Dependent Variable: y			
b. All requested variables entered.			

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.934a	0.872	0.808	11.06303
a. Predictors: (Constant), x				
b. Dependent Variable: y				

ANOVA[a]						
	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1668.399	1	1668.399	13.632	.066b
	Residual	244.781	2	122.391		

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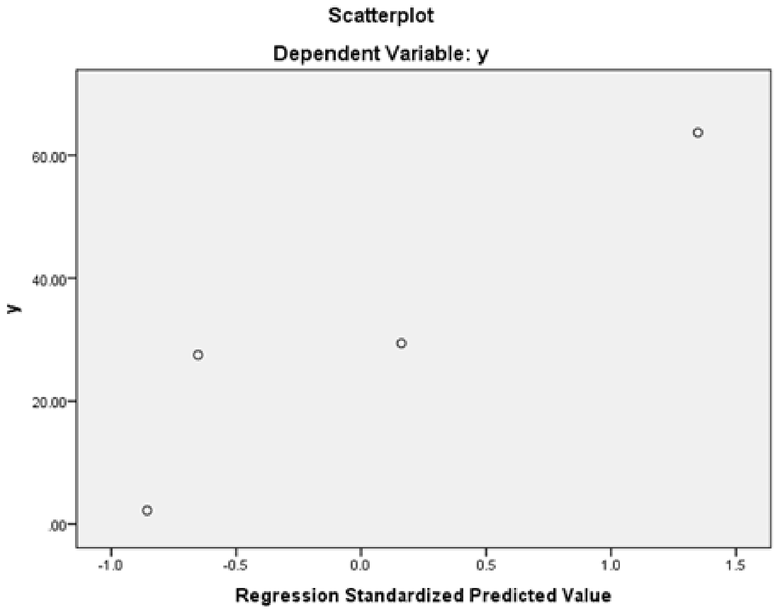
	Total	1913.18	3			
a. Dependent Variable: y						
b. Predictors: (Constant), x						

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	10.508	7.779		1.351	0.309
	x	0.816	0.221	0.934	3.692	0.066
a. Dependent Variable: y						

Residuals Statistics[a]					
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	10.5079	62.4771	30.7	23.58247	4
Residual	-8.30789	12.17864	0	9.03293	4
Std. Predicted Value	-0.856	1.347	0	1	4
Std. Residual	-0.751	1.101	0	0.816	4
a. Dependent Variable: y					



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Analysis of the level of compliance of IFRS by SMEs in Nigeria using SPSS

Variables Entered/Removed[a]			
Model	Variables Entered	Variables Removed	Method
1	xb	.	Enter
a. Dependent Variable: y			
b. All requested variables entered.			

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.202a	0.041	-0.439	36.96047
a. Predictors: (Constant), x				
b. Dependent Variable: y				

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	116.394	1	116.394	0.085	.798b
	Residual	2732.153	2	1366.077		
	Total	2848.548	3			
a. Dependent Variable: y						
b. Predictors: (Constant), x						

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	10.265	34.084		0.301	0.792
	x	0.239	0.817	0.202	0.292	0.798

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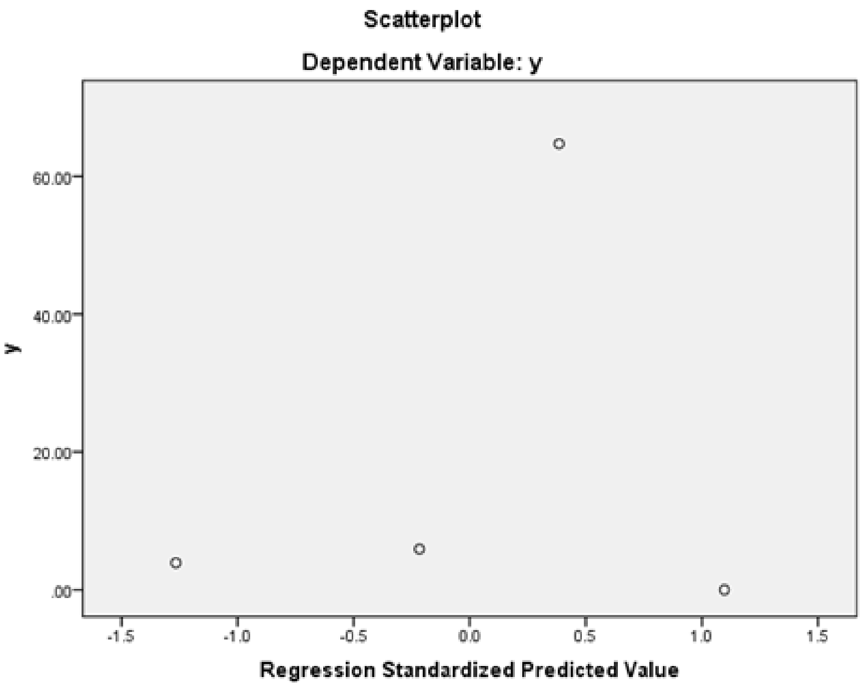
a. Dependent Variable: y						

Residuals Statistics[a]					
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	10.7422	25.4583	18.625	6.22882	4
Residual	-25.4583	43.67797	0	30.1781	4
Std. Predicted Value	-1.266	1.097	0	1	4
Std. Residual	-0.689	1.182	0	0.816	4
a. Dependent Variable: y					



Analysis of the probable difficulties that may be encountered as a result of compliance with IFRS for SMEs in Nigeria using SPSS

Variables Entered/Removed[a]			
Model	Variables Entered	Variables Removed	Method
1	xb	.	Enter
a. Dependent Variable: y			
b. All requested variables entered.			

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Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.985a	0.97	0.954	10.30094
a. Predictors: (Constant), x				
b. Dependent Variable: y				

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6775.109	1	6775.109	63.85	.015b
	Residual	212.219	2	106.109		
	Total	6987.328	3			
a. Dependent Variable: y						
b. Predictors: (Constant), x						

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-24.17	10.189		-2.372	0.141
	x	1.769	0.221	0.985	7.991	0.015
a. Dependent Variable: y						

Residuals Statistics[a]					
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	-1.699	90.3102	46.075	47.52231	4
Residual	-7.37934	8.79053	0	8.41068	4
Std. Predicted Value	-1.005	0.931	0	1	4
Std. Residual	-0.716	0.853	0	0.816	4

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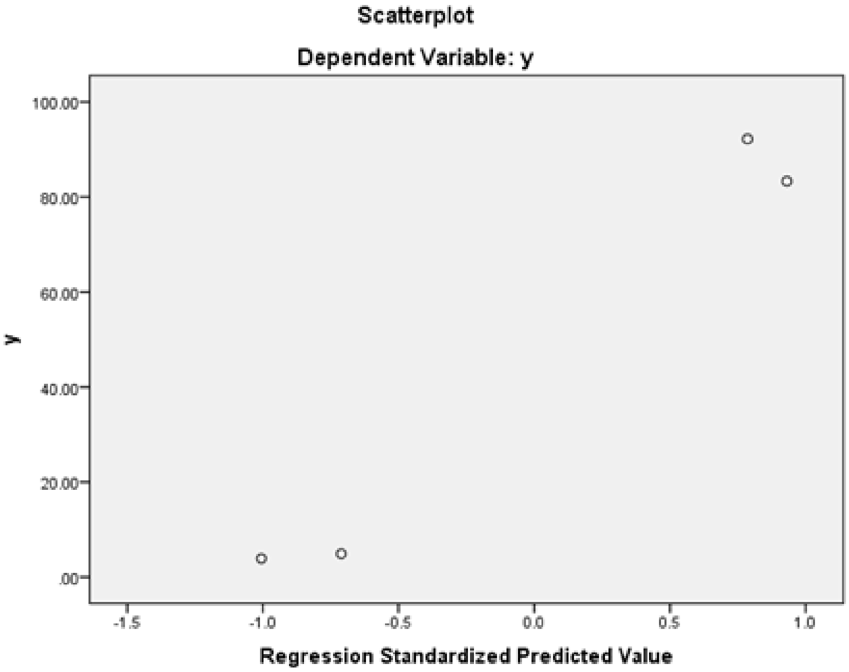
a. Dependent Variable: y					

Charts



TEST OF HYPOTHESIS

Restatement of the hypothesis is outlined in null form below for the test:

1. . Ho: There is no statistical significance between perception and successful adoption of IFRS by SMEs in Nigeria.

2. Ho: There is no statistical significance between the compliance with of IFRS and the quality of financial reports of SMEs in Nigeria.

3. Ho: There is no statistical significance effect of the institution deficiencies and successful adoption of IFRS by SMEs in Nigeria.

Test of Hypothesis One

Decision rule: Reject Ho if the t–calculated value is greater than the t–tabulated value at 5% level of significance.

Result: Using regression analysis to analyze the above data, below are the result of testing

Correlation: Correlation of awareness of IFRS guidelines by SMEs in Nigeria is: r = 0.934, r2 = 0.872, t-test = 0.934/0.01351, t-calculated= 69.134, t table=2.920

Decision Rule: t-calculated value is greater than t-table value, therefore, reject the Null hypothesis and accept alternate hypothesis.

H1: Ho: There is a statistically significant relationship between perception and successful adoption of IFRS by SMEs in Nigeria

Test of Hypothesis Two

Decision rule: Reject Ho if the t–calculated value is greater than the t–tabulated value at 5% level of significance.

Result: Using regression analysis to analyze the above data, below are the result of testing

Correlation: Correlation of compliance level of IFRS by SMEs in Nigeria is:

r= 0.202, r2= 0.041, t-test =0.202/0.00301, t-calculated= 67.110, t table=2.920

Decision Rule: t-calculated value is greater than t-table value, therefore, reject the Null hypothesis and accept alternative hypothesis.

H2: Hi: There is a statistically significant relationship between the compliance with of IFRS and the quality of financial reports of SMEs in Nigeria.

Test of Hypothesis Three

Decision rule: Reject Ho if the t–calculated value is greater than the t–tabulated value at 5% level of significance.

Result: Using regression analysis to analyze the above data, below are the result of testing

Correlation: Correlation of Probable difficulties that may be encountered as a result of compliance with IFRS for SMEs in Nigeria is:

r= 0.985, r2= 0.970, t-test =0.985/-0.02372, t-calculated= - 41.526, t table=2.920

Decision Rule: t-calculated value is less than t-table value, therefore, accept the Null hypothesis.

Hi: There is a statistically significant relationship between institutional deficiencies and successful adoption of IFRS by SMEs in Nigeria

DISCUSSION OF FINDINGS

From the test of Hypothesis 1, results showed that there is a significant effect of IFRS perception on successful adoption of same by SMEs, which led me to accept the alternate hypothesis which formally states that: perception about IFRS by SMEs in Nigeria directly influenced their adoption of the global standards, its calculated (t-calculated value 69.134 > t-table value 2.920). Results from hypothesis 2 shows that there is a statistically significant relationship between compliance with IFRS and the quality of financial reports of SMEs in Nigeria, which lead to rejecting the null hypothesis which states that, there is no statistically significant relationship between the compliance with IFRS and the quality of financial reports of SMEs in Nigeria" and accept the alternate. (t-calculated value 67.110 > t-table value 2.920). Result from hypothesis 3 shows there is a statistically significant relationship between institutional deficiencies and successful adoption of IFRS by SMEs in Nigeria, which led to rejecting the null hypothesis. (t-calculated value -41.526 < t-table value 2.920).

CONCLUSION

There was statistical significant effect of IFRS perception on successful adoption of same by SMEs, indicating that perception is a predictor of successful adoption of IFRS by SMEs in Nigeria. Equally, results supports a statistically significant relationship between the compliance with IFRS and the quality of financial reports of SMEs in Nigeria, and further statistic supports a relationship between institutional adequacy and IFRS adoption by IFRS in Nigeria. The SMEs in Nigeria can be said to have aversion towards adoption of IFRS due to negative perceptions.

RECOMMENDATION

The government and particularly the regulatory agencies and financial reporting council should step up advocacies and enlightenment programs on the benefits of IFRS adoption by the SMEs. The government should ensure that filling of annual tax returns by the SMEs are done using IFRS based financial statements. Training and retraining of SMEs operators in Nigeria should be given top priorities by the government, with the view to changing the negative narratives.

It is empirically derived that complying with IFRS yields a higher quality financial reporting, therefore banks should ensure that SMEs approaching them for credit facilities, submit IFRS based financial reports. It is equally evident and supported by empirical statistics that institutional inadequacies impede the smooth transition to IFRS. Government through relevant agencies should strengthen the regulatory institution to drive the mandatory adoption while at the same time upgrade infrastructure such as power and enabling environment to help the SMEs deepen their operational efficiencies.

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