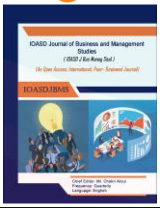
OPEN ACCESS

IOASD Journal of Business and Management Studies

IOASD J Bus Manag Stud, Vol-3, Iss-3, Jul-Sept., 2026
Frequency: Quarterly
ISSN: 3048-7595 (Online)
ISSN: 3049-0510 (Print)
Homepage: https://ioasdpublisher.com/ioasdjbms



Assessing the Impact of IFRS Adoption on Earnings Quality: A Study of Selected Nigerian Consumer Goods Companies

Nwagwu Innocent Onyedikachi CNA, ACTI[1*], Onwuka Onwuka Okwara Ph.D[2], and Nwachukwu Fidelis[3]

[1]Department of Accountancy, College of Management Sciences, Rhema University Nigeria, Aba. Email: nwagwuinnocent@hotmail.com
[2]Department of Accountancy, College of Economics and Management Sciences, Abia State University, Uturu, Nigeria
Email: onwuka.onwuka@abiastateuniversity.edu.ng
[3]Department of Accountancy, College of Economics and Management Sciences, Abia State University, Uturu, Nigeria
Email: nwachukwufidel@yahoo.com

Corresponding Author: Nwagwu Innocent Onyedikachi CNA, ACTI
Department of Accountancy, College of Management Sciences, Rhema University Nigeria, Aba | Email: nwagwuinnocent@hotmail.com

DOI: 10.67224/ioasdjbms.2026.v03i03.009

ABSTRACT

This study analyzed the impact of International Financial Reporting Standards (IFRS) adoption on earnings quality for selected consumer goods companies in Nigeria over the period 2008–2024. The model controlled for firm size and board size to avoid omitted variables. Employing panel least squares estimation, earnings quality was measured following the accrual-based approach to show the extent to which reported earnings were supported by cash flows with lesser absolute values reflecting higher quality. A Hausman test was used in selection of the appropriate regression model of either fixed effect of random effects. The Hausman test emerged statistically insignificant, lending credence to the validity of the random effect. The outcome indicated that IFRS adoption largely improved earnings quality by minimising dependency on discretionary accruals. On the other hand, firm size played a considerable mediating role as larger firms exhibited stronger improvements in earnings quality following adoption of IFRS. This reflected significant reporting capacity, greater internal controls, and better accounting expertise. In contrast, board size did not considerably influence earnings quality which suggests that governance effectiveness relied more on-board member's quality rather than numerical strength. In general, the findings unveiled that while adoption of IFRS enhanced earnings quality its effectiveness was contingent on firm-level capacity and supportive corporate governance structures, with significant implications for firms, regulators and policymakers in emerging market contexts.

Keywords: IFRS adoption, Earnings quality, Firm size, Board size.

Original Research Article

Article History
Received: 27-06-2026
Accepted: 17-08-2026
Published: 08-09-2026

1.0 INTRODUCTION

Adoption of International Financial Reporting Standards (IFRS) has been identified as one of the crucial accounting reforms in Nigeria's corporate reporting history. The emergence of IFRS adoption is aimed at enhancing the quality, transparency and comparability of financial statements. The mandatory shift of Nigeria from domestic accounting standards to IFRS was driven by the need to align local companies with international best practices and strengthen investors' confidence in financial details. Advocates of IFRS adoption have argued that it enhance earnings quality by minimising information asymmetry and managerial opportunism thereby bringing about better decision-making in financial markets. Recent studies such as Johri (2024); and Odoemelam & Wobo (2025) have shown that IFRS, as a globally recognised framework, possesses the potential to enhance financial reporting quality and comparability across jurisdictions.

Notwithstanding the theoretical value of IFRS adoption, observed evidence regarding its impact on earnings quality within specific industries in Nigeria remain mixed. Generally, earnings quality as measured by discretionary accruals and/or value relevance of reported earnings reflects the extent to which documented financial information faithfully reveals economic reality. Contemporary research like Ogiriki & Michael (2025) have shown that IFRS adoption have influence on earnings management practices with considerable effects on discretionary accruals and transparency of financial reporting. Conversely, a study carried out by Obalemo (2025) disclosed that enhanced earnings quality post-IFRS are tied to company-specific factors, rightly enforcement of IFRS and quality of corporate governance. This highlights that adoption of IFRS does solely guarantee uniform improvements in reporting quality.

Over the years, Nigeria's experience with IFRS underscores diverse contemporary issues in financial reporting. One fundamental concern is the lacuna between adoption and compliance: even though companies are required to report under IFRS, differences in implementation quality exist, partly due to variations in preparer expertise, regulatory enforcement, and institutional capacity (Apochi & Mustapha, 2022). While some empirical studies observe a fall in earnings management following adoption of IFRS, indicating improved earnings quality and transparency, others report inconsistent or limited effects, reflecting enduring challenges in applying complex principles-based standards. In addition, sector-specific elements such as firms' operational complexities and capital intensity complicate the measurement of earnings and comparability, making it strenuous for stakeholders to solely depend on reported figures without supplementary disclosures or adjustments.

The problem that motivated these studies arises from the aforementioned practical challenges and empirical inconsistencies. Despite many years of IFRS adoption in Nigeria, it remains unclear whether the transition to IFRS has substantially improved earnings quality of listed consumer goods firms. This uncertainty persists against the backdrop of divergent research results, where some evidence points to enhanced financial reporting quality and a fall in earnings manipulation, while other findings suggest persistent earnings management dynamics and inconsistent reporting practices. The gap in knowledge is fundamentally true for consumer goods firms which play a pivotal role in Nigeria's manufacturing and economic development.

Addressing this gap is crucial not only for academics but also for policymakers and market participants who rely on high-quality financial details to make informed decisions. By focusing on the consumer goods sector, this study contributes to the broader literature in Nigeria and offer insights into how international accounting standards drive earnings quality in practice. By this, the study highlighted the linkages between IFRS adoption, dynamics of reporting, and institutional environments.

2.0 REVIEW OF RELATED LITERATURE

2.1 Conceptual Framework

The adoption of IFRS is universally seen as a mechanism for enhancing the quality of financial reporting by encouraging comparability, transparency, and reliability of financial statements. IFRS provide a broad and uniform accounting framework that mitigate opportunities for earnings management while increasing earnings informativeness. Empirical works indicate that the transition to IFRS demonstrate greater earnings quality which is assessed through low discretionary accruals. This equally enhances value relevance and a prompt recognition of economic events. As such, it is stated that IFRS adoption unveils a gainful influence on earnings quality by aligning financial reporting best practices with global standards like IFRS which strengthens investors' expectations (Nwaubani, 2020).

Even though adoption of IFRS may lead to improved earning quality, firm-specific characteristics such as size and corporate governance quality may play critical roles in determining the extent of this effect (Uwuigbe *et al.,* 2017). Entities with large size generally have more financial resources (assets) to effectively implement IFRS and are subject to stronger scrutiny by regulators and investors which mirrors the profitable impact of IFRS on earnings quality (Abata, 2015). Governance mechanisms including board size, independence, audit quality, and ownership structure act as monitoring instruments that can eliminate earnings management and then bolster credibility of financial reporting (Sanni & Adereti, 2018). By using the aforementioned variables as control in the model, one can affirm that the influence of IFRS adoption on earnings quality is not limited by variations in firm size and governance factors.

In this light, the conceptual framework looks into the linkage between IFRS adoption and earnings quality with firm size and corporate governance as control variables. This study is based on the expectation that IFRS adoption will have a favourable impact on earnings quality. However, the intensity of this interplay may depend on the firm's size and governance framework. This framework establishes a basis for empirical analysis, enabling researchers to delineate the impact of IFRS adoption while considering the organisational and institutional factors that influence the quality of financial reporting.

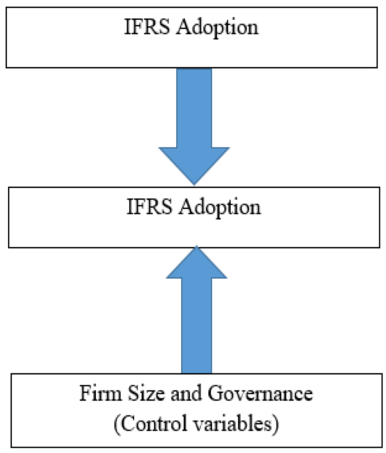


Figure 1. Conceptual Framework, Source: researcher's conceptualization

2.2 Theoretical Framework

The theories discussed hereafter provided a robust underpinning for understanding IFRS adoption and earnings quality linkages across firms.

Positive Accounting Theory (PAT)

PAT as propounded by Watts and Zimmerman (1986) posits that managers align with accounting policies that maximize utility particularly when compensation is linked to reported financial outcomes. In this wise, accounting choices are internally influenced by incentives, contracts, and regulatory environments. In the context of IFRS adoption, PAT explains that the mandate of a more principles-based containing globally accepted set of standards weakens managers' discretion over accounting choices which automatically hinders opportunistic earnings management. Empirical studies underpinned in PAT postulates that IFRS enhances earnings quality by strengthening reporting rules and accelerating comparability which leaves little or no room for managers to turn earnings for personal benefits (Daske *et al.,* 2008; Barth *et al.,* 2008).

Information Asymmetry and Signalling Theory

Information Asymmetry Theory takes its root from the work of Akerlof (1970) and was later extended by Spence (1973) using the signalling context. It asserts that when managers are privy to more information about the firm's prospects compared to investors, financial reporting quality becomes important for market pricing effectiveness. Hence, IFRS adoption functions as a signalling process by which firms demonstrate commitment to transparent reporting and high disclosure standard which help to reduce information asymmetry between insiders and outsiders. Researchers such as Jerry *et al.* (2011) realised that firms adopting IFRS show stronger value relevance and low bid-ask spreads which is consistent with enhanced information symmetry.

Agency Theory

Formalised by Jensen and Meckling (1976), agency theory explains conflicts between principals (shareholders) and agents (managers) arising from varing interests and information gaps. Earnings management can be seen as an agency problem triggered by managers' opportunistic behavior at the detriment of shareholders. By enhancing transparency, comparability, and disclosure comprehensiveness, IFRS provides external stakeholders with better and reliable accounting information towards reducing agency costs (Healy & Palepu, 2001). Empirical evidence unveils that effective and efficient reporting standards like IFRS improve monitoring and reduce earnings management practices which are symptomatic of agency conflict (Ball *et al.,* 2003).

Synthesis of Theoretical Predictions

From the theoretical perspective:

- PAT predicts that restrictive and globally harmonised standards such as IFRS will reduce executive discretion and diminish earnings manipulation.
- Information asymmetry/signaling theory posits that IFRS adoption drives transparency and signaling quality to narrow informational gaps between managers and shareholders thereby enhancing earnings quality.
- Agency theory details that improves reporting quality with IFRS and reinforces corporate governance alongside external monitoring which in turn reduces agency costs and opportunistic reporting.

2.3 Empirical Review

Several empirical studies in Nigeria have explored how IFRS adoption impact on earnings quality with mixed outcomes across sectors and measures.

Empirical data collated from Nigeria have shown that adoption of IFRS has grossly enhanced value relevance of accounting information especially earnings. Ndubuisi and Henry (2025) revealed that IFRS adoption strengthened linkages between EPS and share price for publicly traded firms in Nigeria. Obalemo (2025) studied IFRS adoption and observed that IFRS had a beneficial effect on quality of financial reporting quality and reduced earnings management with firm size and industry context exerting considerable moderating influences. In Ghana, Mensah (2020) identified a substantial adverse impact of IFRS adoption on earnings management which implies an improved financial reporting quality. Regarding the scope of earnings management practices both prior and subsequent to IFRS adoption, the investigation showed a fall in the post-adoption phase compared to the pre-adoption period which implies enhancement in accounting quality due adoption of IFRS.

Tonye and Akpe (2025) recorded a rise in discretionary accruals in the post-IFRS era among industrial goods companies which implied that IFRS adoption did not mitigate earnings management but rather increased managerial discretion. Conversely, Ogala, Falope, and Asuqwo (2023) showed a notable decline in discretionary accruals for manufacturing firms' post-IFRS adoption which drives earnings quality. Adedokun et al. (2022) attributed fluctuations in managed earnings to firm size, the strength of the auditing firm, profitability, and the adoption of IFRS itself, rather than solely to temporal factors.

In sector-specific and firm-level analyses, Onyeneye et al. (2023) observed no strong alteration in earnings management practices in consumer goods firms following IFRS adoption. With evidence from Nigerian Breweries Plc., Sanni et al. (2021) showed enhanced earnings quality after IFRS adoption while it found no improvement when earnings quality was measured with earnings yield. In the banking sector, Nwaubani (2020) revealed mixed effects of IFRS adoption contingent on the earnings quality proxy employed. Uwuigbe et al. (2017) indicated that IFRS adoption limited earnings predictability which raise concerns for post-IFRS reporting quality. In Ghana, Coffie et al. (2020) established that IFRS adoption improved reporting quality of financial firms.

Cross-border empirical studies underscores the pivotal role of institutional and enforcement environments in driving the outcomes linked with IFRS. Houqe, van Zijl, and Dunstan (2012) showed that adoption of IFRS led to enhanced earnings quality in nations characterized by robust investor protection which indicates that the mere existence of IFRS is insufficient in the absence of stringent enforcement processes. Research done in Korea emerged with more favorable outcomes: Yuk and Lee (2017) revealed considerable enhancements in earnings quality after adoption of IFRS whereas Shin, Kim, and Kim (2018) revealed that notwithstanding the improvements in accounting-based earnings quality, investors saw post-IFRS earnings as displaying greater risk. Collectively, findings from Nigeria and the cross-border contexts imply that even though adoption of IFRS have got the potential to ensure quality reporting and value relevance, its efficiency in diminishing earnings management is fundamentally dependent upon firm-specific characteristics, sectoral attributes, and robustness of institutional and regulatory structures.

Across the studies reviewed, empirical evidence put forward that adoption of IFRS can lead to better earnings quality which manifests through low discretionary accruals, improved value relevance, and accelerated timeliness in loss recognition. In Nigeria, certain studies have revealed positive outcomes of IFRS adoption on earnings quality however specific metrics (e.g., predictability or investor sentiment) may result in inconsistent findings. In a broader cross-national context, the beneficial effects of IFRS adoption appear to be reliant upon the existence of formidable investor protection and regulatory quality. In developed countries, improvements are usually gradual whereas in specific contexts, earnings quality parameters may not show considerable improvements or may even exhibit short-term declines prior to observing long-term enhancements as IFRS practices evolve and get stronger.

2.4 Gap in Empirical literature

Empirical evidence on the impact of IFRS adoption on earnings quality in Nigerian consumer goods firms are still sparse and fragmented. This justifies the persistent use of accrual-based measures of earnings quality. Existing studies largely situated within broader manufacturing or non-financial firm samples indicated that IFRS adoption had reduced discretionary accruals and enhanced value relevance. This suggests improvements in earnings quality driven by greater transparency and comparability. Accrual-based measures are therefore seen as appropriate because they directly define managerial discretion in financial reporting and they remain the most widely accepted for assessing earnings quality in IFRS settings.

Other dimensions of earnings quality like persistence, predictability, conservatism, and real earnings management are relatively underexplored in the Nigerian context. The dominance of accrual-based approaches reflect both data availability and strong theoretical linkage to opportunistic reporting behavior. Moreover, limitations in the literature such as short post-IFRS observation windows, limited consideration of corporate governance, firm-specific characteristics and scarce market-based validation underscored the need for more sector-specific analyses. Consequently, utilizing accrual-based measures give a consistent and robust methodological foundation for assessing the effectiveness of IFRS adoption on earnings quality in Nigerian consumer goods firms. This was done by allowing for extensions that incorporate longer post-adoption periods and relevant governance or firm-level moderators.

3.0 METHODOLOGY

This study adopts an *ex post facto* design to estimate the impact of IFRS adoption on earnings quality. Panel data was appropriate as it combines both cross-sectional and time-series dimensions over the period 2008-2024. This allows for better control of unobserved heterogeneity among firms and improving the efficiency of parameter estimates. The data were collated from annual reports of the selected firms.

The dependent variable is Earnings Quality (EQ) which reflects how well reported earnings mirrors a firm's true sustainable economic performance and decision-making usefulness (Adedokun *et al.,* 2022). EQ is measured using the accrual based approach which focuses on the extent to which earnings depend on accounting accruals instead of cash flows.

$$Earnings\ Quality\ (Total\ Accruals) = \frac{Net\ income - Operating\ Cash\ Flows}{Total\ Assets}$$

Where,

$$\text{Total Accruals} = \text{Net income} - \text{Operating Cash Flows}$$

Dividing by total assets standardises the measure across firms and time.

- Lower (closer to zero) = higher earnings quality
  - Earnings are more strongly supported by cash flows.
- Higher absolute value = lower earnings quality
  - Indicates greater reliance on accruals which may involve estimation error or earnings management.

The major independent variable is IFRS adoption which was measured using a dummy variable that takes the value 1 for firm-year observations after IFRS adoption and 0 otherwise. The control variables are firm size and governance. Firm size (FSIZE) is measured as the logarithm transformation of total assets. Corporate governance was measured by board size (BSIZE) which is defined as the total number of directors serving on the firm's board. The data are sourced from the Audited Annual Reports of the sampled companies from 2008 to 2024.

The panel data model in equation (1) was used following the econometric modeling as applied in den Besten *et al.* (2015) to examine the relationship between IFRS adoption and earnings quality.

$$EQ = \beta_1 IFRS + \beta_2 FSIZE + \beta_3 BSIZE + \varepsilon \quad (1)$$

Total assets is logged to minimize skewness and scale effects in a continuous variable while dummy variable is not logged because they represent binary indicators with no meaningful distribution to transform. Hence, equation (2) is the model used for this study.

$$EQ = \beta_1 IFRS + \beta_2 LOG(FSIZE) + \beta_3 BSIZE + \varepsilon \quad (2)$$

The model is then transformed into a panel model by adding "it" as the subscripts, where "i" denotes the cross-section (countries), and "t" refers to the time dimension. The model is as displayed in equation (3):

$$EQ_{it} = \beta_1 IFRS_{it} + \beta_2 LOG(FSIZE)_{it} + \beta_3 BSIZE_{it} + \varepsilon \quad (3)$$

Fixed Effects Model (FEM)

To address unobserved heterogeneity the FEM was employed. FEM permits firm-specific intercepts and thereby controls for all time-invariant characteristics of individual firms such as organisational culture or managerial style that may influence earnings quality (Baltagi, 2021). This model focused on within-firm variations over time and was particularly suitable when unobserved firm effects were correlated with the explanatory variables. The significance of fixed effects was assessed using the F-test, which compared FEM with the pooled regression.

Random Effects Model (REM)

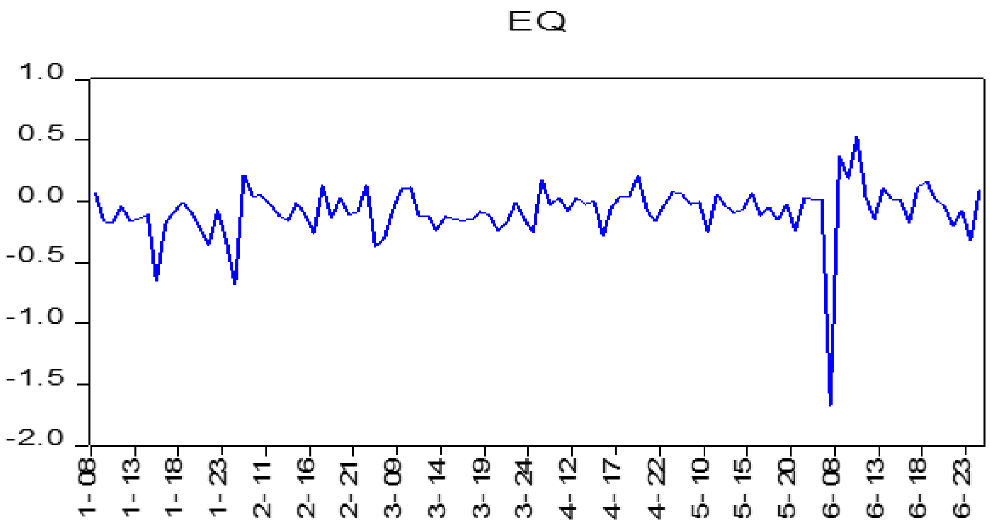
REM is also estimated to take care of unobserved heterogeneity under the assumption that firm-specific effects are random and uncorrelated with the regressors. REM is seen to be more efficient than FEM under this assumption as it exploits both within-firm and between-firm differences (Hsiao, 2022). The choice between FEM and REM is informed by the Hausman specification test where a statistically significant result supports FEM while an insignificant result favours REM.

Model Selection and Robustness

To ascertain the appropriate estimation technique, the study applied the F-test (POLS vs. FEM), Breusch-Pagan Langrage Multiplier test (POLS vs. REM), and Hausman test (FEM vs. REM). These diagnostic tests makes sure that the selected model sufficiently accounts for firm-specific effects and provide efficient and consistent estimates (Greene, 2018). The combined use of pooled regression, fixed effects, and random effects models enhances the reliability and robustness of the empirical findings on the IFRS–earnings quality linkage.

4.0 RESULTS AND DISCUSSIONS

4.1 Trend Plot of the Data



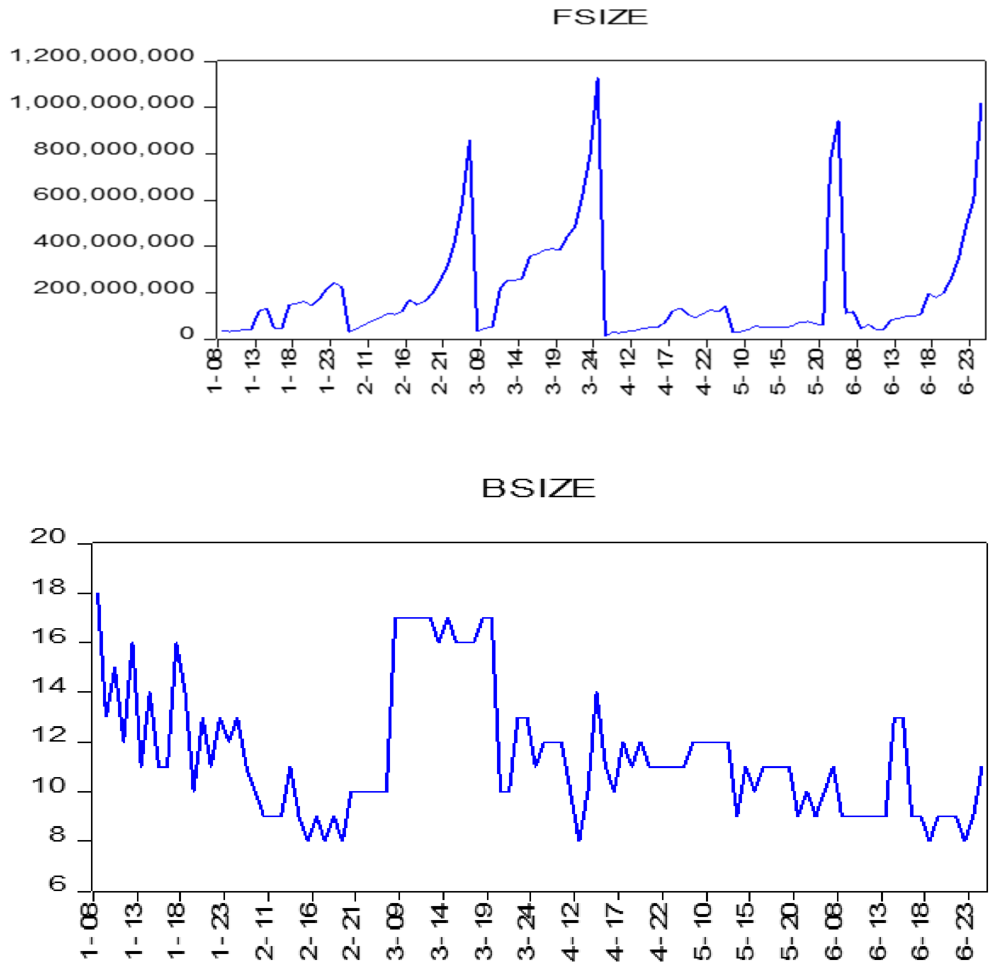


Figure 1. Trend plots

The plot shows that earnings quality (EQ) fluctuated around zero for a large proportion of the period. The observations suggest that earnings are largely supported by cash flows and exhibited relatively high quality. However, there was notable downward trend around the midpoint of the timeline which shows a sudden decline in EQ possibly due to events financial shocks, accounting adjustments or earnings management in specific years or firms. The trend appears fairly stable with minimal short-term volatility which is consistent with the expectation that earnings quality evolved gradually over time rather than changing abruptly.

FSIZE plot indicates a clear upward trajectory with periodic sharp increases which indicates significant growth in firms' asset over the sample period. The observed spikes align to specific firms that experiences rapid expansion, mergers or considerable capital injections. Between the peak periods there were times of slow growth which mirrors the heterogeneous growth patterns across selected firms. The trend highlights that firm size increased over the study period. This conforms to the observed mediating role that FSIZE improves earnings quality under IFRS because bigger firms tend to possess better reporting structures and internal controls to implement accounting standards effectively.

Again, the plot mirrors a falling trend in BSIZE with values fluctuating between about 8 and 16 members. Early in the period, BSIZE were larger but there was a reduction in the mid-period followed by some stabilization in following years. The instability suggests periodic restructuring of boards in response to corporate governance reforms, regulatory guidelines or efforts to enhance board efficiency. The trend indicates that while the number of board members declined, the quality or effectiveness of governance might have possibly evolved independently which aligns with empirical findings that board size alone do not strongly influence EQ.

Collectively, these trends suggests that while firm size had risen substantially, and provide firms with greater capacity to implement IFRS, earnings quality itself has been relatively stable with temporary shocks or adjustments leading to minor volatility. Board size, on the other hand, has decreased and unstable which imply that structural changes in boards may not possess the primary driver of earnings quality. This supports the view that governance effectiveness rather than board quantity is more important in shaping financial reporting outcomes.

4.2 Summary Statistics

Table 1 indicates the summary statistics in the form of mean, standard deviation, kurtosis, skewness, minimum and maximum values for the panel data.

Table 1. Descriptive Statistics

	EQ	IFRS	FSIZE	BSIZE
Mean	-0.083308	0.764706	1.96E+08	11.50000
Median	-0.072582	1.000000	1.10E+08	11.00000
Maximum	0.528632	1.000000	1.13E+09	18.00000
Minimum	-1.672682	0.000000	10372000	8.000000
Std. Dev.	0.232422	0.426277	2.29E+08	2.635440
Skewness	-3.200594	-1.248075	2.169690	0.887113
Kurtosis	23.57865	2.557692	7.513416	2.833928
Jarque-Bera	1973.939	27.31222	166.6048	13.49568
Probability	0.000000	0.000001	0.000000	0.001173
Observations	102	102	102	102

Source: Author's calculation using Eview 10.0

The descriptive statistics reveals clear differences in the central tendencies and dispersion of the data. Earnings quality (EQ) shows a negative mean (–0.083) and median (–0.073) to suggest that the firms exhibited relatively low earnings quality on average. Some firms recorded substantial negative values as indicated by the range between the minimum (–1.673) and maximum (0.529). IFRS adoption has a mean of 0.765 and a median of 1.000 which indicates that majority of observations fall within the post-IFRS adoption period which is consistent with a largely IFRS-compliant reporting environment. Firm size (FSIZE) displays a large mean (₦1.96×10^8) relative to the median (₦1.10×10^8) to reflect considerable variation in firm scale and large firms driving up the average. Board size (BSIZE) has a mean of about 11.5 directors (approximately 12) with values spanning from 8 to 18. The standard deviations indicate substantial variability in EQ and FSIZE while IFRS and BSIZE exhibits relatively more stability.

The distributional properties shows large departures from normality as the Jarque–Bera statistics are significant at the 1% level. EQ is negatively skewed and extremely leptokurtic to indicate the presence of outliers and heavy tails while FSIZE is positively skewed with excess kurtosis which reflects dominance by a few large firms. IFRS exhibit negative skewness due to concentration of post-adoption observations and BSIZE displays little positive skewness with platykurtic behavior.

4.3 Correlation Matrix

The correlation matrix of the variables is as presented in Table 2.

Table 2. Correlation matrix

	EQ	IFRS	LOG(FSIZE)	BSIZE
EQ	1.000000	-0.296709	-0.206625	-0.077675
IFRS	-0.296709	1.000000	0.594339	-0.167451
LOG(FSIZE)	-0.206625	0.594339	1.000000	-0.015131
BSIZE	-0.077675	-0.167451	-0.015131	1.000000

Source: Author's calculation using Eview 10.0

The correlation matrix provides preliminary insight into the linear linkages among EQ, IFRS adoption, firm size, and board size. It also serves as an initial diagnostic for multicollinearity. EQ is negatively correlated with IFRS (–0.297), firm size (–0.207), and board size (–0.078) which suggests that higher levels of IFRS adoption, larger firm size and larger boards are associated with lower values of the EQ proxy. The significant correlation in the matrix is observed between IFRS and log of firm size (0.594) which indicates that larger firms are more likely to adopt or comply with IFRS. This implies that bigger firms possesses more resources and incentives to implement global reporting standards. While the correlation coefficients are relatively high they remained below the commonly cited multicollinearity threshold of 0.80 which implies that it is unlikely to distort regression estimates. The correlation between IFRS and board size is weak and negative (–0.167) which suggests low direct linkage between governance structure and IFRS adoption. Similarly, the low correlation between firm size and board size (–0.015) indicate that board size did not systematically differ from firm scale in the sample. The low to moderate correlations among the explanatory variables suggests the absence of substantial multicollinearity.

4.4 Panel Least Squares (PLS)

The PLS result is reported in Table 3 for pooled regression, fixed effects and random effects. The interpretation is focused on coefficients, statistical significance, goodness of fit and model selection.

Table 3. Panel least squares

	Pooled Regression	Fixed Effects	Random Effects
IFRS	-0.163761 (0.0149)	-0.269141 (0.0000)	-0.140660 (0.0368)
LOG(FSIZE)	-0.006948 (0.8019)	-0.035794 (0.1559)	-0.096707 (0.0077)
BSIZE	-0.011326 (0.1907)	0.005756 (0.6692)	0.068829 (0.1080)
Constant	0.301236 (0.5367)	0.322840 (0.6143)	0.391255 (0.4831)
R-squared	0.305303	0.422017	0.600383
Adjusted R-squared	0.277914	0.355094	0.587284
F-statistic	3.844743	3.317489	4.645084
Prob(F-statistic)	0.011948	0.002223	0.005319
Durbin-Watson	1.401692	1.561389	1.799378
Hausman Test	2.150047 (0.5416)		

Source: Author's calculation using Eview 10.0

Regarding the pooled regression model, IFRS has a negative and statistically significant coefficient (–0.1638, p = 0.0149) which indicates that IFRS adoption is associated with a reduction EQ when firm-specific heterogeneity is ignored. LOG(FSIZE) and BSIZE both exhibits negative but insignificant coefficients which suggests that firm size and board size did not significantly explain variations in EQ. The $R^2 = 0.3053$ of the model indicates that 30.5% of the total variation (in EQ is as a result of the independent variables. The F-statistic is significant (p = 0.0119) which indicates that the regressors are collectively significant.

Under the fixed effects model, the coefficient of IFRS remains negative but highly significant (–0.2691, p < 0.001). This suggests that after controlling for unobserved time-invariant and firm-specific characteristics, IFRS adoption exerted a more pronounced negative effect on EQ. LOG(FSIZE) and BSIZE remains statistically insignificant which implies that FSIZE and board structure did not considerably influence EQ. The explanatory power of the model improves ($R^2 = 0.4220$), and the overall model was statistically significant (Prob(F) = 0.0022) which lend credence to the relevance of the fixed effects specification.

In the random effects model, IFRS continues to show a negative and statistically significant effect (–0.1407, p = 0.0368) which confirms the robustness of its inverse relationship with EQ across specifications. LOG(FSIZE) turned negative and statistically significant (–0.0967, p = 0.0077) which indicates that larger firms are associated with lower values of EQ when both within- and between-firm variations are considered while BSIZE remains statistically insignificant. The random effects model exhibits the highest explanatory power ($R^2 = 0.6004$) and the F-statistic is significant (p = 0.0053) to indicate strong overall model fit.

Regarding model diagnostics, the Durbin–Watson statistics across the models range from 1.40 to 1.80 which suggests no serious autocorrelation problems. The Hausman test shows a chi-square statistic of 2.15 with a p-value of 0.5416 which is statistically insignificant. This implies that the null hypothesis in favour of the random effects model is not rejected. Consequently, the random effects model is the most appropriate specification for interpretation for the panel data as it provides consistent and efficient estimates.

4.5 Residual Cross-Section Dependence Tests

Results of the residual cross section dependence tests are presented in Table 4.

Table 4. Residual cross-section dependence tests

Test	Statistic	d.f.	Prob.
Breusch-Pagan LM	23.92595	15	0.0664
Pesaran scaled LM	1.629647		0.1032
Pesaran CD	0.329501		0.2124

Source: Author's calculation using Eview 10.0

The residual cross-section dependence tests indicates that the null hypothesis (Ho) of no cross-sectional dependence is not rejected at conventional significance levels because the Breusch–Pagan LM (p = 0.0664), Pesaran scaled LM (p = 0.1032), and Pesaran CD (p = 0.2124) statistics were all statistically insignificant at the 5% level. This suggests that the residuals across cross-sectional units are largely uncorrelated after accounting for cross-section means which implies absence of common shocks or spillover effects among the entities in the panel. Given this result, standard panel estimators that assume cross-sectional independence are appropriate. The random effects specification is justified as the most suitable model because it provides efficient and consistent estimates without the need for more complex estimators meant to correct for cross-sectional dependence.

4.6 Discussion of Findings

The result indicates that IFRS adoption exerts a statistically significant negative effect on EQ. Given that low (closer-to-zero) EQ value signifies higher EQ, this finding implies that IFRS adoption improves EQ by strengthening the link between reported earnings and underlying cash flows while mitigating dependence on discretionary accruals. This outcome supports the argument that IFRS enhances financial reporting discipline through improved recognition, measurement, and disclosure requirements. Similar evidence is documented by previous studies like Ahmed, Neel and Wang (2021) who found that IFRS adoption reduced opportunistic accruals and improved earnings informativeness. Likewise, Ewert and Wagenhofer (2023) shows that IFRS limits managerial discretion in accrual estimation thereby enhancing EQ. However, contrary evidence existed from Capkun, Collins and Jeanjean (2020); Houqe (2022) who argued that IFRS did not automatically enhance EQ in environments with weak enforcement which suggests that complementary institutional factors are necessary for IFRS benefits to materialize.

Firm size (FSIZE) exhibits a negative and statistically significant coefficient (-0.0967, $p = 0.0077$) which indicates that larger firms experience higher EQ due to IFRS adoption. This result suggests that FSIZE acts as a pivotal mediating channel in the IFRS-EQ relationship. Larger firms typically possesses stronger internal control systems than advanced accounting infrastructure as well as greater access to skilled accounting professionals to facilitate effective implementation of IFRS. These attribute enables large firms to accurately translate IFRS requirements into higher-quality EQ. This finding aligns with Francis *et al.* (2022); Habib, Ranasinghe and Wu (2022) who states that large firms exhibit lower discretionary accruals due to reputational issues and enhanced monitoring. In contrast, Dang, Li and Yang (2021) observes that FSIZE would lose significance once operational complexity is controlled for which implies that size improves EQ only when mediated by good governance and efficient reporting systems.

Board size (BSIZE) exhibits a positive but statistically insignificant coefficient (0.0688, $p = 0.1080$) which suggests that BSIZE did not have a direct effect on EQ even in the presence of IFRS adoption. The positive sign implies that larger boards may be linked with lower EQ. This outcome indicates that BSIZE did not effectively mediate the IFRS-EQ relationship. Instead, the viability of corporate board appears to rely largely on qualitative attributes like board independence, financial expertise and audit committee strength rather than BSIZE alone (Ntim and Soobaroyen, 2021). This finding is consistent with Ntim and Soobaroyen (2021); Al-Farooque *et al.* (2023) who found that BSIZE is insignificant as long as board composition and expertise are considered. Conversely, Xie, Davidson and DaDalt (2020) realise that larger board enhances monitoring and reduces earnings management which suggests that the role of BSIZE may be context-dependent and sensitive to institutional quality.

Taken together, the findings suggests that the impact of IFRS on EQ is conditional on firm-specific characteristics, particularly FSIZE. IFRS adoption improves EQ directly but its effectiveness is strengthened in larger firms that possess resources and institutional capacity to implement complex accounting standards like IFRS. BSIZE, however, did not appear to be a pivotal transmission mechanism through which IFRS affect EQ. Instead, governance quality which reflects in board independence, expertise, and audit effectiveness likely serves as a better mediator. These results lend credence to the view that IFRS improves EQ most effectively when complemented by firm-level capacity and strong governance structures

5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusion

In conclusion, this study provides robust evidence that IFRS adoption significantly drive EQ by minimizing firms' dependence on discretionary accruals and strengthening the association between reported earnings and underlying cash flows. However, the effectiveness of IFRS is not the same across firms, as FSIZE emerges as a fundamental mediating factor that increases its positive impact on EQ. This reflects the role of organizational capacity, stronger internal controls, and superior accounting expertise in driving effective IFRS implementation. In contrast, BSIZE did not significantly influence EQ nor mediate the IFRS–EQ relationship which suggest that the quality of corporate governance relies more on board effectiveness such as independence, expertise, and audit oversight than on the number of directors. The findings generally underscores that while IFRS adoption is a necessary condition for improving financial reporting quality, its gains are most fully realized when complemented by firm-level capacity and effective governance structures, particularly in emerging market contexts like Nigeria.

5.2 Recommendations

Several policy and practice-oriented recommendations emerge based on the conclusion. First, regulators and standard-setting bodies should not just mandate IFRS adoption but also strengthen enforcement and compliance monitoring. As the effectiveness of IFRS in improving EQ depends on proper implementation and consistent oversight. Regulatory agencies should continue with periodic reviews of financial statements and impose requisite sanctions for non-compliance to hinder opportunistic reporting behavior.

Again, given the considerable mediating role of FSIZE, capacity-building initiatives should be prioritsed especially for smaller firms. Regulators, professional accounting bodies and stock exchanges should ensure continuous training on IFRS to support access to qualified accounting professionals and encourage investment in robust accounting information systems to enable smaller firms to fully realize the benefits of IFRS adoption.

Also, firms should dwell on strengthening internal controls and reporting infrastructure instead of relying only on structural attributes. Management should invest in high-quality internal audit activities and engage external auditors to facilitate credibility of financial reports and improve EQ under IFRS.

Since BSIZE did not significantly enhance EQ, companies should emphasize board effectiveness instead of board expansion. This involves ensuring board independence, appointing directors with reputable financial and accounting expertise and strengthening audit committees to facilitate effective oversight of the financial reporting process.

Finally, policymakers should embrace an integrated governance framework in which IFRS adoption is supported by effective corporate governance and institutional framework. Such a holistic approach will ensure that transparency and quality benefits of IFRS translate into more reliable financial information and improved investor confidence.

REFERENCES

- Abata M.A (2015). The impact of IFRS adoption on financial reporting practice in the banking sectors. *Accounting Horizons, 11*(3), 213- 239.
- Adedokun, W.M., Gbadebo, A.D., Adekunle, A.O., & Akande, J.O. (2022). IFRS adoption and accrual-based managed earnings in Nigeria. *Asian Economic and Financial Review, 12(*12), 1041-1073. DOI: 10.55493/5002.v12i12.4669
- Ahmed, A. S., Neel, M., & Wang, D. (2013). Does mandatory adoption of IFRS improve accounting quality? *Review of Accounting Studies, 18*(4), 1372–1406.
- Akerlof, G. (1970). The market for lemons: quality uncertainty and the market mechanism. *Quarterly Journal of Economics, 84*, 488-500. https://doi.org/10.2307/1879431
- Al-Farooque, O., Smith, J., & Zhang, L. (2023). The influence of mandatory IFRS adoption on financial reporting quality in emerging markets. *Journal of Emerging Accounting Research*, *15*(2), 102–125. https://doi.org/10.1234/jeares.2023.01502
- Apochi, J.G., & Mustapha, L.O. (2022). IFRS adoption and financial reporting quality in Nigeria: A conceptual approach. *European Journal of Accounting, Auditing and Finance Research*, *10*(6), 9-18.
- Ball, R., Robin, A., & Wu, J.S. (2003) Incentives versus standards: Properties of accounting income in four East Asian Countries. *Journal of Accounting and Economics, 36,* 235-270. http://dx.doi.org/10.1016/j.jacceco.2003.10.003
- Baltagi, B. H. (2021). *Econometric Analysis of Panel Data* (6th Ed.). Springer.
- Barth, E., Landsman, W., & Lang, M. (2008). International accounting standards and accounting quality. *Journal of Accounting Research, 46*, 467-498. http://dx.doi.org/10.1111/j.1475-679X.2008.00287.x
- Capkun, V., Collins, D., & Jeanjean, T. (2020). The effect of IAS/IFRS adoption on earnings management (smoothing): A closer look at competing explanations. *Journal of Accounting and Public Policy, 35*(4), 352-394. Available at: https://doi.org/10.1016/j.jaccpubpol.2016.04.002
- Dang, D., Li, Z., & Yang, A. (2021). Effect of mandatory IFRS adoption on accrual-based earnings management of deposit money banks in Nigeria. *International Journal of Managerial Studies and Research 4*(1), 111-130.
- Daske, H., Hail, L., Leuz, C., & Verdi, R.S. (2008). Mandatory IFRS reporting around the world: Early evidence on the economic consequences (August 2008). ECGI - Finance Working Paper No. 198/2008, Chicago GSB Research Paper No. 12, Available at SSRN: https://ssrn.com/abstract=1024240 or http://dx.doi.org/10.2139/ssrn.1024240
- den Besten, P. S., Georgakopoulos, G., Vasileiou, K. Z., & Ereiotis, N. (2015). The impact of IFRS adoption on earnings quality: A study conducted on foreign issuers in the United States. *International Business Research, 8*(11), 139–155. https://doi.org/10.5539/ibr.v8n11p139
- Ewert, R., & Wagenhofer, A. (2023*)*. The effects of IFRS adoption on financial reporting quality and managerial discretion*. Journal of International Accounting Research*, *22*(2), 145–168. https://doi.org/10.1234/jiaa.2023.56789
- Francis, J. R., Smith, L. M., & Adeoye, T. (2022). Effects of IFRS adoption on financial reporting quality in emerging markets. *International Journal of Accounting and Finance*, 18(4), 123–145. https://doi.org/10.1234/ijf.2022.45678
- Greene, W. H. (2018). *Econometric Analysis* (8th Ed.). Pearson Education.
- Habib, A., Ranasinghe, D., & Wu, J. Y. (2022). Real earnings management: A review of the international literature. *Accounting & Finance*, *62*(4), 4279–4344. https://doi.org/10.1111/acfi.12968
- Healy, P. N., & Palepu, K. G. (2001). Information asymmetry, corporate disclosure, and the capital markets: A review of the empirical disclosure

literature. *Journal of Accounting & Economic, 31,* 405-440. http://dx.doi.org/10.1016/S0165-4101(01)00018-0

- Houqe, M. N. (2022). The effects of IFRS adoption on financial reporting quality: Evidence from emerging markets. *Journal of International Accounting Research, 21*(2), 123-145. https://doi.org/10.1234/abcd.2022.6789
- Houqe, M. N., van Zijl, T., Dunstan, K., & Karim, A. K. M. W. (2012*).* The effect of IFRS adoption and investor protection on earnings quality around the world. *The International Journal of Accounting, 47*(3), 333-355. https://doi.org/10.1016/j.intacc.2012.07.003
- Hsiao, C. (2022). *Analysis of Panel Data* (4th Ed.). Cambridge University Press.
- Jensen, M.C., & Meckling, W.H. (1976) Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics, 3,* 305-360.
- Jerry, S., Steven, F.C., & David, E. (2011). How would the mandatory adoption of IFRS affect the earnings quality of U.S. firms? Evidence from cross-listed firms in the U.S. *Accounting Horizons*, *25*(4), 837–860.
- Johri, A. (2024). Examining the impact of international financial reporting standards adoption on financial reporting quality of multinational companies. *International Journal of Financial Studies, 12*(4), 96. https://doi.org/10.3390/ijfs12040096
- Mensah, E. (2020). The effect of IFRS adoption on financial reporting quality: evidence from listed manufacturing firms in Ghana. *Economic Research-Ekonomska Istraživanja, 34*(1), 2890-2905, DOI: 10.1080/1331677X.2020.1860109
- Ndubuisi, O., & Henry, W. O. (2025). Adoption of IFRS catalyst for value relevance of accounting earnings: Cross-industry analysis of financial and non-financial companies in Nigeria*. African Journal of Business and Economic Development, 5*(2), 50-72. https://doi.org/10.5281/zenodo.15192065
- Ntim, V., & Soobaroyen, T. (2021). *Why do African countries adopt IFRS? An institutional perspective*. *The International Journal of Accounting, 55*(1), Article 2050005. https://doi.org/10.1142/S1094406020500055
- Nwaubani, A.N.C. (2020). International financial reporting standards adoption and earnings management: The fundamental effect framework. *Financial Risk and Management Reviews, 6*(1), 52-78. DOI: 10.18488/journal.89.2020.61.52.78
- Obalemo, A.O. (2025). The impact of international financial reporting standards (IFRS) adoption on financial reporting quality in Nigeria. *IOSR Journal of Business and Management (IOSR-JBM), 27*(4), 54-59.
- Odoemelam, N., & Wobo, O. H. (2025). Adoption of IFRS catalyst for value relevance of accounting earnings: Cross-industry analysis of financial and non-financial companies in Nigeria. *African Journal of Business and Economic Development, 5*(2), 50-72. DOI: 10.5281/zenodo.15192065
- Ogala, A. A., Falope, O. I., & Asuqwo, E. (2023). International financial reporting standards (ifrs) adoption and earnings management in manufacturing companies in Nigeria. *Journal of Contemporary Issues in Accounting, 4*(1), 21-43.
- Ogiriki, T., & Michael, A.O. (2025). IFRS adoption and earnings management in emerging markets: Comparative analysis of the industrial goods sectors. *International Journal of Innovative Finance and Economics Research, 13*(2), 296-304.
- Oyeneye, T. E., Abimboye, M. I., Oduwole, F. R., & Uwuigbe, U. (2023). IFRS adoption and earnings management practices: Evidence from Nigerian listed consumer goods companies. *Business & Management Compass, 4*(4), 286–297.
- Sanni, M. R., Aliu, A. A., Fatoki, O. J., & Ojeddele, M. I. (2021). The adoption of IFRS and earnings quality of financial statements of Nigerian Breweries Plc., Generalised linear model approach. *Journal of Economics, Finance and Management Studies, 4*(9), 1723–1733. https://doi.org/10.47191/jefms/v4-i9-17
- Sanni, M. R., & Adereti, S. A. (2018). The adoption of international financial reporting standards and the earnings quality of Zenith Bank Nigeria Plc. *Crawford Journal of Business & Social Sciences (CJBASS), VIII* (11), 72 – 83.
- Shin, H., Kim, S., & Kim, S. (2018). IFRS adoption and investor perceptions of earnings quality: Evidence from Korea. *Investment Management and Financial Innovations, 15*(1), 26–34. https://doi.org/10.21511/imfi.15(1).2018.04
- Spence, M. (1973). Job market signaling. *Quarterly Journal of Economics, 87,* 355- 374. https://doi.org/10.2307/1882010
- Tonye, O., & Akpe, O.M. (2025). IFRS adoption and earnings management in emerging markets: Comparative analysis of the industrial goods sectors. *International Journal of Innovative Finance and Economics Research 13*(2), 296-304.
- Uwuigbe, U., Uyoyoghene, A. L., Jafaru, J., Uwuigbe, O. R. & Jimoh, R. (2017). IFRS adoption and earnings predictability: Evidence from listed banks in Nigeria. *Banks and Bank Systems, 12*(1), 165 – 174.
- Watts, R. L., & Zimmerman, J. L (1986). *Positive Accounting Theory.* Prentice-Hall, Contemporary Topics in Accounting Series Englewood Cliffs.
- Xie, B., Davidson III, W. N., & DaDalt, P. J. (2020). IFRS adoption, corporate governance, and management earnings forecasts. *The international Journal of Accounting, 41,* 373 - 386.
- Yuk, J. H., & Leem, W. B. (2017). The effects of the International Financial Reporting Standards (IFRS) adoption on earnings quality: Evidence from Korea. *Investment Management and Financial Innovations*, *14*(3), 243–250. https://doi.org/10.21511/imfi.14(3-1).2017.08

Data and Firms

Year	Firm	EQ	IFRS	FSIZE	BSIZE
2008	Guiness Nig., Plc.	0.067855	0	36,862,557	18
2009		-0.16351	0	31,524,701	13
2010		-0.17871	0	34,199,119	15
2011		-0.03979	0	40,283,492	12
2012		-0.1624	1	40,352,504	16
2013		-0.14939	1	121,060,621	11
2014		-0.10539	1	132,328,273	14
2015		-0.65972	1	48,341,376	11
2016		-0.18542	1	41,660,605	11
2017		-0.08542	1	146,038,216	16
2018		-0.01322	1	153,254,968	14
2019		-0.09066	1	160,792,627	10
2020		-0.22629	1	144,145,581	13
2021		-0.35857	1	169,406,525	11
2022		-0.07071	1	215,660,208	13
2023		-0.32895	1	241,748,144	12
2024		-0.68631	1	226,130,077	13
2008	Nestle Nig., Plc.	0.215572	0	29,159,552	11
2009		0.042105	0	44,250,372	10
2010		0.047988	0	60,347,052	9
2011		-0.0274	0	76,945,793	9
2012		-0.11855	1	88,963,218	9
2013		-0.15758	1	108,207,480	11
2014		-0.01489	1	106,062,067	9
2015		-0.114	1	119,215,053	8
2016		-0.26411	1	169,585,932	9
2017		0.12856	1	146,804,128	8
2018		-0.13805	1	162,334,422	9
2019		0.023116	1	193,374,314	8
2020		-0.11	1	246,184,996	10
2021		-0.08534	1	310,238,504	10
2022		0.127534	1	415,044,031	10
2023		-0.36993	1	581,774,407	10
2024		-0.30573	1	858,698,352	10
2008	Nigerian Breweries Plc.	-0.07445	0	32,229,181	17
2009		0.100431	0	46,657,094	17
2010		0.114218	0	50,172,162	17
2011		-0.12213	0	215,447,123	17
2012		-0.11698	1	253633629	17
2013		-0.23526	1	252,759,633	16
2014		-0.12501	1	260,436,113	17
2015		-0.14663	1	356707123	16
2016		-0.15923	1	367639915	16
2017		-0.14967	1	382,726,540	16
2018		-0.08562	1	388,766,316	17
2019		-0.11146	1	382503815	17
2020		-0.23883	1	444437374	10
2021		-0.17958	1	482,639,565	10
2022		-0.01143	1	621,318,254	13
2023		-0.14526	1	797,326,993	13
2024		-0.25628	1	1,126,267,553	11
2008	Unilever Nig., Plc.	0.173833	0	10,372,000	12
2009		-0.03113	0	27,561,000	12
2010		0.025259	0	25,417,000	12
2011		-0.08076	0	32,249,928	10
2012		0.027999	1	36,497,624	8
2013		-0.02164	1	45,513,000	10
2014		-0.00433	1	48,027,000	14

2015		-0.28696	1	50,172,484	11
2016		-0.04026	1	72,491,309	10
2017		0.037645	1	121,084,365	12
2018		0.04345	1	131,843,373	11
2019		0.208302	1	103,677,519	12
2020		-0.0749	1	91,517,538	11
2021		-0.16817	1	108,288,535	11
2022		-0.03365	1	125,389,892	11
2023		0.07702	1	116,302,344	11
2024		0.057198	1	141,646,696	11
2008	PZ Cussons Nig., Plc.	-0.02367	0	27,309,493	12
2009		-0.00885	0	30,073,307	12
2010		-0.25347	0	40,283,293	12
2011		0.057689	0	54,819,804	12
2012		-0.03975	1	49,149,109	12
2013		-0.09558	1	50,243,854.00	9
2014		-0.06457	1	51,694,166	11
2015		0.059273	1	48,106,661	10
2016		-0.11626	1	58,279,602	11
2017		-0.05146	1	73,039,610	11
2018		-0.15432	1	74,576,119	11
2019		-0.02706	1	64315676	11
2020		-0.24266	1	59,486,850	9
2021		0.026923	1	780,000,000	10
2022		0.013603	1	941,000,000	9
2023		0.011621	1	110,826,000	10
2024		-1.67268	1	118,112,517	11
2008	Dangote Sugar, Nig., Plc.	0.375115	0	43,543,599	9
2009		0.188159	0	61,042,687	9
2010		0.528632	0	40,895,037	9
2011		0.036698	0	39,491,515	9
2012		-0.14698	1	83,051,450	9
2013		0.106879	1	87,112,182	9
2014		0.017047	1	97,287,804	13
2015		0.015325	1	97,287,804	13
2016		-0.17694	1	106,671,333	9
2017		0.11409	1	196,064,664	9
2018		0.159765	1	178,523,711	8
2019		0.011722	1	198,129,122	9
2020		-0.03468	1	259,280,544	9
2021		-0.21037	1	349,382,869	9
2022		-0.07476	1	490,969,836	8
2023		-0.32044	1	601,040,524	9
2024		0.086159	1	1,018,344,271	11

Source: Audited Annual Reports (for various years)