Financial Statements' Analysis and IFRS Adoption during the Transitioning Period: The Case of Nigerian Banks

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ABSTRACT

This study examined the effect of adoption of IFRS on financial statement analysis in Nigerian banks during the transitioning period. The same-firm year research design was employed using data from the financial statements prepared under SAS and IFRS for year 2011 for selected Nigerian banks. These data included: Current Ratio (CR), Return on Capital Employed (ROCE), Earnings per Share (EPS), and Debt to Equity (DE). Analyses of the data using ANOVA tests, correlation and OLS regression techniques yielded mixed results. The ANOVA results indicated no significant statistical difference in means of financial ratios of SAS and IFRS financial statements while the results of the correlation and the regression analyses suggest strong positive relationships between each pair of ratios. SAS financial ratios also exerted significant positive effect on IFRS financial ratios for each pair with coefficients greater than 1. The study concluded that IFRS ratios provide larger positive variations when their equivalent SAS ratios are positive and vice versa. Also, financial statements prepared under IFRS seem to reflect better economic reality of the sampled banks' business activities because of its measurement procedures and more extensive disclosure requirements. Thus, we recommended that for effective analysis of financial statements prepared under IFRS, there is need for the financial analysts to take into consideration the numerous narrative reports and disclosures provided since values presented in the statements of comprehensive income and financial position alone cannot provide the adequate information required to make informed economic decisions.
Keywords: IFRS adoption, Current ratio, fair value, impairment adjustment, EPS.

1. Introduction

Recent decades have seen intensified cross-border businesses/transactions that have turned the world to a global-village. The advent of this global-village brought about the need for a common language. As observed by Ikpefan and Akande (2012), Accounting is the language of business while financial reporting is seen as the medium through which the language is expressed. Accounting and financial reporting are regulated by Generally Accepted Accounting Principles (GAAP) comprising accounting standards, company law, stock market regulations, and so on. The global GAAP that seeks to unify accounting and financial reporting world is issued by the International Accounting Standards Boards (IASB). The GAAP comprises: the International Financial Reporting Standards (IFRSs), the International Accounting Standards (IASs), Standing Interpretations Committee (SICs) pronouncements, and International Financial Reporting Interpretations Committee (IFRICs) guidelines.

Asein (2011) submitted that the IFRS has already been adopted by over 122 countries of the world due to the standards unambiguous treatment of various accounting issues and have started to significantly impact the process, quality and reliability of financial statements globally. Thus, the Nigeria Senate in the year 2011 passed the Financial Reporting Council of Nigeria Bill, which repealed the Nigerian Accounting Standards Board Act and replaced it with a new set of rules which include, the establishment of the Financial Reporting Council (FRC) as the federal agency charged with the responsibility to develop and publish Accounting and Financial Reporting standards to be observed in the preparation of financial statements in Nigeria and for related matters (Obazee, 2011). It also gave the council powers to enforce compliance with International Accounting Standards of quoted companies in the country. The year 2012 therefore, became the first IFRS reporting period for Nigerian quoted companies especially the banking sector and other public interest entities.

The on-going process of accounting harmonisation following adoption of the IFRS has imposed significant changes in accounting traditions and in the disclosure requirements of the various countries' financial statements. These significant changes in accounting traditions have led to the on-going debate on International Financial Reporting Standards (IFRS) and accounting harmonization or convergence. The expectations of countries implicitly assume that adoption of international accounting standards will lead to improvements in the quality of reported financial information and its proponents argue that a single global set of accounting standards helps to reduce information irregularity and strengthens the communication link between all stakeholders. Also, it is said to reduce cost of preparing different versions of financial statements (in cases of multi-national corporations) and increases capital flow across borders (Healy and Palepu, 2001; Bushman and Smith, 2001). Nobes and Parker (2008) observed that the objective of the financial statement drawn up according to these standards is to provide organised information that are essential for its users (especially investors) on the financial performance, changes in equity, asset structure, and cash flows of companies in making economic decisions. However, this does not completely appear to be the case for first time adopters preparing two financial reports for their transitioning

period, a complete set under the Nigerian GAAP (SAS) and another set under IFRS for the same period showing two distinct profits (since the two standards use different accounting treatments). The different results under the two regimes have the capacity to mislead or rather confuse financial analysts since they rely extensively on accounting information to make forecasts (Roger and Grant, 1997; Block, 1999). Issues of this nature have led to the ongoing debate as to the effectiveness of these standards. It is without prejudice that the adoption of IFRS has significantly changed the underlining methods and concepts used in the preparation of financial Statements and as such changes in both the statement of comprehensive income and financial position. Thus, researchers have embarked on the journey to unveil the authenticity of the standards' stringent procedures. Although, majority of past studies have focused on the effect of IFRS on the quality of financial statements, few have been able to research on the subject matter of this study.

It is from the above background that this study investigates empirically the effect of IFRS adoption in Nigeria on financial statements analysis of its banks during the transitioning period of 2011. The study uses financial statements of Nigerian banks prepared under IFRS and SAS to study the relationship between IFRS adoption and financial statements analysis during the transitioning period of 2011. Results of prior studies on the effects of IFRS adoption on financial ratios are mixed. This study however has its focus solely on the banking sector in Nigeria which helps to give better informed judgement since they are under the same regulatory regime and are expected to exhibit similar characteristics.

The next section presents the literature review. Section 3 presents the study methodology. Section 4 highlights the results of empirical tests while section 5 concludes the study.

2. Literature Review

Prior to the wholesale adoption of International Financial Reporting Standards (IFRS) in Nigeria, the Nigerian Accounting Standard Board (NASB), established in 1982 was saddled with the responsibility of harmonising the International Accounting Standards (IAS) developed by the then International Accounting Standards Committee (IASC) . This harmonisation process was done with the goal of adopting the standards and further developing other standards that are peculiar to the nation's economic environment, thus, the board developed the Statement of Accounting Standards (SAS). As observed by the Nigeria's financial hub (2011), these standards were not generally accepted by multinational companies since they are seen as mere codification of the International Accounting Standards (IAS). Therefore, in the year 2011, the Financial Reporting Council of Nigeria replaced the NASB with the sole responsibility of enforcing the adoption of IFRS in the country. Although the Financial Reporting Council Act empowers the council to establish accounting standards, this has not been done as at the time of this study.

Gyasi (2010) observed that the International Accounting Standards Committee (IASC) was founded in 1973, with the goal to bridge the gap between accounting standards among countries, by a group of professional accounting practitioners with an attempt to formulate uniform and global accounting standards (International Accounting Standards- IAS) that would aim at reducing the discrepancies in international accounting principles and reporting practices. Subsequently the IASC was replaced with International Accounting Standards Board (IASB) in 2001 and the board established the International Financial Reporting Standards (IFRS). Thus, countries around the world adopted IFRS with the belief of making financial statements better on the overall as such providing a trigger in the research of whether such assumptions are true when empirically tested. A few of the researches relating adoption of IFRS to financial ratios are discussed in this section.

Lantto and Sahlstrom (2009) examined the impact of IFRS adoption on key financial ratios in Finland. The study employed same firm year research approach by calculating ratios for 91 firms listed on Helsinki Stock Exchange. The results show that the adoption of IFRS changes the magnitude of the key accounting ratios and that the reasons for the changes observed in accounting figures and ratios are associated with the adoption of fair value accounting rules and stricter requirements on certain accounting issues. Also, Michel, François-Éric and Jean-Yves (2011) researched on the impact of financial ratios caused by the transition to IFRS in Canada. Using the same firm year research approach to extract data from a sample of cohort early adopters in Canada and computing specific financial ratios in the areas of liquidity, leverage, coverage and profitability, their results show significantly higher volatility to most of the ratios under IFRS and insignificant differences in the means and medians of ratios under IFRS and pre-changeover Canadian GAAP. They recommended that attention should be directed to the statement of comprehensive income, which incorporates unrealized gains and losses that by pass the income statement.

Furthermore, Ibiamke & Ateboh-Briggs (2014) and Zayyad, Ahmad, & Mubaraq (2014) carried out a similar study on the effect of IFRS adoption in Nigeria on key financial ratios. Both findings reveal the existence of an insignificant effect of adoption of IFRS on financial ratios. Serkan, Recep and Ilker (2013) on their part concluded that the adoption of IFRS has significant effects on the ratio analysis of financial statements of listed companies in Turkey. Consequently, findings of prior studies on the effects of IFRS adoption on financial statements ratios are mixed.

2.1 Financial Statements' Analysis, Capital need theory and Hypothesis Development

The financial statements provide evidence of the financial status of an organisation to its capital providers. They are the result of the accounting process which starts with collection of financial information from the source documents (such as receipt, invoices, debit note, credit note and so on). Accounting process involves collecting, recording, classifying and summarizing business transactions. Financial Statement relates to the fourth process namely, summarising. The financial statements are based on certain accounting conventions which cannot be said to be fool proof. The information provided in the financial statements is seen as a means to an end and wholesome meaningful conclusions cannot be drawn from these statements alone. There is, therefore, the need for capital providers to perform financial statements' analysis in order to unveil the nature and magnitude of the relationship between the elements of the financial statements. Subramanian (2002) defined financial statement analysis as the process of identifying financial strengths and weaknesses of the firm by properly establishing relationship between the items of the balance sheet and the profit and loss account.

The first course of financial statement analysis could be traced back to the stages of America's drive to industrialization in the last half of the nineteenth century. The major development that created the need for a systematic analysis of companies' financial data are the emergence of the corporation as the main organizational form of business enterprise, resulting in the separation of management from ownership and the fast increasing role of financial institutions (e.g. Banks, investment and insurance companies) as the major suppliers of capital for business expansion requiring formal evaluation of borrowers credit worthiness, consequently, analyzing corporate financial data (Horrigan 2001; Onyeiwu and Aliemeke, 2009).

According to Core (2001), capital needs theory holds that companies that have growth opportunities in the capital market seek external financing opportunities from the capital market. The need for capital for sustainability and growth is one of the main reasons for financial statements to be prepared uniformly, understandably and comparably. The FASB Working Group (FASB, 2001) studied companies in the chemical industry and observed that there had been a significant increase in the quality of voluntary disclosures over the previous five years because of competition for capital. Adoption of IFRS not only affords organisations uniform, understandable and comparable financial statements but also reduce information irregularity. It therefore increases capital flow across borders since IFRS financial statements tend to be understandable by potential foreign investors. (Healy and Palepu, 2001; Bushman and Smith, 2001).

To provide preliminary evidence of the impact on financial ratios caused by the transition to International Financial Reporting Standards (IFRS) in Nigeria, this study developed the following hypothesis in line with the works of Michel, et al (2011) and subsequent OLS regression models discussed in the next section:

H_o: Financial ratios computed from SAS financial statements have no significant effect on financial ratios computed under IFRS financial statements.

3. **Methodology**

This study employs the same firm year research design approach. This had been successfully used in prior studies (Lantto and Sahlstrom, 2009; Michel,et al 2011; Ibiamke & Ateboh-Briggs, 2014). The approach gives a comparison of financial statements prepared under both standards (SAS and IFRS) in the same year. The transitional requirements of IFRS 1 *First-time Adoption of International Financial Reporting Standards* make such comparison possible in the first year of the transition to IFRS. This standard requires IFRSs to be applied not only for the year of the shift, but also retrospectively from an opening balance sheet prepared at a transition date (IFRS 1.6-7). The opening balance sheet is based on a full retrospective application of IFRS, as if these standards had always been in application, except for a number of exceptions and exemptions (Wiecek and Young, 2009). In particular, full financial statements are available under IFRS and SAS for at least one year prior to the year of the changeover. In this case, banks that prepared two sets of financial statements for 2011 accounting year under SAS and IFRS are considered as sample for this study. From the total number of 21 commercial banks only 13 banks met this criterion. Purposive sampling technique is used, which means that all banks that fall into the specific criterion identified above were selected.

We adopted ratio analysis which has been used in prior research as a technique of financial statements' analysis. Consequently, we selected four ratios that measure the liquidity, leverage, and profitability positions of the selected Nigerian Banks under study. These ratios include: Current ratio, Debt-Equity ratio, Return on Capital Employed (ROCE), and Earnings per Share (EPS)

3.1 Variable Description

In the selection of financial ratios for the purpose of determining the financial condition of a business Courtis (1978) explained that the analysts must ensure that the set selected encompasses all relevant aspects of the entity. Thus, we select liquidity, leverage, and profitability ratios as variables to measure financial ratios discussed as follows:

Liquidity ratios: They are examined using current assets and current liabilities. Saleem & Rehman (2011) explained that Liquidity ratios measure a business' ability to meet the payment obligations by comparing the cash and near-cash with the payment obligations. There are two main types of liquidity ratios, these are: Current Ratio

which measures the ability of an entity to use short term resources to settle short term obligations as they fall due and Liquid (or quick or acid test) Ratio as defined by Rehman above. Current ratio is adopted in this study as it represents a broader test of the financial strength and short term solvency of a business.

Leverage Ratios: They are used to determine the capital structure of the business, specifically to ascertain the relationship and mix of equity and debt used in financing of the business. These ratios are considered relevant in financial ratio analysis as it has been seen to have significant effect on shareholders' investment decisions (Osuala, Ugwumba, & Osuji, 2012). Examples of these ratios are: Capital gearing ratio, debt-equity ratio, and proprietary ratio. In this study, we use Debt Equity Ratio which reveals the exact capital structure of the firm.

Profitability Ratios: These ratios examine the efficiency of the managers in using the available resources to make profit. They include: Operating Ratio, Gross Profit Ratio, Operating Net Profit Ratio, Expenses Ratio, Return on Investments, Return on Capital Employed, Return on Equity Capital, Earnings per Share (EPS) etc. We use Return on Capital Employed (ROCE) and Earnings Per Share (EPS) in this study. While ROCE is said to be an effective tool in the measurement of overall managerial efficiency of business and also indicates the productivity of capital employed and measures the operating efficiency of the business, EPS helps the investors to take decision while purchasing or selling shares; it shows the possibilities of issue of bonus shares and higher ratio indicates overall profitability (Subramanian, 2002).

3.2 Model Specification

The purpose of this study is to examine the impact of the adoption of IFRS on financial statements' analysis. Four financial ratios of financial statements prepared under SAS namely, Current Ratio (CR_s), Return on Capital Employed ($ROCE_s$), Earnings Per Share (EPS_s), and Debt-Equity Ratio (DE_s), are used as explanatory variables while the four financial ratios of financial statements prepared under IFRS, that is, Current Ratio (CR_i), Return on Capital Employed ($ROCE_i$), Earnings Per Share (EPS_i), and Debt-Equity Ratio (DE_i) serve as the dependent variables.

To test the hypothesis developed in section 2.1, the following OLS regression models (running each pair of ratios) were developed:

$CR_i = \alpha_1 + \beta_1 CR_s + \mu_1$
$DE_i = \alpha_2 + \beta_2 DE_s + \mu_2$
$ROCE_i = \alpha_3 + \beta_3 ROCE_s + \mu_3$
$EPS_i = \alpha_4 + \beta_4 EPS_s + \mu_4$

Table 1: Definition of Proxies adopted for the study

Variable	Abbreviation and Definition
Current Ratio	$CR = \dfrac{current\ assets}{current\ liabilities}$
Return on Capital Employed	$ROCE = \dfrac{Profit\ before\ tax\ and\ interest}{capital\ employed} \times 100\%$
Earnings per Share	$EPS = \dfrac{Profit\ after\ tax - preference\ dividends}{number\ of\ equity\ shares}$
Debt- Equity ratio	$DE = \dfrac{debt}{Shareholders\ fund}$

4. Analysis

This section describes the data, provides the ANOVA test results, correlation analyses results, and regression analyses results.

4.1 Descriptive Statistics

The descriptive statistics on data obtained from financial statements prepared under IFRS and SAS for the same firm year is shown on Table 2. Comparatively, SAS ratios appear to be more volatile than IFRS ratios in respect to CR, DE and ROCE, while IFRS EPS appear to be more volatile than SAS EPS based on the standard deviations obtained for these ratios. The statistical distribution of the data on table 2 reveals evidence of positive skewness for SAS and IFRS excluding SAS ROCE which depicts that while the right tail for all ratios (SAS and IFRS) are particularly extreme, SAS ROCE's skewness indicate the left tail is particularly extreme. In relation to kurtosis, IFRS CR, SAS EPS and IFRS EPS are leptokurtic indicating fat tails than the normal distribution; while SAS CR, DE and ROCE for both SAS and IFRS financial statements are platykurtic indicating thin tails than the normal distribution. Similarly, the Jarque Berra (JB) statistic that uses the information from skewness and kurtosis to test for normality, shows evidence of non-normality for CR, DE and ROCE of both SAS and IFRS financial statements; while EPS of both SAS and IFRS shows evidence of normality.

Table 2i: Descriptive Statistics

	CR		DE	
	SAS	IFRS	SAS	IFRS
Mean	0.420406	0.311144	7.065356	6.816802
Median	0.387041	0.310136	6.759968	6.768781
Maximum	0.653711	0.585002	12.00920	11.31720
Minimum	0.201184	0.117893	4.051543	4.112984
Std. Dev.	0.146502	0.139530	2.557651	2.186503
Skewness	0.246130	0.904337	0.625322	0.849987
Kurtosis	1.773476	3.168344	2.400937	2.899644
Jarque-Bera	0.946118	1.787305	1.041617	1.570823
Probability	0.623093	0.409158	0.594040	0.455932
Sum	5.465278	4.044869	91.84962	88.61843
Sum Sq. Dev.	0.257555	0.233622	78.49895	57.36954
Observations	13	13	13	13

Source: Authors' Compilation, 2015

Table 2ii: Descriptive Statistics

	ROCE		EPS	
	SAS	IFRS	SAS	IFRS
Mean	0.014107	0.013933	62.86692	70.22923
Median	0.012530	0.012540	35.00000	20.00000
Maximum	0.044642	0.053730	389.0000	497.0000
Minimum	-0.018868	-0.017760	-78.00000	-90.76000
Std. Dev.	0.018104	0.019650	118.2345	145.9268
Skewness	-0.161294	0.289935	1.674862	2.036594
Kurtosis	2.746972	2.787813	5.541500	6.798410
Jarque-Bera	0.091047	0.206523	9.576599	16.80184
Probability	0.955497	0.901891	0.008327	0.000225
Sum	0.183385	0.181130	817.2700	912.9800
Sum Sq. Dev.	0.003933	0.004634	167752.7	255535.6
Observations	13	13	13	13

Source: Authors' Compilation, 2015

Trends of ratios reported under IFRS and SAS (figure 1 below) indicate little variations. The study, therefore, tested for equality in the means of the two groups using ANOVA. The result is shown in Table 3.

4.2   Test of Equality between means of two groups: ANOVA
Table 3 shows the ANOVA test results for each pair of ratio computed from both IFRS and SAS ratios. The probability value of this test for each pair of ratio stood at 6%, 79%, 98%, and 88.9% for CR, DE, ROCE, and EPS respectively, higher than 5% acceptable level. The null hypothesis of equality of two means for ANOVA is therefore accepted. Thus, our results depict that there are no statistical differences in means of the two ratios computed under the two standards.
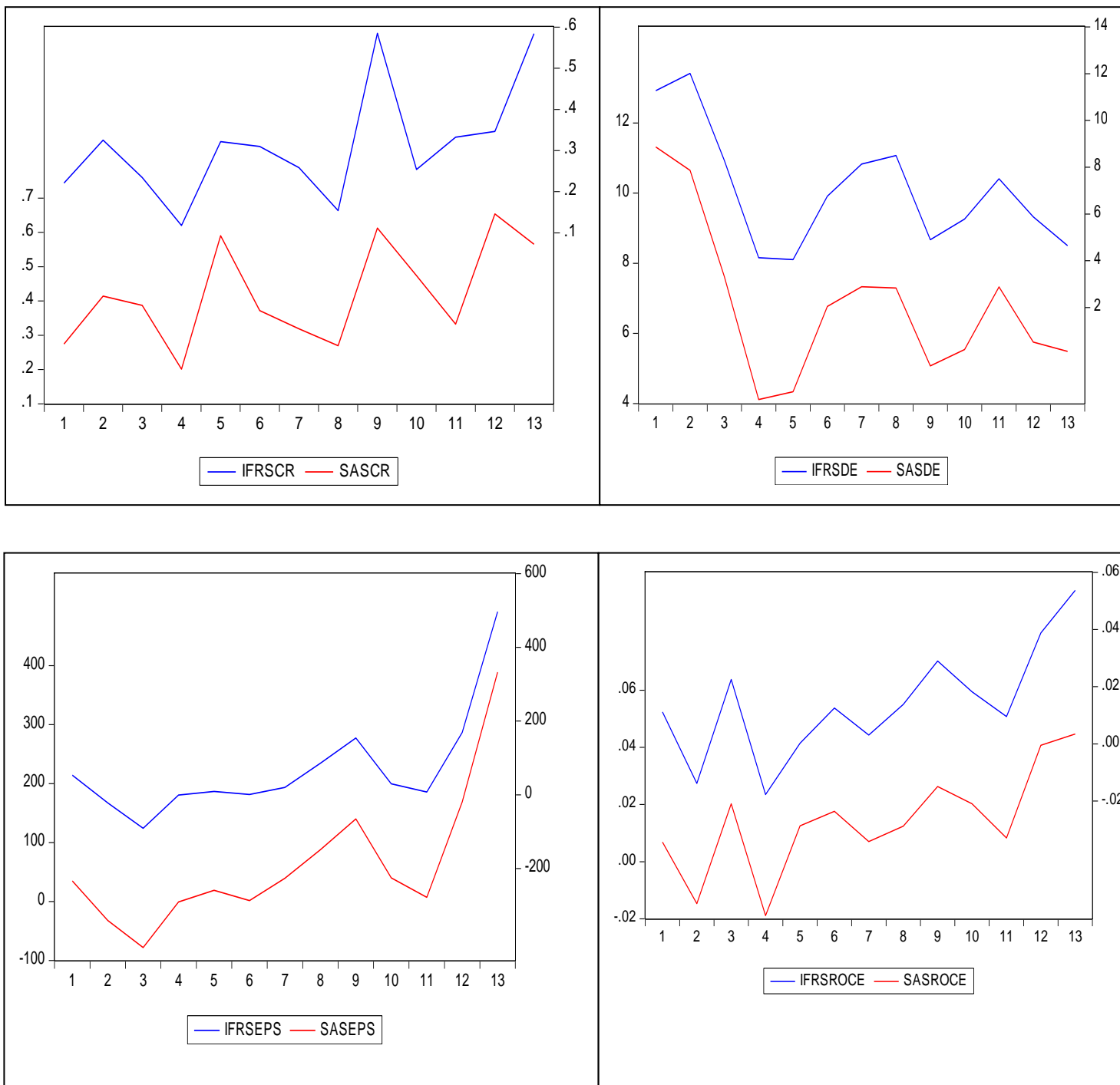
Table 3: Test for Equality of Means Between Series

Method	Df	Value	Probability
Anova F-test for CR IFRS and SAS	(1, 24)	3.791634	0.0633*
Anova F-test DE IFRS and SAS	(1, 24)	0.070933	0.7923*
Anova F-test ROCE IFRS and SAS	(1, 24)	0.000548	0.9815*
Anova F-test EPS IFRS and SAS	(1, 24)	0.019976	0.8888*

*Probability values all higher than accepted level of 5%.
Source: Authors' Analysis, 2015

4.3 Correlation analyses

To further test the existence of relationship between each pair of ratios as established above, the correlation analyses were carried out in Table 4. It shows that SASCR is positively correlated with IFRSCR which means that there exists a positive relationship between current ratios under SAS and IFRS. It also shows that SASDE is positively correlated with IFRSDE which means that debt equity ratio using SAS has a positive relationship with debt equity ratio using IFRS. SASROCE is positively correlated with IFRSROCE which means that return on capital employed computed using SAS has a positive relationship with return on capital employed computed using IFRS. SASEPS shows a positive correlation with IFRSEPS which signifies that earnings per share calculated in SAS has a positive relationship with earnings per share calculated using IFRS.

Overall, each pair of ratios shows strong positive relationship under the two standards. However, the extent to this relationship is tested using OLS regression analyses shown in section 4.4.

Table 4: Correlation Analyses

Variables	IFRSCR	IFRSDE	IFRSROCE	IFRSEPS	SASEPS
IFRSCR	1				
SASCR	0.7513				
IFRSDE		1			
SASDE		0.9787			
IFRSROCE			1		
SASROCE			0.9659		
IFRSEPS				1	
SASEPS				0.9924	1

Source: Authors' Compilation, 2015

4.4 Regression Analyses/Model Estimation

To test the study hypothesis the data analysis is performed using OLS regression running one regression per ratio. The result is shown on table 5.

Table 5: Regression Results of models 1, 2, 3, and 4

	Unstandardized Coefficients		T	Sig.	R Squared
	B	Std. Error			
(Constant)	.010	.084	.122	.905	
SAS current ratio (CR$_s$)	.716	.189	3.777	.003	.565
(Constant)	-. 738	.516	-1.431	.180	
SAS Debt to Equity ratio (DE$_s$)	1.145	.072	15.815	.000	.957
(Constant)	-.001	.002	-.452	.660	
SAS Return on capital Employed ratio (ROCE$_s$)	1.048	.085	12.380	.000	.933
(Constant)	-6.776	5.925	-1.069	.277	
SAS earnings per share ratio(EPS$_s$)	1.225	0.046	13.852	.000	.984

Dependent Variables: IFRS current ratio (CR$_i$), IFRS Debt to Equity ratio (DE$_i$), IFRS Return on Capital Employed ratio (ROCE$_i$) , and IFRS earnings per share ratio (EPS$_i$)

Source: Authors' Compilation, 2015

Regression Models

$CR_i = \alpha_1 + \beta_1 CR_s + \mu_1$

$CR_i = 0.010 + 0.716CR_s$

$DE_i = \alpha_2 + \beta_2 DE_s + \mu_2$

$DE_{iR} = -0.738 + 1.145DE_s$

$ROCE_i = \alpha_3 + \beta_3 ROCE_s + \mu_3$

$ROCE_i = -0.001 + 1.048ROCE_s$

$EPS_i = \alpha_4 + \beta_4 EPS_s + \mu_4$

$EPS_i = -6.776 + 1.225EPS_s$

Discussion of Results

The regression analyses of financial ratios under SAS and IFRS, show significant positive relationshipas indicated by the sign of the coefficients and the level of significance within a range of 0.000- 0.003, lower than 0.05 acceptable level. Also, the R^2 values of 0.565, 0.957, 0.933, and 0.984 imply that 56.5%, 95.7%. 93.3% and 98.4% change in the individual financial ratios under IFRS financial statements can be attributed to their corresponding financial ratios under SAS financial statements. However, some of the financial ratios coefficients were higher than 1, such as $+1.145DE_s$, $+1.048ROCE_s$, and $+1.225EPS_s$. This indicates that the value of IFRS ratio is amplified in comparison to the SAS ratios subject to the values of the intercepts (that are fixed). This implies larger positive variations of the IFRS ratio when the SAS ratio is positive and larger negative variations of the IFRS ratio when the SAS ratio is negative. Since the financial statements are for the same period though prepared under different accounting standards, the results ought to be the same, that is, financial ratios obtained under SAS should be the financial ratios under IFRS. In such situation, intercepts would give zero (0) and coefficients would be one (1). The difference in financial ratios indicates that IFRS has influenced not just the names of accounts (for example, Trading, Profit and Loss Account now called statement of comprehensive income) but also the contents of these accounts.

Specifically, the extensive use of fair value and impairment adjustments in this situation impairment of loans and advances influenced the numbers reported by both the statement of comprehensive income and the statement of financial position. Reclassification and re-measurement of items in the statement of financial position influenced the values of equity, assets and liabilities and in the statement of comprehensive income, influenced the overall reported profit for the period. Such examples include: Under IFRS, investments are not classified as short term, therefore short term investments were reclassified as investment securities; SAS did not require separate classification of pledged assets, available-for-sale investments, and separate classification for held-to-maturity investments. While IFRS recognised interest income and expenses in the income statement using the effective interest method (that is, the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial assets or liability), these are recognised under SAS in accordance with the terms of the related facility on an accrual basis. IFRS does not recognise the principles of exceptional and extra-ordinary income as defined under SAS. The differential impact of these variations in the presentation of items in the financial statements prepared under the different standards regimes are far reaching on reported ratios.

Although, the statement of comprehensive income and statement of financial position have somewhat changed due to the adoption of IFRS, the statement of cash flow remains the same. Since cash is cash under different accounting standards and as such their values remain unchanged. However, financial statements under IFRS provide more extensive disclosure than financial statements under SAS.

Thus, we reject the null hypothesis developed and conclude from our result that financial ratios computed from SAS financial statements has a significant positive effect on financial ratios of IFRS financial statements.

5. Conclusion

Findings of this study provide insight into the impact of the adoption of IFRS on financial statements analysis. Although, the ANOVA results indicated that there is no statistical difference in means of financial ratios of SAS and IFRS financial statements, the correlation and the regression analyses suggest strong positive relationships between each pair of ratios and SAS financial ratios has a positive effect on IFRS financial ratios for each pair with coefficients greater than 1. Therefore, we conclude that IFRS ratios provide larger positive variations when their equivalent SAS ratios are positive and larger negative variations of the IFRS ratio when the SAS ratio is negative. Also, financial statements prepared under IFRS show higher level of disclosure and measurement of items which better reflects the economic reality of the transactions/events that took place in the sampled banks within the reporting period. Thus, adoption of IFRS has influenced financial ratios of sampled banks. Our findings are consistent with the findings of Serkan, et al (2013); Michel, et al. (2011); Lantto & Sahlstrom (2009), but inconsistent with the works of Ibiamke & Ateboh-Briggs (2014); Zayyad, et al (2014).

Although it was rightly observed by Zayyad, et al (2014) that Nigerian GAAP has always been an adaptation of IASs (now IFRS), the IFRSs are frequently reviewed, amended and updated. Thus, we recommend that there is need for constant training and re-training of accountants to cope with the complexities in reclassification and re-measurements of items under IFRS, and in particular the frequent reviews and amendments of the standards. Also, for effective analysis of financial statements prepared under IFRS, there is need for the financial analysts to take into consideration the numerous narrative reports and disclosures provided since values presented in the statement of comprehensive income and statement of financial position alone cannot provide the adequate information required to make better informed decisions.

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