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# International Financial Reporting Standard (IFRS): Benefits, Obstacles And Intrigues For Implementation In Nigeria

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**Abstract**
IFRS is International Financial Reporting System and International Accounting Standard Board – (IASB) provided the framework for its working. IFRS adopted by IASB has gained worldwide acceptance amongst many countries and some listed companies in European nations have embraced it. IFRS employs a uniform, single consistent accounting framework that is gravitating towards General Accepted Accounting Practice (GAPP) in the future. IFRS since its introduction in 2001 had provided uniform accounting in financial reporting which would enable investors to interpreted financial statements with minimum effort. Other countries, including Canada and India are expected to transit to IFRS by 2011. The Nigerian Accounting Standard Board (NASB) is not expected to lag behind in the implementation. This paper looks at the benefits of adopting IFRS, obstacles and intrigues expected from the implementation of IFRS. The article also analyzed the requirements that would assists in the implementation of IFRS in Nigeria. Using content analysis method, the paper amongst others recommended a continuous research in order to harmonize and converge with the international standards through mutual international understanding of corporate objectives and the building of human capacity that will support the preparation of financial statements in organization.

**Key words**: IFRS, Convergence, adopted, IASB, NASB, GAPP.

## SECTION 1: INTRODUCTION

Accounting is the language of business while financial reporting is the medium through which the language is communicated. Accounting and financial reporting are regulated by Generally Accepted Accounting Principles (GAAP) comprising of accounting standards, company law, stock market regulations, and so on. GAAP for accounting and financial reporting gives answers to differences in business communication between countries. The global GAAP that is seeking to unify accounting and financial reporting world is the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards (IASs; International Financial Reporting Standards (IFRSs); Standing Interpretations Committee (SICs) pronouncements; and International Financial Reporting Interpretations Committee (IFRICs) guidelines.

Accounting Framework has been shaped by International Financial Reporting Standards (IFRS) to provide for recognition, measurement, presentation and disclosure requirements relating to transactions and events that are reflected in the financial statements. IFRS was developed in the year 2001 by the International Accounting Standard Board (IASB) in the public interest to provide a single set of high quality, understandable and uniform accounting standards. Users of financial statement world require sound understanding of financial statement but this can only be made possible if there is General Accepted Accounting Practice (GAPP). With globalization of finance gaining ground, it will enable the world to exchange financial information in a meaningful and trustworthy manner. Investors from all over the world rely upon financial statements before taking decisions and different countries adopt accounting treatments and disclosure patterns with respect of the same economic event. And as such, it will surely create confusion among the users while interpreting financial statements. In the light of the backdrops, this paper presents an overview of the IFRS with emphasis on the benefits, obstacles/challenges, risks and requirements associated with the implementation.

The Nigerian Accounting Standards Board (NASB) sets local accounting standards under the Nigerian Accounting Standards Board Act of 2003. Originally established in 1982 as a private sector initiative housed in the Institute of Chartered Accountant of Nigeria (ICAN), NASB became a government agency in 1992 and reports to the Federal Minister of Commerce. Its membership includes representatives of government and relevant interests groups. An adequate due process is followed in standard setting. Although the NASB-issued standards have statutory backing, the body itself operated without an enabling legal authority until the 2003 enactment of the NASB Act. The primary role of the Board is to ensure that published financial statements are uniform in content and in format and communicate precisely what they purport to convey. Other specific reasons for setting up the NASB are to:

i. Narrow areas of differences in practices so that financial statements presented to users are structurally inform and meaningful;

ii. Produce accounting information that reflects our economic environment but at the same time satisfies the anticipated needs of the users of the information;

iii. Introduce measures which will enhance the reliability and validity of information reported in financial statements.

Regulations governing the financial reporting process include: under statute (Companies and Allied Matters Act 1990, Sarbanes-Oxley Act 2002); Relevant Accounting Standards (Statements of Accounting Standards, International Financial Reporting Standards, and International Public Sector Accounting Standards- IPASAS); Other regulatory guidelines are – Central Bank of Nigeria (CBN), Securities and Exchange Commission (SEC), Nigeria Deposit Insurance Corporation (NDIC), National Insurance Commission (NAICOM) and National Pension Commission (PENCOM). NASB lacks adequate resources to fulfill its mandate. As a government agency, NASB has relied mainly on government subventions and has been exposed to serious budgetary constraints that prevented it from discharging its statutory role and this has affected its effectiveness. Legislation now allows NASB to earn income outside the government. There is a dire need to hire additional staff, retrain existing staff, offer attractive remuneration packages, and procure equipment.

No effective mechanism exists to monitor and enforce requirements for accounting and financial reporting provided for in the Companies and Allied Matters Act (1990). The CAMA empowers the Registrar of Companies at the Corporate Affairs Commission to regulate compliance with its financial reporting presentation requirements. There is however no capacity at the Corporate Affairs Commission to effectively fulfill this function. It is a legal requirement to file a copy of the audited financial statements and directors' report with the Commission. There is however no rigorous enforcement of timely filing. The use of International Financial Reporting Standards (IFRS) as a universal financial reporting language is gaining momentum across the globe. Several countries have implemented IFRS and converged their General Accepted Accounting Policies (GAAP) to IFRS. According to Bansal and Bansal (2010):

> "*more than 100 countries throughout the world, including 27 European Union member states, require or permit the use of International Financial Reporting Standards (IFRSs), developed by the IASB. The number of countries adopting IFRS is expected to increase to 150 by the end of 2011. Countries such as China and Canada have announced their intention to adopt. The Securities and Exchange Commission in India has issued a roadmap whereby a few big US corporations would begin reporting according to IFRS by 2014. Such conversion would be done by 2016 depending upon the size of the entity*".

Nigeria has joined the League of Nations that approved IFRS conversion. Nigeria has joined the over 100 countries that require, permit, or is converging with the goal of adopting IFRS. The IFRS implementation roadmap was unveiled by the Minister for Commerce and Industry on Thursday 2 September 2010. The roadmap, which is in three phases, mandates publicly listed and significant public interest entities to prepare their financial statements based on IFRS by 1 January 2012 (i.e. full IFRS financial statements are required for accounting period to 31 December 2012) while other public interest entities are required to adopt IFRS for statutory purposes by 1 January 2013. The third phase requires Small and Medium Sized Entities (SMEs) to adopt IFRS by 1 January 2014.

Precisely the statement of problem of this paper lies in management adoption of IFRS in the conversion process for Nigerian entities. Different countries adopt different accounting treatments and disclosure patterns with respect to the same economic event. There are differences of GAPP, existing law, taxation reporting systems etc. But this cannot be done without leveraging the knowledge and experience gained from IFRS conversion in other countries and incorporating IFRS into the curriculum for professional accounting courses. The methodology of the paper is the content analysis. Although it is defined in various ways, in this research, content analysis will be seen as "a research technique for the objective, systematic and quantitative description of the manifest content of communication" (Selltize, 1977). To this end the research will involve a review of existing secondary sources in books, journals, magazines and Newspapers. The paper is divided into sections. Next to the introduction is the Present Status of Nigerian Accounting Standards and IFRS. Section 3 covers the major differences in Nigeria GAPP and IFRS and Concept of Convergence. Section 4 discuses the Obstacles/intrigues to Implementation of IFRS in Nigeria. The paper ends with recommendations conclusion.

## SECTION 2: PRESENT STATUS OF NIGERIAN ACCOUNTING STANDARDS AND IFRS

The Nigerian Accounting Standard Board (NASB) formulates Accounting Standards (ASs) based on the IFRSs keeping in view the local conditions including legal and economic environment, which have recently been notified by the Companies and Allied and Matters Act 1990. In some cases, departures are made on account of conceptual differences with the treatments prescribed in the IFRSs. The term IFRS consists of IFRS issued by IASB; International Accounting Standard (IAS) issued by International Accounting Standard Committee (IASC); and interpretations issued by the standard interpretations Committee (SIC) and the International Financial Reporting Interpretation Committee. IFRS is issued by the International Accounting Standard Board. The International Accounting Standard states how particular types of transactions and other events should be reported in financial statements. The standards issued by IASC were known as IAS. In 2000, IASC Members bodies approved the restructuring of IASC's foundation and in March 2001, the new IASB took over the responsibility of setting the international Accounting Standards from IASC. IASB adopted the standards set by IASC and continued to develop new standards and called the new standards – IFRS. Both IFRS and IAS are equally enforceable because there is no difference between the two.

**Accounting Standards As Designed And As Practiced**

There are many areas of accounting issues covered by IAS/IFRS that are yet to be address by NASB. Also, some current IAS- based national standards were effective at the time of their issuance; but some IAS have since either been revised or withdrawn. The Nigerian Statements of Accounting Standards (SAS) seem incomplete as an authoritative guide to the preparation of financial statements. The NASB does not have a work plan to harmonize its SAS with IAS. For instance, IAS where no equivalent SAS exists are framework for preparation of financial statements; IAS 14, Segment Reporting; IAS 18, Revenue; IAS 20, Accounting for Government Grants and Disclosure of Government Assistance; IAS 22, Business Combinations; IAS 23, Borrowing Costs; IAS 24, Related Party Disclosures; IAS 27, Consolidated Financial Statements and Accounting for Investment in Subsidiaries; IAS 32, IFRS 7, Financial Instruments: Disclosure And Presentation; IAS 39, Financial instruments: Recognition and Measurement, IAS 36 Impairment of Assets etc.

There is no local standard based on agriculture (i.e., an equivalent of IAS 41), despite the prominence of agriculture sector in Nigeria. The omission of a Framework for Preparation and Presentation of Financial Statements is especially detrimental as there are several areas where no local standards exist, and the framework should guide the setting of relevant and reliable accounting policies in such circumstances. Local standards where no international equivalents exist include SAS 14, Accounting in the Petroleum industry Upstream Activities; SAS 17, Accounting in the Petroleum Industry – Downstream Activities; SAS 16, Accounting for insurance Business; and SAS 20, Abridge Financial Statements.

**Reasons for IFRS**

Listed companies have a lot of benefits to derive from conversion to IFRS. Companies do not operate in isolation. Therefore, in the present global environment, compliance with foreign reporting requirements will help streamline their financial reporting. This will help minimize reporting costs as a result of common reporting systems and consistency in statutory reporting. Secondly, it will enable comparison/benchmarking with foreign competitors possible. Besides, adoption of IFRS may offer companies an edge over competitors in the eyes of users. Thirdly, since the adoption of IFRS will transcend national boundaries/cross border, acquisitions and joint venture will be made possible and there will also be easy access to foreign capital. Fourthly, companies can trade their shares and securities on stock exchanges world-wide. For instance, present and emerging stock exchanges would require financial statements prepared under IFRS. Globally, investors would be able to make rationale and informed decisions. Fifthly, convergence of financial statements would provide a platform for management to view all companies in a group on a common platform. Thus time and efforts will reduce to adjust the accounts in order to comply with the requirements of the national GAPP. Business acquisition would be reflected at fair value than at the carrying values. There will be more objectivity and transparency in financial statements. For companies to key into these benefits mentioned above, a single set of accounting standards worldwide would ensure that auditing firms standardize their training and quality of work that they maintain globally. In summary, implementation of IFRS would give rise to the following benefits:

i. Uniform application of principles – same language

ii. Cross border investments leading to economic growth and development. It will also lead to increase globalization of commerce and trade.

iii. Easy comparability of financial statements of two or more companies' worldwide.

iv. Tax authorities will find it easy to assess tax payers for payment and collection.

v. Administrative cost of accessing the capital markets would be reduced for companies globally. In addition time and money will be saved by international accounting firms in planning of accounting and audits

v. Multinational companies will find it easy to carry out mergers and acquisition, easy access to multinational capital, the cumbersome task of consolidation of group financial statements would be simplified and accounting and audit functions will also be made easy.

## SECTION 3: MAJOR DIFFERENCES IN NIGERIA GAPP AND IFRS

The major difference between IFRS and the local statement of Accounting Standards (SAS) is that the former is a more robust and principle based set of accounting standards with detailed disclosure requirements. For instance, the IASB Framework states that the objective of financial statements is to provide information about the financial position, performance and changes in financial position of an entity that is useful to a wide range of users in making economic decisions. In order to meet the objective, the framework requires financial statements to possess certain qualities which are understandability, relevance, reliability, and comparability. Other key areas of differences include extensive use of fair values for financial instruments, more prescriptive and comprehensive guide for revenue recognition, a more rigorous process for determining goodwill in a business combination, change in format, components and nomenclature of certain items of financial statements. Highlights of a few of the major differences are given below in table 1:

**Table 1: MAJOR DIFFERENCES BETWEEN IFRS AND NIGERIAN GAP**

| Subject | IFRS | Nigerian GAAP |
|---|---|---|
| Components of Financial Statement | Comprises of Statements of Financial Position:<br>-Statement of Comprehensive Income (e.g revaluation gains, foreign exchange etc),<br>-Statement of Cash flow and<br>-Notes to Accounts. | Comprises of<br>- Balance sheet<br>- Profit and loss<br>- Cash flows statement<br>- Notes to Accounts |
| Format of Income Statement | IAS 1 prescribes the format of income statement | According to the format prescribed in the CAMA 1990, Banking Regulation Act<br>for Banks etc |
| Statement of Cash Flows | Mandatory for all entities | Not applicable for Non-listed companies |
| Presentation of Extraordinary Items | IFRS prohibits the presentation of extraordinary items in statement of comprehensive income or in the notes | Nigerian GAAP requires extraordinary items to be presented in the profit and loss statement of the entity distinct from the ordinary income and expenses for the period. They are considered in determining the profit and loss for the period |
| Dividends Proposed After the end of the Reporting Period | Dividends declared after the end of the reporting period but before the financial statements are authorized for issue are not recorded as liability in the financial statements. | Dividends declared after the end of the reporting period but before the financial statements are approved and recorded as liabilities in the financial statements. |
| Depreciation Rates | Allocated on a systematic basis to each accounting period during the useful life of the asset. | Depreciation is based on the higher estimate of useful life of the asset. |
| Change in the Depreciation Method | Treated as a change in the accounting estimate and hence is accounted for prospectively. | Treated as a change in the accounting policy and is accounted for retrospectively (i. for all the relevant previous years).Any excess/deficit in the case of this kind of recalculation must be adjusted in the period in which the change is effected. |
| Entire Class to be Revalued | If an item of property, plant and | An entire class of assets can be |

| | | |
|---|---|---|
| | equipment is revalued, the entire class of assets to which that asset belongs should be revalued. | revalued, or selection of assets for revaluation can be made on a systematic basis. |
| Functional and Foreign Currency | Functional currency is the currency of the primary economic environment in which the entity operates. Functional and presentation currencies may be different. The standard contains detailed guidance on this. | No concept of functional currency |
| Goodwill | Goodwill is not amortized under IAS 38 but is subject to annual impairment test under IAS 36 | SAS 9 provides that goodwill arising on amalgamation in the nature of purchase is amortized over a period of 5years. |
| Measurement of Intangible Assets | Can be measured at cost or revalued. | Are measured at cost only |
| Actuarial Gain or Loss | IAS 19 gives three choices for the treatment of actuarial gains or losses arising on measurement of employee benefits. | Actuarial gains and losses should be recognized immediately in the statement |
| Contingent Asset Disclosure | Contingent assets are disclosed in the financial statements only if the inflow of economic benefit is probable. | Contingent assets are disclose as part of the director's report and not disclosed in the financial statement but as note. (off-balance sheet items) |
| Entities Operating in Hyper-Inflationary Economies | IAS 29 - Financial Reporting in Hyper inflationary economies prescribes reporting requirement for entities operating in hyperinflationary economies. | There is no equivalent standard. |

**Source: IFRS AND SAS**

For instance, there are no value added statements or five –year financial summary under IFRS while statement of changes in equity is required. Oyedele (2010) opined that:

> *"Nigeria still needs to brace up for the significant change in the financial reporting landscape that will be brought about by the full adoption of IFRS in Nigeria. In the conversion process, organization need to understand the effect on their financial statements especially income statement, equity and distributable profit. The conversion process will impact on management reporting, budgeting, accounting manuals, chart of accounts and bases of valuations. In case of people, communication strategy, training, change management and post implementation support will be necessary".*

Conceptual difference that is the Nigerian standard on intangibles is based on the concept that all intangibles assets have a definite life, which cannot generally exceed 10 years; while IFRS acknowledge that certain intangibles assets may have indefinite lives and useful lives in excess of 10 years are not unusual. It will require considerable time, effort and money to educate stakeholders comprising investors, lenders, employees, auditors, audit committee etc

Lack of preparedness cannot be ruled out. When the shift to IFRS occurs in Nigeria, there will be considerable demand for IFRS resources. For instance, corporate organization and accounting professionals need to be trained for effective migration. Training need to be given to auditors who will audit under IFRS environment.

The regulatory environment will need to adapt and adjust to the IFRS. That requires that the companies and allied matters act needs to be amended in line with IFRS. One major difference between SAS and IFRS is the extensive use of fair value under the latter which give rise to differences in recognized income and carrying values of assets and liabilities and resulting difference in current and deferred tax liability or asset. A thorough analysis of a company's current tax practices and awareness of the tax variables resulting from the IFRS conversion can help a company identify opportunities to minimize the potential tax issues and manage its tax risks along side. Changing to IFRS may impact company's tax positions, complicate or simplify how a company's financial reporting systems and internal control systems are designed and impact what management communicates with its external stakeholders including the tax authorities.

**Meaning of Convergence with IFRS**

Convergence means to achieve harmony with IFRS; in precise terms convergence can be considered "to design and maintain national accounting standards in a way that financial statements prepared in accordance with national accounting standards draw unreserved statement of compliance with IFRSs", i.e when the national accounting standards will comply with all the requirements of IFRS. Convergence does not mean that IFRS should be adopted word by word, e.g replacing the term 'true & fair' for 'present fairly', in IAS 1, 'Presentation of Financial Statements'. Such changes do not lead to non-convergence with IFRS. Convergence would enhance international capital flow more freely, enabling companies to develop consistent global practices on accounting problems. It will help standardize training and assure better quality on international accounting standard

**Benefits of Convergence to IFRS**

Globalization has prompted more and more countries to open their doors to foreign investment and as business themselves expand across borders, both the public and private sectors are expected to recognize the benefits of having a commonly understood financial reporting framework supported by strong globally accepted auditing standards. But suffice to say that some of the benefits include:

(i) Single Reporting – Convergence with IFRS eliminates multiple reporting such as Nigeria GAAP, IFRS, and Nigeria GAAP

(ii) Greater comparability of financial information for investors as a result of transparent financial reporting of company's activities; among sectors, countries and companies

(ii) Greater willingness on the part of investors to invest across borders will enable entities to have access to global capital markets and eliminates barriers to cross-border listing. It will also bring in foreign capital flows to the country. Common accounting standards help investors to understand available investment opportunities as opposed to financial statements prepared under different set of national accounting standards.

(iii). Lower cost of capital; more efficient allocation of resources;

(iv). Higher economic growth.

(v) Convergence to IFRS gives Nigerian professionals opportunities to sell their services as experts in different parts of the world.

(vi) IFRS balance sheet will be closer to economic value because historical cost will be substituted by fair values for several balance sheet items, which enable a corporate to know its true worth.

(vii) Convergence will place better quality of financial reporting due to consistent application of accounting principles and reliability of financial statements. Trust and reliance can be place by investors, analysts and other stakeholders in a company's financial statements.

Global convergence is best explained by the objective as enunciated in the International Accounting Standards Committee Foundation (IASCF) constitution, which states that the ultimate aims of the IASB and other accounting standard setters are: to develop, in the public interest, a single set of high quality, understandable and enforceable global accountings that require quality, transparent and comparable information in financial statements and other financial reporting to help participants in the world's capital markets and other users make economic decisions; to promote the use and rigorous application of those standards; in fulfilling the objectives with (a) and (b) above, to take account of, as appropriate, the special needs of small and medium-sized entities and emerging economies; and to bring about unison of national accounting standards and international Financial Reporting (IFRSs) to high quality level.

There are two schools of thoughts to convergence. There is the one that promotes adoption (a complete replacement of national accounting standards with IASB's standards) and the other, which tends to adaptation (modification of IASB's standards to suit peculiarities of local market, culture and economy without compromising the accounting standards and disclosure requirements of the IASBs standards and basis of conclusions. The adoption and implementation of the international standards in a country takes place in an environment that is affected by factors unique to that country, for example, the economy, politics, laws and regulations, and culture. A reason that seems to cut across countries for not fully incorporating IFRSs and ISAs is the irresistible urge to amend the international standards to provide for national specifities.

Juan (2005) identified two barriers to convergence. The first is the translation of the standards to the different languages and the reduction of the complexity and structure of the international accounting standards, without losing quality. However, to have a common language as soon as possible cannot be overemphasized. Wong (2004) in his study of those issues that affect the adoption and implementation of IFRSs and ISAs, opined that time lag in adopting the international standards is due mainly to translation of the standards. For example, in one country a five-year time lag was experienced due to the need for translation of the ISAs. Adoption refers to "harmonization", "transformation". The World Bank, in Wong (2004) noted that there can be full adoption of IFRSs, but with time lag; selective adoption of IFRSs; and national standards "based on" IFRSs.

**Requirements that will Assist Implementation of IFRS in Nigeria**

To achieve international convergence, requires consensus by countries especially in respect of international standards that will serve as the foundation for financial reporting and auditing globally and taking steps to encourage implementation. If there are any impediments to our ability to follow professional standards, the Institute of Chartered Accountants of Nigeria, the Nigeria Accounting Standards Board, together with international and other standard setters, regulators, governments, and others must work together. Companies, auditors, user and regulators would need to get familiar with fair measurement techniques in the preparation of financial statements.

We need accounting standards that are consistent, comprehensive and based on clear principles that communicate economic reality and, in the global world which we are living, homogenous enough so as to allow their use and facilitate understanding by everyone. Adequate corporate governance practices are required, which among other things, should ensure appropriate internal controls and effective implementation of these accounting standards. There is need for the existence of efficient and effective audits which should grant external reliability to the information prepared by the companies following the referred standards. Besides there should be a supervision or quality control mechanism accompanied by a disciplinary system, which should ensure the effective compliance with the earlier mentioned conditions. In addition, companies need to explain the impact of IFRS convergence to their investors to enable them readily accept the shift from Nigeria GAAP to IFRS.

## SECTION 4: OBSTACLES/INTRIGUES TO IMPLEMENTATION OF IFRS IN NIGERIA

The Oxford English Dictionary explains intrigue as a secret plan or something that will arouse the interest or curiosity. In this context, intrigue is referred to as obstacles/ challenges that could stall the implementation of IFRS. Some of the likely obstacles envisaged during adoption and implementation of IFRS are:

i. Awareness about international Practices: with the new system where we have GAAP for different countries users will view financial statements from different perspective. It is therefore important that awareness needs to be created among the users of financial statement.

ii. Training - One of the obstacles to full implementation of IFRS is absence of training facilities and academic curriculum in Nigeria. Have we trained IFRS resource persons on ground? If not between now and 2014, stakeholders should train IFRS personnel and introduce IFRS in universities accounting curriculum.

iii. Taxation- IFRS convergence will create problem. How do taxation laws address the treatment of tax liabilities arising from on convergence from Nigeria GAAP to IFRS. Where this is not taken care of, it would duplicate administrative work for the organization.

iv. Fair Value – In IFRS format, Fair value is used in measurement of most items of financial statements and this lead to volatility and subjectivity in financial statements in arriving at the fair value. Where this adjustment is reflected in income statements as gain or losses, it remains a contentious issue if it should be applied in computing distributable profit

v. Management Compensation Plan: Because of the new financial statements reporting format envisaged under IFRS which is quite different from Nigeria GAAP, the terms and conditions relating to management compensation plans would have to be change. Therefore, contracts terms and conditions of management staff will be re-negotiated.

vi. Reporting Systems- Companies will need to ensure that existing business reporting model is amended to suit the disclosure and reporting requirements of IFRS which is distinct from Nigeria reporting requirements. To correct this anomaly, information systems should be put in place to capture new requirements relating to fixed assets, segment disclosures, related party transaction, etc. Good internal control would help minimize the risk of business disruptions

vii. Amendments to the Existing law: IFRS will lead to inconsistencies with existing laws such Companies and Allied Matters Act 1990, Securities and Exchange Commission laws, banking laws and regulations and Insurance laws and regulations. Presently, the reporting requirements are governed by various regulators in Nigeria and their provisions override other laws. Whereas IFRS does not recognize such overriding laws, steps to amend these laws must be taken to ensure that the laws are amended well in time.

The dimension of cultural settings of nations and regulations are issues that need to be addressed in the adoption of IFRS. Presently, Islamic banking which is being practiced in many countries of the world, including the advanced capitalist countries of Great Britain and the United States of America, under Non-interest/Profit Sharing Banking in Banking eliminate interest in all banking operations. This is in addition to the compulsory requirement for all Islamic banks to contribute a certain amount of their wealth yearly by way of an alms tax for the less privileged members of the society. Has IFRS taken cognizance of these? Wong (2004), with the assistance of senior International Federation of Accountants (IFAC) staff members, engaged in discussion regarding the potential challenges in adopting and implementing the international standards and came up with the following:

i. Issues of incentives – the various factors which might encourage or discourage national decision makers from their adoption;
ii. Issues of regulation – regulatory challenges in their adoption;
iii. Issues of culture – challenges arising from cultural barriers in their adoption and implementation.
iv. Issues of scale – implementation barriers associated with the relative costs of compliance for small and medium-sized entities and accounting firms;
v. Issues of understandability – their complexity and structure;
vi. Issues of translation – the ease of their translation and the resources available to undertake the translation;
vii. Issues of education – the education and training of students and professional accountants in the international standards.

**SECTION 5: RECOMMENDATIONS AND CONCLUSION**

Abstracting from the above, the paper makes the following recommendations:
(i). In keeping with international best practices, IFRS under the auspices of IASB should take cognizance of the GAAP of different countries in its subsequent review so that users can benefit globally.
(ii). IFRS should be included in universities, polythenic and Institute of Chartered Accountant of Nigeria (ICAN) curriculum so as to build human capacity that will support the preparation of financial statements in organization.
(iii). A continuous research is in fact needed to harmonize and converge with the international standards through mutual international understanding of corporate objectives.
(iii). Since tax laws of different nations gives rise to varied tax liabilities, IFRS under the auspices of IASB should also resolve the question of tax liabilities as a result of convergence.
(iv).Steps should be taken of existing laws such as CAMA 1990, SEC, banking laws and regulation and Islamic banking/Non-interest banking that conflict with the reporting requirements of IFRS.
(v).In IFRS and other nations reporting requirements, the differences between fair value and carrying value need to resolve in measurement of most financial statements

**Conclusion**

Financial report is authenticated by auditor for reliance to be placed on it by users of the report. Auditor report is the culmination of all the work done by the auditor. In reporting under statute, the auditor must ensure full compliance with statutory requirements. Majority of our auditor reports in Nigeria will be under the Companies and Allied Matters Act, 1990 in conjunction with relevant ancillary legislation e.g Banks and Other Financial Institutions Act, the Insurance Act, etc. Just as we crave for IFRS, there should be International Auditor Reporting Standard (IARS) by auditors in respect of financial statements. The harmonization of International Auditing Report Standard should be clear, concise and unambiguous expression of opinion (or disclaimer of opinion) on the financial statement that will also facilitate the interpretation of financial reports by users globally. The Institute of Chartered Accountant of Nigeria (ICAN) has expressed its opinion of adopting IFRS which was considered and supported by the Nigerian Accounting Standard Board. With a view to set up a road map for convergence and provide the necessary approach for convergence, NASB need to set up an IFRS task Force. Based on the recommendations/ submission of the Task force, the council of the institute should adopt and decide on the accounting period - date, month and year of convergence with IFRS that will form the basis of compliance for listed companies in Nigeria.

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**Note:** *First author
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