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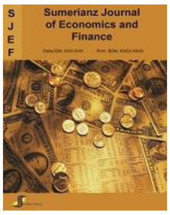

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The Effect of Financial Reporting Quality on Corporate Performancein Nigeria

Ahmed Adeshina Babatunde*
Olabisi Onabanjo University, Ogun State, Nigeria

Ayo Adeniyi
Department of Accountancy, Yaba College of Technology, Lagos, Nigeria

Abstract

The purpose of this paper is to investigate the effect of financial reporting quality on corporate performance in Nigeria. This research has been performed using a sample of 30 companies quoted on the Nigeria Stock Exchange (NSE). Three proxies were employed for measuring financial reporting quality, namely, earnings quality, accounting conservatism and accruals quality. Panel data were used for the purpose of the study. The relationship between the explained variables and an explanatory variable was observed. The results of the empirical tests were statistically significant at 0.01 and 0.05 levels. The research evidence revealed a significant negative relationship between corruption and financial reporting quality in Nigeria, which implies that the higher the level of corruption, the lower the financial reporting quality in Nigeria. Moreso, a significant positive relationship was found between IFRS and financial reporting quality. This shows that the adoption of IFRS by all quoted companies in Nigeria improves their financial reporting quality. The evidence of the study also found a significant positive relationship between accounting system and financial reporting quality. This revealed that more conservative companies with sound accounting systems enjoy higher financial reporting quality in Nigeria. The findings of the study revealed that financial reporting quality improves corporate performance in Nigeria.
Keywords: Financial reporting quality; Corporate performance; Earnings quality; Accrual quality; IFRS.

1. Introduction

Financial reporting is the communication of financial information to various stakeholders (Wild *et al.*, 2009). These financial reports are required for the purpose of making investment decisions, obtaining credit facilities and other financing decisions (Wild *et al.*, 2009).

Financial reports in Nigeria are regulated by various standards from local and international bodies such as Securities and Exchange Commission (SEC), Financing Reporting Council of Nigeria (FRCN), International Accounting Standard Board (IASB) etc.

The key relevance of financial report is to provide adequate information to stakeholders about the performance and changes in financial position of a firm in a given financial year (Saliu and Adetoso, 2018).

These stakeholders include management, employees, directors, creditors, government, shareholders, investors, investment advisers etc.

The disclosure principle in accounting requires that financial statements should reflect all relevant information that is necessary so as to avoid bias (Adeyemi and Asaolu, 2013).

Developments in global economics since the dramatic collapse of Enron Corporation in 2001 and the subsequent dissolution of Arthur Anderson have put accounting and auditing profession under scrutiny.

These developments in the global financial and economic crunch have requested an increased attention to improve and enforce financial reporting disclosures around the world.

Financial information issued by companies has become an essential resource for any market participant because it reduces asymmetric information among all stakeholders (Martinez-Ferrero, 2014).

Companies with better quality of financial reporting are associated with higher performance due to the fact market assesses those companies committed to the issuance of good reports to stakeholders (Ahmed and Duellman, 2011; Bushman and Smith, 2001).

The primary objective of financial reporting information is to provide high quality financial information about entities for the purpose of making economic decisions (IASB, 2008). The provision of high quality financial reporting information is important because it influences the providers of capital and other stakeholders positively in making investment, financing and similar allocation decision that enhance the overall market efficiency (IASB, 2008).

Financial reporting quality does not only refer to financial information but also to disclosures and non-financial information useful for decision making included in financial statement. This paper investigates the effect of financial reporting quality on corporate performance in Nigeria.

*Corresponding Author

1.1. Statement of the Problem

There is deficiency in the financial reports of Nigerian companies due to the fact that they lack key information that enables stakeholders to make informed and rational decisions (Adeyemi, 2006; Nzekwe, 2009; Wallace, 1988). Moreso, World Bank (2006) empirical investigation also found deficiencies in Nigerian corporate reporting practices.

No previous empirical work related the incidence of deficiency in financial reporting practice to the quality of financial reporting in Nigeria. This research work seeks to fill this aforementioned gap.

The collapse of Enron & co has increased focus on financial reporting practice around the world. The financial scandals perpetrated by Enron, Parmalat etc have induced companies around the world to improve their financial reporting practices. This has made various regulatory bodies as SEC to direct all quoted companies in Nigeria to adopt IFRS by January, 2012. Inspite of these financial regulations, most quoted companies still evade this regulation through fraudulent financial practices.

Previous studies on financial reporting only examines financial reporting and investment, financial reporting qualitative characters, but no study has been conducted on the effect of financial reporting quality of corporate performance in Nigeria.

1.2. Objective of the Study

The broad objective of the study is to investigate the effect of financial reporting quality on corporate performance in Nigeria. In the course of the study, specific objectives are to:

- Examine the effect of Corruption on financial reporting quality in Nigeria
- Investigate the effect of IFRS on financial reporting in Nigeria
- Measure the effect of accounting system on financial reporting in Nigeria

1.3. Research Questions

In the course of the research, the following questions were answered:

- Does corruption have any significant effect on financial reporting quality in Nigeria?
- What is the effect of IFRS on financial reporting quality in Nigeria
- Does accounting system have a significant effect on financial reporting quality in Nigeria?

1.4. Research Hypotheses

In the course of the study, the following hypotheses were tested:
HYPOTHESIS 1
H0: Corruption has no significant effect on financial reporting quality in Nigeria
H1: Corruption has a significant effect on financial reporting quality in Nigeria
HYPOTHESIS 11
H0: IFRS has no significant effect on financial reporting quality in Nigeria
H1: IFRS has a significant effect on financial reporting quality in Nigeria
HYPOTHESIS 111
H0: Accounting system has no significant effect on financial reporting quality in Nigeria
H1: Accounting system has no significant effect on financial reporting quality in Nigeria

1.5. Scope of the Study

The study is limited to 20 companies quoted on the Nigerian Stock Exchange (NSE) for a period of 10 years. A period of 2008 to 2017 was chosen because it covers in pre-IFRS periods as well as post-IFRS periods.

1.6. Significance of the Study

Financial reporting quality provides a realistic yard stick for measuring corporate performance. The relevance of financial reporting cannot be over-emphasized. Financial reporting is highly essential because it makes a firm to conform to laid-down professional regulations. It is also required for quoted companies for documentation as to facilitate the determination of their stock prices. This study is of immense benefits to regulators, investors, management and other stakeholders. The study helps regulatory bodies to review the financial performance of an organization with a view to expressing an independent opinion. The study also helps regulators to monitor the performance of a company in order to benchmark firms' performance against established standards.

The study provides useful information to users of financial statements so as to boost their confidence in placing reliance on such reports. The study serves as a guide to investors in making appropriate investment decisions. The study adds to existing body of knowledge thereby serving as a resource input for future researchers. The study is also useful to management of various companies in Nigeria because it provides a road map for reducing poor financial reporting quality.

2. Literature Review

Previous empirical studies have investigated the quality of corporate information disclosures in various contexts (Joshi and Ramadhan, 2002; Ofoegbu and Okoye, 2006). Each of these studies is distinct in the area of research setting, explanatory variables, disclosure index contracture and statistical analysis (Adeyemi and Asaolu, 2013).

Barrett (1976), investigated that extent and quality of corporate financial disclosure in seven countries over a period of 10 years (1963-1972). United Kingdom, United States, France, Sweden, Japan, Netherlands, and West Germany were examined. The empirical evidence revealed that there is only a little difference in the extent of disclosure of large British and US firms. The findings revealed further that British and US firms exhibit more annual report disclosure than firms domiciled in five other countries.

Wallace and Naser (1995), examined the impact of firm characteristics on disclosure in annual reports and accounts of Spanish firms. 30 listed and 20 unlisted firms were investigated in 1991 financial year. An index of comprehensive disclosure of mandatory items was used as a proxy for disclosure quality for each firm. Their score is based on the density of information in their annual report. Regression analysis was used for the purpose of the study. The evidence of the study revealed that the index of disclosure is positively related to firm size. The coefficient of liquidity is negatively related to disclosure index which implies that Spanish firms with low liquidity disclose less information. The research evidence also revealed that comprehensive disclosure increases with listing status.

Mironiuc *et al.* (2013), investigates the relevance of financial reporting on the performance of quoted Romanian companies in the context of adopting IFRS. The results of the empirical study revealed that two categories of accounting results are significantly associated with share price, reflecting an increased value relevance and usefulness for the investors on the Romanian financial market after the adoption of IFRS.

Ortega (2006), examined the changes in value relevance of earnings book values and cashflow in security prices for a period of 45 years (1961 to 2005). The evidence of the findings showed that cashflow provides incremental information content beyond earnings and book values in security prices.

Abayedeera (2010), investigated the value relevance of financial and non-financial information in high-tech industries in Australia based on a sample size of 91 companies. The results of the findings revealed that value relevance declined in earnings but increased in book value.

Uwuigbe *et al.* (2016), examined the value relevance of financial statements and share price of listed banks in Nigeria using descriptive statistics and fixed effects panel data method of data analysis. The evidence of the study indicated that a significant positive relationship exists between earnings per share (EPS) and last day earning per share (LDEPS).

Adeyemi and Asaolu (2013), conducted an empirical investigation on financial reporting practices and banks stability in Nigeria through the use of regression analysis. The research evidence revealed that disclosures have a significant positive influence on banks stability in Nigeria.

Saliu and Adetoso (2018), investigated the relevance of financial reporting on profitability of quoted companies in Nigeria based on Ordinary Least Square (OLS) regression analysis. The findings of the study showed that there is a significant positive relationship between quality of financial reporting and profit after tax of quoted companies in Nigeria.

2.1. Financial Reporting Quality

Jonas and Blanchet (2000), argued that reporting is only a final output. The quality of financial reporting depends on each of its part, including disclosure of the company's transactions, application of accounting policies, information about the selection and knowledge of the judgements made.

The goal of financial reporting is to provide useful information for decision-making. Companies may generate financial statements in accordance with financial regulations such as IFRS, the statements may present differing level of quality (Choi and Pae, 2011). Thus, financial reporting quality is the faithfulness of the information conveyed by the financial reporting process.

The main characteristics of financial reporting are relevance, reliability, transparency and clarity (Jonas and Blanchet, 2000; Lu *et al.*, 2011). A high quality accounting information is a valuable means of counteracting information asymmetry (Chen *et al.*, 2011).

Financing reporting quality requires companies to expand the scope and quality of information voluntarily so as to ensure that market participants are fully informed in order to make a rational and informed decision on investment, credit etc. The quality of financial reporting enhancing greater transparency thereby reducing information asymmetry and satisfies investors and stakeholders needs.

A high quality financial report enables firms to reduce information risk and prevents managers from using discretionary power for their own benefit thereby helping them make efficient investment decisions (Chen *et al.*, 2011).

Lambert *et al.* (2007), investigated the effect of quality of accounting information on cost of capital of some selected firms. The research evidence revealed that the quality of accounting information influences firms' cost of capital, both directly, by affecting market participants' perceptions about the distribution of future cashflows and indirectly, by affecting the real decision relating to the distribution of future cashflows.

2.2. Measures of Financial Performance Quantity

2.2.1. Earnings Management

Various measures of financial reporting quality were used in this study since there is no generally acceptable measure of financial reporting. The degree of earnings management based on accruals is the first measure employed in this research while the second is the degree of conservatism. The third measure is the accrual quality. Dechow and Dichev (2002), asserted that earnings management is the inverse of financial reporting quality. The higher the earnings management, the lower the financial reporting quality.

2.2.2. Accounting Conservatism

The degree of accounting conservatism is the second measure of financial reporting quality used in this study. Accounting conservatism involves a more timely incorporation of economic losses into accounting earnings than economic gains (Ball *et al.*, 2000). Basu (1997), argued that accounting conservatism reflects bad news more rapidly than good news on the part of the company because it tends to reduce litigation crises. In this research, Basu (1997) model is used to examine financial reporting quality.

2.2.3. Accrual Quality

Accrual quality is the third measure of financial reporting quality used in this paper. Accrual quality has been used in several papers to measure financial reporting quality (Choi and Pae, 2011; Hong and Anderson, 2011). In this study, accrual quality is measured by Ball_Shivakumar Model.

2.3. Measures of Financial Performance

In this study, market to book value ratio is used to evaluate financial performance. This is in line with Hillman and Klein (2001) study. Hillman and Klein (2001) argued that accounting actions are less successful than market actions due to their inability to capture the long-term value of the company, focused on previous performance and therefore subject to the possibility of manager's manipulation. Moreso, market measures are more suitable in order to observe the identification of corporate social responsibility (CSR) entrenchment practices by investors. These variables reflect the trust that shareholders of the company have not only at present but also in the past and future.

2.4. Control Variables

The study incorporates several control variables whose effect on financial performance, earning management and corporate social responsibilities is well established by prior studies. The control variables are firm size, leverage, risk, operating liquidity (working capital), industry, and research and development intensity.

2.4.1. Firm Size

Firm size is measured by the natural logarithm of total assets. It is a usual practice to adopt firm size as a determinant variable of financial performance and also as a determinant of financial reporting quality. Large firms usually show a significant positive effect on financial performance (Prior *et al.*, 2008; Surroca *et al.*, 2010).

2.4.2. Leverage

Leverage is the extent to which debt is used to finance a company. It is calculated as the ratio of debt to equity. The level of firm leverage has been widely used in previous study. Tu (2012), argued that debt ratios are the major determinants of earning management changes.

2.4.3. Risk

Risk represents the level of systematic risk in the study. It is measured by the beta of the market model. Waddock and Graves (1997), posit that risk is one of the variables affecting financial performance. Companies that are prone to higher risk have a greater likelihood and incentive to manipulate the accounting result, thereby reducing their financial reporting quality (Warfield *et al.*, 1995).

2.4.4. Working Capital (Operating Liquidity)

Working capital is the excess of current assets over current liabilities. It reflects the ability of a firm to continue its operation in the short-run. Working capital which is widely associated with accounting results allows firms to enjoy higher liquidity where better financial performance is achieved.

2.4.5. Industry

Margolis and Walsh (2003), argued that it is necessary to consider the effect of the industry in which a company operates in evaluating financial performance. A multinational variable (INDUSTRY) is used to measure the company's sector of activity.

2.4.6. Research and Development Intensity

Research and development intensity is the ratio of research and development expenditure to total revenue. Prior studies have found that companies with huge research and development expenditure have greater incentives towards earnings management (Barber *et al.*, 1991; Dechow and Sloan, 1991).

2.5. Linkage between Financial Performance Quality and Financial Performance

Financial reports issued by companies have become essential resources to market participants because it provides a reduced amount of information asymmetries among managers; shareholders, regulatory agencies and stakeholders.

Moreso, the discretionary behaviour of manager has an influence on corporate performance through the strategic management process.

Lee *et al.* (2006), asserted that corporate performance and growth determine the quality of financial information reported by companies.

McDemmott (2011), argues that higher quality financial statements improve the efficiency of investment in corporate social responsibilities because financial reporting quality reduces moral hazard problems. This, in turn, leads to corporate social responsibility investment that benefits not only shareholders but also other stakeholders.

3. Methodology

The broad objective of this study is to investigate the effect of financial reporting quality on corporate performance in Nigeria. Data were obtained from the published financial statements of 30 quoted companies in Nigeria and Nigeria Stock Exchange (NSE) daily official listing for a period of 10 year (2008-2017).The models used for the purpose of the study are:

4. Results

Table-4.1. Descriptive Statistics

	MEAN	STD DEV	MIN	MAX
MTBV	1.97144	103.0433	-12167.06	1408.55
FRQKOTHARI	52.61436	1635.388	0.012608	79100.36
BALL-SHIVAKUMAR	319.4251	11688.4	-544271.3	538775
SIZE	9.503879	2.46901	-8.164482	16.6993
DEBT	0.738052	113.7450	-15880	805.538
RISK	1.544913	11.492815	-5.43818	611.466
WORKING CAPITAL	708.5338	3670.097	-35112	182157
INDUSTRY	3.173815	1.840833	0	12
R&D INTENSITY	0.226473	5.603347	0	371.882

Source: Authors' Computation, 2018

Table 4.1 depicts the descriptive statistics of the variables used in the study. The mean value of market to book value (MTBV) ratio is 1.97144 and the standard deviation is ±103.0433. This implies that the companies used for the purpose of the study are positively assessed for the market. The companies also have higher assessment than their book values and also have high growth opportunities in view of their current assets. With respect to financial reporting quality, the mean value of FRQKOTHARI is 52.61436 with a standard donation of +1635.388. The mean value of BALLSHIVAKUMAR, which represents the accrual quality is 319.4251 and the standard deviation is ±11688.4.

Moreover, table 4.1 summarizes the descriptive statistics in respect of the control variables, expressed in million of naira. For instance, the average size of the companies studied is 9.6804 with a standard deviation of ±114.30682.

Table-4.2. Bivariate Correlation

	Ntob	Frqko thari	C-score	B-score	Ball Shivakumar	Corru-Ption	Ifrs	Size	Debt
Mtob	1								
Frqkothari	-0.0015	1							
C-score	0.1407	0.0009	1						
B-score	-0.2649	-0.0013	-0.5681	1					
Ballshivakumar	-0.0021	0.3268	0.0019	-0.00011	1				
Corruption	0.0133	-0.0014	0.0006	0.0002	0.0027	1			
Ifrs	-0.0115	-0.0025	0.0322	0.0065	0.008	0.0431	1		
Size	-0.0191	-0.0016	-0.0228	0.0036	0.00016	-0.1066	-0.196	1	
Debt	0.501	0.0028	0.2192	-0.321	-0.0001	-0.0028	0.0021	0.0385	1
Risk	-0.0012	0.0019	0.0018	-0.0004	0.0005	0.0159	0.0003	0.0001	0.0036
Working capital	-0.0013	-0.0004	-0.0343	0.0122	0.004	-0.0008	-0.0614	0.1415	-0.0134
Industry	0.0288	0.0045	0.0105	-0.0053	0.0017	-0.006	-0.0539	-0.1267	0.0129
R&d intensity	-0.0003	-0.0002	0.0044	0.0002	0.0009	0.004	0.0213	-0.0213	-0.0009

	Risk	Working capital	Industry	R&d intensity
Risk	1			
Working capital	-0.0001	1		
Industry	-0.0015	-0.0118	1	
R&d intenship	0.0001	-0.0024	0.0127	1

Source: Authors' Computation, 2018

Table 4.2 shows the bivariate correlates between the dependent and independent variable. The correlate between the dependent and independent is not very high.

FRQKOTHARI is measure of earnings management based on Kothari *et al.* (2005) model. BALLSHIVAKUMAR measures accrual quality based on Ball and Shivakumar (2006) model. Size is measured by natural logarithm of assets. Debt is measured as the ratio of debt to equity. Risk is measured by beta while working capital is measured as the difference between current assets and current liability. Industry represents the activities of the various sectors examined in the study. R&D intensity is measured by the ratio of R&D expenditure to total sales. Corruption is a numerical variable that measures the level of corruption in each company. IFRS is a dummy variable that takes 1 since all quoted companies in Nigeria have adopted IFRS.

Table-4.3. Effect of Financial Reporting Quality on Corporate Performance in Nigeria

	Coefficient	Std error	Coefficient	Std error	Coefficient	Std error	Coefficient	Std error
Frqkothari C-score B-score Ball-shivalumar	-0.000055	0.0000312	0.0001146*	1.086-06	-0.000168*	0.0000052	-0.0012696*	0.0008015
Size	0.2961335*	0.0644931	0.1987220*	0.0740535	0.5487045*	0.8408946	0.962031	0.0867218
Debt	0.6157014**	0.0472987	0.7450208*	0.0294183	0.6803203	0.0175302	0.6547953*	0.0781533
Risk	0.005802	0.0009608	0.0046836*	0.0008194	-0.0009682	0.0007153	0.0069914*	0.0009118
Working capital	0.0001488*	9.50E-06	-0.0000913	5.09E-06	0.0000513	6.75E-06	0.0002836*	0.0000201
Industry	20.573106*	4.112948	28.1533671	6.911035	25.15606	9.041579	21.61493*	9.560417
R&d intensity	-0.0074882*	0.0007037	-0..0072135	0.0008843	-0.0057706*	0.0009288	-0.008	0.0009127
Z	2687.00		49976.11		4136.05		2588.33	
M1	-3.30		-1.37		-1.34		-3.05	
M2	-0.81		-0.66		-0.87		-0.93	
Hazen	309.36		386.18		344.08		272.05	

Source: Authors' Computation, 2018

Table 4.3 above shows the effect of financial reporting quality on financial performance, measured by market to book value ratio. Financial reporting quality was measured through the use of Kothari *et al.* (2005) model.

Basu (1997), model was used to measure accounting conservatism as suggested by Khan and Watts (2009) and Ball and Shivakumar (2006) model was used to measure accruals quality. In table 4.3, FRQ KOTHARI is statistically significant at 0.05 level, which has a negative effect on financial performance (coeff -0.000055). This implies that the higher the level of earnings management, the lower the financial reporting quality. Therefore, this result is consistent with prior evidence of Louis (2004) and Rangan (1998). The second measure of financial reporting quality adopted in this study related to accounting conservatism. In this regard, C-score and B-score parameters were developed. The effect of C-score on the dependent variable is statistically significant at 0.01 level with a positive coefficient of 0.0001146. This shows that highly conservative companies enjoy a better financial reporting quality, thereby showing a positive effect on corporate performance. B-Score was also used to measure financial reporting quality. This variable shows a negative coefficient of -0.000168, which is statistically significant at 0.01 level. The B-Score coefficient is inconsistent with previous studies. Accounting conservatism implies that conservative companies i.e. companies that recognize bad news promptly tend to experience a higher financial reporting quality and enjoy better market valuation. The evidence of this finding is inline with prior studies.

The last measure of financial reporting quality is accruals quality, measured by BALLSHIVAKUMAR model with a negative coefficient of -0.0012696. This is statistically significant at 0.01 level. Accrual quality impacts on financial performance of a firm. A higher level of Ballshivakumar shows lower accrual quality and a lower financial reporting quality.

Note

* and ** indicate the level of significance at 1% and 5% level. Z represents Wald test of joint significance of the reported coefficients, m1 and m2 represent serial correlation test of order while Hansen is a test of over-identifying restrictions.

Table-4.4. Effect of Financial Reporting Quality on Corporate Performance Using Corruption as a Moderating Factor (Dependent Variable: Mtbv)

Frqrothari	Coefficient	Std error	Coefficient	Std error	Coefficient	Std error	Coefficient	Std Error
Frqkothar C-score	-0.0014225*	0.0000375	0.0060572*	0.0001326	0..0021917*	0.000335		
B-score							-0.1923961*	0.0483009
Ball-shivalumar							-0.1923961*	0.0483009
Corruption	-2.103755*	0.305766	3.968597*	0.1071909	2.363892*	0.1097221	1.630229*	0.17025
Frq corruption	0.0001948*	5.09E-06	-0.0001033*	0.0000213	-0.0004656*	0.0000306	0.107571*	0.006932
Size	0.1685113*	0.0137055	0.1319858*	0.0554028	0.16274*	0.0487736	0.134093*	0.0398108
Debt	0.4852526*	0.0072933	0.6830727*	0.0187477	0.4266146*	0.0162567	0.3711474*	0.376087
Risk	-0.0066109*	0.00038063	-0.0058917*	0.0004512	-0.0070533*	0.0004862	-0.000536*	0.0005539
Working capital	0.0000503*	4.77E-06	-0.000064*	8.36E-06	-0.000062*	6.72E-06	0.000044**	3.37E-06
Industry	4.594689*	0.1229407	2.69574	3.05467	5.1193593	4.968805	9.04082**	4.361826
R&d intensity	-0.00	0.0001968	-0.0061412*	0.0006624	-0.0017055*	0.0003438	-0.0071214*	0.0004452
Z	189901.35		5895.61		4871.55		1802.70	
M1	-1.98		-1.11		-0.96		-1.23	
M2	0.61		-0.15		-0.34		-0.48	
Hazen	482.06		463.71		343.69		197.04	

Source: Authors' Computation, 2018

Table 4.4 shows the moderating effect of corruption on financial reporting quality. The result shows a significant negative relationship between corruption and financial reporting quality with a coefficient of -2.103755. The effect of FRQKOTHARI measure of -0.0014225 shows a negative link between corruption and financial reporting quality. The BALLSHIVAKUMAR coefficient of -0.1923961 also implies a negative relationship between corruption and financial reporting quality. The research evidence above shows that there is a statically significant negative relationship between corruption and financial reporting quality at 0.01 and 0.05 level. This shows that the higher the level of corruption, the lower the financial reporting quality in Nigeria.

Note

* and ** indicate the level of significance at 1% and 5% level. Z represents Wald test of joint significance of the reported coefficients, m1 and m2 represent serial correlation test of order while Hansen is a test of over-identifying restrictions.

Table-4.5. Effect of Financial Reporting Quality on Corporate Performance Using Ifrs as a Moderating Factor (Dependent Variable: Mtbv)

Frqrothari	Coefficient	Std error	Coefficient	Std error	Coefficient	Std error	Coefficient	Std error
Frqkothar C-score B-score	-5.03E-06*	1.85E-06	0.00037671*	0.0000141	0..0009981*	0.0000156		
Ball-shivalumar							-0.0052180*	0.0013772
Ifrs	0.1048733	9.46438	-1.259739	1.865471	0.1694835	18.80358	-0.182253*	8.94537
Frq ifrs	-0.0001025*	3.72E-06	-0.0002673*	0.0000272	0.0001473*	0.0000661	-0.0040872*	0.0014172
Size	0.00668958*	0.0124152	0.1264393**	0.0463805	0.1862507*	0.0448307	0.1017307**	0.378581
Debt	0.4735931*	0.0735034	0.6064509*	0.0162007	0.4331484*	0.0121515	0.3470705*	0.0215018
Risk	-0.0071053*	0.0002671	-0.0028616**	0.0005976	-0.0025485*	0.0003671	-0.0022201*	0.0215018
Working capital	0.0000628*	4.48-06	-0.0001122*	3.15E-06	-0.0000207*	4.05E-06	0.000132*	0.0004785
Industry	3.894306*	0.1543929	10.31202*	2.88943	26.78915*	2.9912728	3.264309*	6.31E-06
R&d intensity	-0.0041048*	0.0001915	-0.004155*	0.0005728	-0.0039307*	0.0008417	-0.00741*	2.51204
Z	239134.05		5866.08		4110.08		2799.05	0.000603
M1	-1.88		-1.73		-1.12		-1.66	
M2	-.051		-0.26		-0.22		-0.41	
Hazen	507.40		361.83		385.93		309.75	

Source: Authors' Computation, 2018

Table 4.5 above shows the effect of financial reporting quality on financial performance using IFRS as a moderating factor. With respect of accrual quality, measured by FRQKOTHAR the research evidence revealed that accrual quality impacts positively on market to book value ratio with coefficient of 5.03E-06 at 0.05 level of significance. A higher FRQKOTHAR is associated with a lower accrual quality thereby reducing the financial reporting quality. The result also shows that financial reporting quality increases in companies that have adopted IFRS. This result is consistent with BALLSHIVAKUMAR measure of financial reporting quality with a coefficient of 0.0052180. Companies with a full IFRS adoption achieve higher earnings quality thereby enhancing higher financial reporting quality.

Note

* and ** indicate the level of significance at 1% and 5% level. Z represents Wald test of joint significance of the reported coefficients, m1 and m2 represent serial correlation test of order while Hansen is a test of over-identifying restrictions.

Table-4.6. Effect of Frequency on Financial Performance Using Accounting System as a Moderating Factor (Dependent Variable: Mtbv)

Frqrothari	Coefficient	Std error	Coefficient	Std error	Coefficient	Std error	Coefficient	Std Error
Frqkothar C-score B-score	-0.000022*	0.0000136	0.0000511*	2.38E-06	0..0000612*	5.25E-06		
Ball-shivalumar							-0.0000647	-0.0000153
Size	0.1031548*	0.0128474	0.0658612*	0.0039448	0.3044877*	0.0224778	0.3184097*	0.3108343
Debt	0.5239221*	0.0061612	0.7160125*	0.0084204	0.5289621*	0.0066157	0.4077384*	0.4291842
Risk	-0.0026678*	0.00039379	-0.0001802	0.0003861	-0.0004708**	0.00029113	-0.0014282*	-0.0011304
Working capital	0.0000783*	4.25E-06	-0.0000707*	2.91E-06	-0.0000739*	3.83E-06	0.000018*	0.000022
Industry	3.359420*	0.1165424	4.903515*	0.6709758	8.66825*	1.054952	2.089655*	2.7386804
R&d intensity	-0.0048147*	0.00013612	-0.0046928*	0.0001673	-0.00021606*	0.0003144	-0.0024116*	-0.0024159
Z	74316.08		31864.06		26017.84		4188.21	4175.23
M1	-1.94		-1.04		-1.11		-1.85	-2.02
M2	-0.63		-0.13		-0.23		-0.48	-0.54
Hazen	517.88		582.86		624.08		516.58	519.77

Source: Authors' Computation, 2018

Table 4.6 shows the effect of financial reporting quality on financial performance using accounting system as a moderating factor. Financial reporting quality has a positive effect on accrual quality, conservatism and earnings quality. The FRQKOTHARI coefficient of -0.000027 and the BALLSHIVAKUMAR coefficient of -0.0000647 show that more conservative companies with a sound accounting system enjoy better market valuation thereby achieving higher financial performance.

Note

* and ** indicate the level of significance at 1% and 5% level. Z represents Wald test of joint significance of the reported coefficients, m1 and m2 represent serial correlation test of order while Hansen is a test of over-identifying restrictions.

5. Conclusion

Financial reporting quality is a measure that helps firms to reduce information risk and liquidity thereby preventing managers from using discretionary powers for the own advantage and helps them to make efficient investment decision. Financial reports issued by companies are essential resources for any market participant because it helps to reduce information asymmetry among managers, investors, regulators and other stakeholders. This paper investigates the effect of financial reporting quality on corporate performance in Nigeria. Three proxies such as earnings quality, accounting conservatism and accruals quality were used for the study. The research evidence above shows that there is a statistically significant negative relationship between corruption and financial reporting quality. This shows that the higher the level of corruption, the lower the financial reporting quality in Nigeria. This was evidenced by a negative coefficient of -0.001425 between corruption and financial reporting quality.

The effect of FRQKOTHARI measure of -0.0014225 also shows a negative link between corruption and financial reporting quality. The BALLSHIVAKUMAR coefficient of -0.1923961 also indicated a negative relationship between corruption and financial reporting quality. The evidence of the findings also revealed that financial reporting quality increases in companies that have adopted IFRS. This result is consistent with BALLSHIVAKUMAR measure of financial reporting quality with a coefficient of 0.0052180. This implies that companies with a full IFRS adoption achieve higher earnings quality thereby enhancing higher financial reporting quality in Nigeria. The findings of the study revealed a significant positive relationship between accounting system and financial reporting quality. Financial reporting quality has a positive effect on accrual quality, conservatism and earnings quality. The FRQKOTHARI coefficient of -0.000027 and the BALLSHIVAKUMAR coefficient of -0.0000647 show that more conservative companies with sound accounting systems enjoy better market valuation thereby achieving higher financial performance.

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