



# Implication of IFRS 6 on the Financial Performance of Selected Oil Companies in Nigeria

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## Abstract

The study aimed at evaluating IFRS 6 and its impact on the financial performance of oil and gas companies. This paper looked at how the adoption of IFRS 6 changed the financial outcomes of several petroleum businesses in Nigeria. Five petroleum firms were randomly selected. Data were obtained from the published financial reports, and the necessary key financial performance indices were computed. The research utilized the paired correlation and sample t-test to examine the association and dissimilarity concerning post-IFRS 6 adoption and pre-IFRS 6 profitability, financial leverage, and liquidity under these two periods. The results revealed an insignificant association for the profitability and leverage variables, but found a significant association for the working capital variable for the two periods. The paired t-test result (hypothesis 1 showed  $t=1.617$ ,  $p\text{-value}=0.140>0.05$ , hypothesis 2 showed  $t=1.863$ ,  $p\text{-value}=0.095>0.05$  and hypothesis 3 showed  $t=1.700$ ,  $p\text{-value}=0.123>0.05$ , all at  $df=9$ ) revealed that there was no substantial disparity in profitability, financial leverage, and working capital under the post-IFRS 6 adoption and pre-IFRS 6 periods. The outcomes of the research show that IFRS 6 has no outcome on the financial performance of Nigerian petroleum companies. It recommended that, in order to improve the quality of their financial reporting, oil and gas firms should adhere to the guidelines established by the IFRS 6. This could improve performance by bringing in more investments, making it easier to get money, and letting investors and analysts compare financial reports.

**Keywords:** Financial performance; IFRS 6; Oil and gas companies.

## 1. Introduction

The International Financial Reporting Standards constitute accounting regulations that establish a global framework for financial reporting. IFRS 6 is a specialised standard that pertains to the accounting for the use of drilling and assessing assets in the extractive sectors, which encompass industries dealing with natural resources such as oil and gas, minerals, and others (Palmer, 2022). Compliance with IFRS 6 is essential for companies

operating in these industries, as it ensures accurate financial reporting and transparency, which can help build investor confidence and trust.

IFRS 6 holds significant importance due to various reasons, including upholding investor confidence and trust, providing precise financial performance reporting, facilitating appropriate exploration and evaluation of assets, and facilitating informed investment decision-making (Ekramy *et al.*, 2018). Adherence to IFRS 6 is crucial for regulatory conformity, given that several nations mandate corporations to comply with this standard in their financial reporting obligations. Non-compliance may lead to legal consequences, such as fines, penalties, and litigation. Adherence to the established norm enables firms operating in the extractive sector to precisely disclose their fiscal achievements, establish trust among investors, and evaluate the possible return on investment, thereby facilitating informed judgements regarding the continuation of exploration activities in a given asset or the reallocation of resources to alternative regions.

Non-compliance with IFRS 6 can have serious negative effects on companies, both in terms of their financial performance and their reputation. One of the most significant negative effects of non-compliance with IFRS 6 is the impact it can have on a company's financial performance. Failure to properly account for exploration and evaluation assets can result in inaccurate financial statements, which can lead to erosion of investor's confidence and decline in share prices (Ekramy *et al.*, 2018). In addition, non-compliance with IFRS 6 can result in penalties and fines imposed by regulatory bodies, which can have a substantial effect on a business's bottom line. Companies may also face legal action from investors and other stakeholders who feel they have been misled by inaccurate financial statements.

Non-compliance with IFRS 6 has been reported to have a negative impact on a company's reputation. Failure to comply with accounting standards can raise questions about a company's transparency and corporate governance practices, which can damage its reputation with investors and other stakeholders (Ofogebu and Ndubuisi, 2018). This can have long-term consequences for a company, as it may find it more difficult to attract investment and may struggle to maintain its market position. In addition, negative publicity surrounding non-compliance can lead to a loss of trust among customers and suppliers, which can further damage a company's reputation.

However, complying with IFRS 6 has been known to be challenging for companies, particularly those in the extractive industries (Poswal and Chauhan, 2021). One of the main challenges is determining the commercial viability of exploration and evaluation assets, which can be difficult due to the uncertainty and risk involved in these activities. In addition, companies must determine which costs can be capitalized and which must be expensed, which can be a complex process. There may also be challenges in determining the appropriate depreciation and amortization rates for capitalized costs, as well as determining when to reclassify assets as development or producing assets. Furthermore, complying with IFRS 6 may require significant changes to a company's accounting and reporting systems, which can be costly and time-consuming.

## **2. Statement of the Problem**

Companies in oil exploration and distribution subsector of the economy have been facing a number of problems, such as oil bunkering and pipeline vandalism. Additionally, foreign employees of foreign petroleum firms have been targeted by rebels in the oil-producing regions and taken hostage for ransom. Their principal complaints against the multinational oil firms and the Nigerian government, according to these militants, are inequities in the distribution of money to the oil-producing states from where the revenue is derived. (Kulungu, 2021). These activities have significantly hindered the smooth operation of petroleum firms in the region.

Also, companies have been caught making up numbers and messing with their financial statements. Tax evasion is common, and the authorities don't do much to stop persistent earnings management because regulations are weak and not working or ineffective. In this regard, Bala (2013) said that most of the Nigerian (SASs) are out of date and not enough to help companies to provide good financial statements, taking into account other environmental factors that are important to the sector and affect how these companies work.

To get into the top twenty most developed countries in the world by 2020, the then government of President Goodluck Jonathan had to implement a number of economic reforms in different parts of the economy to deal with problems, including but not limited to the aberration. Bala (2013), says that the most important changes in the accounting and oil and gas industries have been the use of IFRS 6. The goal of this transition is to make the financial reports of Nigerian businesses more uniform and clear while also reducing the amount of different information.

## **3. Literature Review and Hypotheses Development**

### **3.1. Conceptual Review**

#### **3.1.1. Financial Performance of Companies**

Financial performance refers to the ability of a company to effectively utilise resources from its primary operations to generate revenue. The aforementioned expression is commonly employed as a comprehensive gauge of a corporation's enduring fiscal soundness. (Kenton, 2022). The aforementioned statement pertains to a thorough evaluation of a firm's overall performance, encompassing various aspects such as assets, liabilities, equity, costs, revenue, and overall profitability. (Corporate Finance Institute CFI, 2023). Financial performance is an all-around look at how well a company is doing in areas like assets, liabilities, equity, expenses, income, and overall profitability. The evaluation involves the utilisation of various business-oriented equations that facilitate the computation of accurate data regarding the potential efficiency of an enterprise. Analysts and investors engage in the practise of comparing the financial performance of companies that are similar in nature within the same sector or, alternatively, across various sectors or sectors as a whole. A corporation comprises a diverse range of stakeholders,

including trade creditors, bondholders, investors, workers, and management. Every cohort exhibits a keen interest in monitoring the financial outcomes of a corporation. Financial results pertain to the ability of a business to generate revenue and effectively handle its assets and liabilities, as well as the financial concerns of its shareholders.

There are different ways to assess how well off someone is financially, but it is important to look at all of them together. As line items, financial index such as cash flow, operating income, and revenue from operations can be added to the total number of units sold. Additionally, expert or investor may wish to carefully review the financial accounts to see if there has been a decrease in debt or an increase in the growth rates of the margins. The primary focus of Six Sigma methodologies is the aforementioned emphasis. Financial performance analysis generates precise financial formulas and ratios that, upon comparison with historical data and industry benchmarks, offer valuable insights into a company's financial health and performance.

Major performance index are quantifiable standards utilized to evaluate, track, and anticipate the financial outcomes of an entity. They are also known as financial performance indicators. Performance metrics are used to judge how well an enterprise is doing, particularly compared to its competitors, and to show both internal and external stakeholders, such as management and board members, where the company is strong and where it needs improvement. [Kenton \(2022\)](#). When looking at a company's financial performance, the focus is usually on a certain point in time, like the most recent year. Thus, the financial reports are crucial financial statements utilised in performance analysis. ([Corporate Finance Institute CFI, 2023](#)). The business sector commonly uses seven significant ratios to evaluate financial performance and aid in assessing a company's overall success.

## **4. International Financial Reporting Standard 6**

The International Financial Reporting Standards (IFRS 6) are a set of accounting standards that are globally recognised and provide a consistent framework for financial reporting across the world. IFRS 6 is the specific standard that regulates the accounting practice of drilling and estimation in the extractive industries, including but not limited to oil and gas, minerals, and other natural resources. The established guidelines provide directives for corporations regarding the disclosure of results stemming from their endeavours in exploration, as well as the appropriate treatment of expenses linked to the assessment and evaluation of such resources.

### **4.1. Accounting Treatment of Exploration and Evaluation Assets**

Exploration and evaluation assets refer to minerals that a company is in the process of exploring or evaluating for commercial viability. Accounting for these assets is governed by IFRS 6, which provides specific guidelines for the recognition, measurement, and disclosure of E&E assets.

According to IFRS 6, Exploration and evaluation assets should be recognized as assets when:

1. The company has the legal right to search the area for mineral resources.
2. The company has the technical ability and intention to explore the area for mineral resources.
3. The company has the financial resources to carry out the exploration and evaluation activities.

Exploration and evaluation assets should be initially evaluated at cost. Cost includes all direct costs incurred to acquire and explore the area, such as acquisition costs, exploration costs, and site restoration costs. Indirect costs, such as overhead costs, are not included in the cost of E&E assets. After assets have been found and looked at, they should be valued at their original cost, less any damage. When the carrying value of an asset is higher than its recoverable amount, this is called impairment. The recoverable amount is found by comparing the asset's fair value minus the costs of selling it with its value in use, with the higher value being used. Once an impairment loss has been recognised, it is not reversible in subsequent accounting periods.

It is suggested that assets used for exploration and evaluation be listed separately on the balance sheet and looked at every year to see if they could be worth less. The company has to say what its assets are, what method of accounting it uses, and how much money it spent during a certain time period. It is important to keep in mind that IFRS 6 only applies to assets that are used to search for and evaluate mineral or oil and gas resources. Different accounting standards are used for different kinds of drilling and evaluating assets, like those related to natural resources or renewable energy sources.

Based on early data, it looks like the implementation of IFRS 6 has had a big effect on how companies report their initial net assets. ([Ifeoluwa and Ayobami, 2017](#)). The lack of uniformity in the treatment of E&E expenditures among extractive firms was resolved with the implementation of IFRS 6. It is mandatory for corporations to adhere to their respective nation's GAAP, which exhibit variation due to the absence of uniform international accounting standards ([Ernst and Young, 2009](#)).

The sole focuses on the evaluation, recognition, and reporting of investment expenses during the exploration and evaluation (E&E) stage and does not encompass the pre- or post-E&E phases ([Bala, 2013](#)). The rationale behind the initiation of IFRS 6 is rooted in the substantial financial investments made by extractive enterprises across various stages of their operations. The application of IFRS 6 commences upon the gaining of legal entitlement to search a specific area and culminates upon the identification of economically feasible mineral resources. IFRS 6 does not provide consistency in the acknowledgement, quantification, or disclosure of E&E expenditures, and it has no impact on the remaining three investment stages. The correlation between expenditures on E&E and the economic feasibility of mineral resources has been a topic of concern. The reason being that certain E&E expenses, such as those incurred on research and development, may not be directly associated with particular mineral resources. This has led to speculation that the IFRS 6 may favour the positive efforts approach over the full cost technique and other accounting methods in the extractive industry.

According to IFRS 6, extractive companies have to decide whether their E&E assets are non-current or current. Assets need to be classified so that accounting policy decisions can be made about how to measure them after they are recognised and how to report that information. IAS 36 and IAS 37 are often used to figure out how much an asset is worth and tell people about it, as well as to set up provisions, contingent liabilities, and contingent assets (Bala, 2013). It is recommended that extractive enterprises adopt an appropriate accounting approach for managing expenses related to development activities, given that such costs fall beyond the purview of IFRS 6 once the commercial feasibility of mineral reserves has been recognized. Development costs are frequently capitalised by both SE and FC companies.

We therefore set to hypothesize as follows:

**Ho1:** Implementing IFRS 6 has no impact on the profitability of selected oil and gas companies in Nigeria.

**Ho2:** Implementing IFRS 6 has no impact on the leverage of selected oil and gas companies in Nigeria

**Ho3:** Implementing IFRS 6 has no impact on the liquidity of selected oil and gas companies in Nigeria.

## 5. Theoretical Underpinning

### 5.1. Stakeholder Theory

This research is based on the principles of stakeholder model. The stakeholder model, a framework for organisational management and corporate ethics that addresses ethical principles and values in the management of an organisation, was initially introduced by R. Edward Freeman in 1984. Stakeholder theory is a theoretical framework within the context of capitalism that highlights the interrelationships among various stakeholders of a company, such as its customers, suppliers, employees, shareholders, and local communities. As per the concept, it is imperative for a corporation to deliver value to all stakeholders rather than solely prioritising the interests of shareholders.

The fundamental principle of the stakeholder theory posits that the success of organisations is contingent upon their ability to furnish value to the largest portion of their stakeholders. It serves as a supplementary component to corporate social responsibility, thereby contributing to the broader concept of sustainability. This observation suggests that the generation of value extends beyond financial gain and that a corporation's triumph cannot be solely measured by its profitability (Wright, 2022). One of the factors that facilitated the adoption of IFRS 6 was the persistent demand from stakeholders for superior information and increased essential disclosures. An explanation for the presence of accounting lobbying can be attributed to stakeholder theory, as posited by Hoffmann and Zülch (2014). The stakeholder theory posits that the firm's environment, which encompasses its customers, suppliers, employees, and other societal factions, is a crucial perspective to consider. The identification of enterprise stakeholders and their decision-making processes with regards to lobbying activities are ascertained by the stakeholders' power, urgency, and legitimacy (Ahmad, 2015).

Akisik (2013), found that accounting regulations have a big effect on economic advancement, even when other macroeconomic and social factors are taken into account. The discipline of accounting plays a vital role in collecting precise information regarding the financial activities of an organisation and presenting it in a way that facilitates informed decision-making by relevant stakeholders within a given economic context (Hope et al., 2017). This study employs performance indicators such as speed, product quality, flexibility, and dependability to explore the influence of the implementation and acceptance of IFRS 6 on the operational performance of oil businesses in Nigeria.

## 6. Empirical Review

Poswal and Chauhan (2021), look at whether petroleum firms are following the rules of IFRS 6 for the (E&E) of mineral resources. For this reason, a detailed list was made that included all of the IFRS 6 criteria and was split into eight different groups. Based on a previous study, a content analysis research method was used to look closely at the financial reports of five Indian businesses and the five businesses in this sector around the world. The results show that most businesses, both in India and around the world, have not been following IFRS 6's rules. In five out of eight metrics, not even half of the standards have been met by the businesses. For Indian and international enterprises, the total compliance percentage is only 41.54 percent and 43.68 percent, respectively. Even if various types of organisations are reporting in accordance with different accounting rules, it has been discovered when analysing the non-compliance. As a result, it is inconsistent with the objective of IFRS 6, which is to provide a common language for businesses to produce their financial statements. The study results specify the precise region of non-adoption while referencing the pertinent IFRS 6 paragraph number.

For a period of six years, from 2012 to 2017, Ofoegbu and Ndubuisi (2018) evaluated the effect of disclosure practises under IFRS 6 on the outcomes of companies in Nigeria. Data were combined from 64 chosen businesses in Nigeria and 384 firm-year observations. By using text analysis and multiple regression approaches, they created a disclosure index for both IFRSs that are required and optional. They also examined the relationship between disclosure and performance, using the businesses' stated return on capital employed (ROCE) as a performance indicator. The research also looked at the connections between firm characteristics, market-based success, and total transparency. The outcome suggests that the level of total disclosure is unrelated to the financial success of companies. The outcome reveals a strong and favourable relationship between share price, size, audit firm size, and total company transparency. Leverage, firm age, and total disclosure have a weak and negative correlation. As a result, the size of the audit firm in Nigeria was shown to be a key factor in determining the level of IFRS 6 disclosure.

In order to determine how successfully Nigerian oil and gas marketing organisations performed after IFRS 6 was implemented, Abdullahi, Abubakar, and Ahmad conducted research in 2017. The research makes use of a

sample of eight American oil and gas firms' financial statements. These companies were chosen based on how easily accessible the data was. In the research, profit margin, return on assets, and return on equity ratios were used as substitute performance metrics for businesses. These ratios were seen as dependent variables that the reporting regime, which was viewed as an autonomous variable, may have an influence on. The quick test, total debt ratio, earnings per share, and equity debt ratio are some of the control variables used in the present research. In order to conduct the research, ratios were calculated and compared across a four-year period (2010–2011), both before and after the required implementation of IFRS 6. (2012–2013). OLS regression was used for the study in Eviews 9. According to the report, there has been no appreciable improvement in the operational efficiency of the Nigerian petroleum firms as a consequence of the implementation of IFRS 6.

Ifeoluwa and Ayobami (2017), evaluate the existence of any appreciable variation in performance measurement. The approach uses financial reports from five chosen quoted oil and gas corporations as a supplementary source of data. In order to compare the time when NG-GAAP was in use and the time when the firms switched to the International Financial Reporting Standard, data analysis was done using pairwise sample test statistics. The study's time frame was from 2009 to 2014. The firms employed NG-GAAP (Nigerian Generally Accepted Accounting Principles) from 2009 to 2011, then IFRS 6 from 2012 to 2014 to prepare their financial statements. The findings indicate that there was no significant difference in statistics observed in the report of the primary performance metrics utilised for assessing the success of the entity. The findings indicate that there was no statistically significant deviation observed in the key performance metrics report utilised for assessing the success of the business.

The application of IFRS 6 changes the size of the major accounting ratios of Finnish businesses, according to research by Lantto and Sahlstrom (2009) that looked at the influence of IFRS 6 application on financial ratios of listed Finnish enterprises. According to their research, profitability ratios rise by 9–19%, price-to-earnings (PE) ratios fall by 11%, gearing ratios rise by 2.9%, and equity ratios rise by only 0.2%. However, Blanchette et al. (2011) also looked at how the change from Canadian GAAP to IFRS 6 affected financial measures in the areas of profitability, leverage coverage, and liquidity. When compared to ratios obtained under Canadian GAAP before the conversion, they indicated a noticeably greater level of volatility for the majority of the IFRS 6 ratios.

But it has been observed that much work has not been done in the petroleum industry to ascertain the impact of how the adoption of IFRS 6 affects corporate financial performance. This study is meant to fill a gap in what has been written about IFRS 6 adoption in the petroleum industry of the Nigerian economy.

## 7. Methodology

An ex-post facto research design was utilized in the research. Twelve (12) public oil and gas businesses in Nigeria made up the research's population, but only five (5) were included. The sample size is five firms, utilising their financial statements and other pertinent information from 2010 to 2013. The following is a list of publicly traded corporations whose financial statements were utilised for this study. Total oil Plc, ExxonMobil, Forte Oil Plc, Oando Plc, and Mobil Oil Nigeria Plc were selected for their ease of access to information.

Secondary sources were used to gather, present, evaluate, and discuss the data in this research. The secondary data for this research was derived from public annual reports and accounts from 2010 to 2013. The data were analysed using SPSS statistical software. Five petroleum corporations that are trading on the Nigerian exchange group and submitted IFRS 6-compliant financial reports in 2012 make up the sample for this research.

For the study, financial reports from petroleum companies that were made and presented through NG-GAAP or SAS in 2010 and 2011 (before IFRS 6 was adopted) and under IFRS 6 in 2012 and 2013 (after IFRS was adopted) were used. The quantitative method was used to study how the utilization of IFRS 6 changed the performance of a few Nigerian petroleum companies that are publicly traded. The research technique used for this study is based on previous studies that have utilized similar data and techniques (Abdullahi et al., 2017; Ifeoluwa and Ayobami, 2017). As a result, the sample paired t-test was utilized to analyse the acquired data.

The key performance Indicators are specified as:

$$\text{Gross profit margin} = \frac{\text{revenue} - \text{cost of sales}}{\text{revenue}} \times 100$$

$$\text{Leverage} = \frac{\text{total assets}}{\text{total equity}}$$

$$\text{Working capital} = \text{current assets} - \text{current liabilities}$$

### Results

#### Descriptive Statistics

| Descriptive Statistics   |    |               |             |               |               |                |
|--------------------------|----|---------------|-------------|---------------|---------------|----------------|
|                          | N  | Minimum       | Maximum     | Sum           | Mean          | Std. Deviation |
| Pre_Gross profit margin  | 10 | -42.89        | 41.80       | 107.41        | 10.7409       | 21.54786       |
| Pre_Leverage             | 10 | 1.98          | 6.11        | 41.02         | 4.1021        | 1.53174        |
| Pre_Working capital      | 10 | -39593200.00  | 15518917.00 | -73399253.00  | -7339925.3000 | 15570580.03223 |
| Post_Gross profit margin | 10 | 9.56          | 100.00      | 311.06        | 31.1065       | 36.72137       |
| Post_Leverage            | 10 | 1.92          | 8.96        | 51.78         | 5.1785        | 2.09837        |
| Post_Working capital     | 10 | -161081158.00 | -676846.00  | -323746508.00 | -32374650.800 | 59448538.02847 |
| Valid N (listwise)       | 10 |               |             |               |               |                |

Table 1 shows the descriptive properties of the ratios used for this research work. The table shows the minimum, maximum, sum, mean and standard variation of the observed items.

**Hypothesis One:** Implementing IFRS 6 has no impact on the profitability of selected oil and gas companies in Nigeria.

| Paired Samples Correlations |  |    |             |      |
|-----------------------------|--|----|-------------|------|
|                             |  | N  | Correlation | Sig. |
| Pair 1                      | Post_Gross profit margin & Pre_Gross profit margin | 10 | .143        | .693 |

The above table shows the correlation between the trends of the two period (pre IFRS 6 & Post IFRS 6) has a weak positive insignificant association. The correlation coefficient is given as 0.143.

| Paired Samples Test                                |                    |           |                 |   |       |       |    |                 |
|--|--------------------|-----------|-----------------|---|-------|-------|----|-----------------|
|  | Paired Differences |           |                 |   |       | T     | Df | Sig. (2-tailed) |
|  | Mean               | Std. Dev. | Std. Error Mean | 95% Confidence Interval of the Difference |       |       |    |                 |
|  |                    |           |                 | Lower                                     | Upper |       |    |                 |
| Post_Gross profit margin - Pre_Gross profit margin | 20.367             | 39.83     | 12.59           | -8.123                                    | 48.86 | 1.617 | 9  | <b>.140</b>     |

The result above shows the difference in the mean and standard deviation of the post-IFRS 6 adoption and pre-IFRS 6 gross profit margin to be 20.367 and 39.83 respectively. The post-IFRS 6 gross profit margin was greater than pre-IFRS 6 period. The test result (t= 1.617, df = 9, and p-value = 0.140 > 0.05) shows that the difference of gross profit margin in the post-IFRS 6 adoption and pre-IFRS 6 was insignificant. Consequently, we accept the null proposition, and settle that implementation of IFRS 6 has no substantial influence on the profitability of selected oil and gas enterprises in Nigeria.

**Hypothesis Two:** Implementing IFRS 6 has no impact on the leverage of selected oil and gas companies in Nigeria.

| Paired Samples Correlations |                              |    |             |      |
|-----------------------------|------------------------------|----|-------------|------|
|                             |                              | N  | Correlation | Sig. |
| Pair 1                      | Post_Leverage & Pre_Leverage | 10 | .531        | .115 |

The above table shows the correlation between the trends of the two period (post-IFRS 6 & pre-IFRS 6) financial leverage has a moderate positive insignificant association. The correlation coefficient is given as 0.531.

| Paired Samples Test          |                    |                |                 |   |       |       |    |                 |
|------------------------------|--------------------|----------------|-----------------|---|-------|-------|----|-----------------|
|                              | Paired Differences |                |                 |   |       | t     | Df | Sig. (2-tailed) |
|                              | Mean               | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference |       |       |    |                 |
|                              |                    |                |                 | Lower                                     | Upper |       |    |                 |
| Post_Leverage - Pre_Leverage | 1.076              | 1.827          | .578            | -.231                                     | 2.383 | 1.863 | 9  | <b>.095</b>     |

The result above shows the difference in the mean and standard deviation of the post-IFRS 6 adoption and pre-IFRS 6 financial leverage to be 1.076 and 1.827 respectively. The post-IFRS 6 leverage was greater than pre-IFRS 6 period. The test result (t= 1.863, df = 9, and p-value = 0.095 > 0.05) shows that the difference of financial leverage in the post-IFRS 6 adoption and pre-IFRS 6 was insignificant. Consequently, we accept the null proposition, and settle that implementation of IFRS 6 has no substantial effect on the leverage of selected oil and gas enterprises in Nigeria.

**Hypothesis Three:** Implementing IFRS 6 has no impact on the liquidity of selected oil and gas companies in Nigeria.

| Paired Samples Correlations |  |    |             |      |
|-----------------------------|--|----|-------------|------|
|                             |  | N  | Correlation | Sig. |
| Pair 1                      | Post_Working capital & Pre_Working capital | 10 | .869        | .001 |

The above table shows the correlation between the trends of the two period (post-IFRS 6 & pre-IFRS 6) working capital has a high positive significant association. The correlation coefficient is given as 0.869.

| Paired Samples Test                        |                    |                |                 |   |            |        |    |                 |
|--|--------------------|----------------|-----------------|---|------------|--------|----|-----------------|
|  | Paired Differences |                |                 |   |            | t      | df | Sig. (2-tailed) |
|  | Mean               | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference |            |        |    |                 |
|  |                    |                |                 | Lower                                     | Upper      |        |    |                 |
| Post_Working capital - Pre_Working capital | -25034725.5        | 46565960.3     | 14725449.597    | -58346006.78                              | 8276555.78 | -1.700 | 9  | .123            |

The result above shows the difference in the mean and standard deviation of the post-IFRS adoption and pre-IFRS 6 working capital to be -25034725.5 and 46565960.3 respectively. The post-IFRS 6 working capital was less than pre-IFRS 6 period. The test result ( $t = -1.700$ ,  $df = 9$ , and  $p\text{-value} = 0.123 > 0.05$ ) shows that the difference of working capital in the post-IFRS 6 adoption and pre-IFRS 6 was insignificant. Consequently, we accept the null proposition, and settle that implementation of IFRS 6 has no substantial influence on the liquidity of selected oil and gas enterprises in Nigeria.

## 8. Discussion of Findings

The result from the analysed data revealed that the utilization of IFRS 6 has not meaningfully impacted the financial performance of petroleum companies. Based on the result and the key financial indicators used, it is evident that the application of IFRS 6 in respect to financial reporting has no influence on the financial welfare of petroleum enterprises, mainly their profitability, financial leverage, and working capital. Though the results show an increase in profitability and financial leverage, contrary to expectations, a decline in the working capital of the selected firms was found during the observed period.

Based on these results, it seems that companies in the oil and gas sector do better after they start using IFRS 6. But IFRS's framework can't guarantee financial performance on its own because other management policies and economic factors also affect it.

But this result is in line with the work of [Ifeoluwa and Ayobami \(2017\)](#), who look at whether there are any big differences in how listed oil and gas companies in Nigeria measure their performance. They found that there was no substantial statistical disparity in performance of petroleum firms. Similarly, [Ofoegbu and Ndubuisi \(2018\)](#) looked into how the way companies report information under IFRS 6 affects how well they do in Nigeria. The relationship between leverage, the age of the company, and the overall disclosure index led to a negative and meaningless result. Also, it was found that the level of overall disclosure had nothing to do with how well the listed Nigerian firms did financially.

## 9. Conclusion and Recommendation

This research explored how the utilization of IFRS 6 triggers the performance of oil and gas corporations. Various key performance indicators, including the gross profit ratio, financial leverage, and liquidity ratio, were utilised. The findings suggest a statistically insignificant positive correlation across the period prior to IFRS 6 application and the period subsequent to IFRS 6 application. There was no statistically substantial dissimilarity observed in the financial performances between the two periods. The study has determined that the implementation of IFRS 6 does not have a noteworthy influence on the financial performance of petroleum corporations operating in Nigeria.

In light of the aforementioned information, the study proposes the following recommendations:

- Oil and gas companies should follow the rules set by the International Financial Reporting Standards (IFRS 6) in order to enhance the quality of their reporting. This could improve performance by bringing in more investments, making it easier to get money, and letting investors and analysts compare financial reports.
- More research is needed from a wider range of angles to get a clear picture of how IFRS 6 implementation affects the financial outcomes of Nigerian oil and gas corporations.

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