IFRSs Adoption and its Influence on Financial Performance of Listed Consumer Goods Companies in Nigeria

Shittu Aliu Balogun, Sanyaolu Wasiu Abiodun, Job-Olatunji Kehinde Asamu

Department of Accounting, College of Arts, Social and Management Sciences, Crescent University, Abeokuta, Nigeria

Department of Accountancy, D.S. Adegbenro Polytechnic, Itori, Nigeria

*Corresponding author: Aliu.shittu10@gmail.com

Abstract

Objective – This study examined the effect of IFRS adoption on financial performance of Listed Consumer Goods Companies in Nigeria.

Design/methodology – The study selected 10 out of all the 28 Listed Consumer Goods Companies in Nigeria. Ex post facto research design was adopted and regression analysis through the aid of Eviews 9 was employed in analyzing the effect of IFRS adoption on performance of the selected listed companies.

Results – The findings revealed that IFRS adoption has significant positive effect on return on total asset, IFRS adoption has negative insignificant effect on interest coverage ratio, significant positive effect on basic earnings power ratio and that IFRS adoption has negative insignificant effect on leverage. Based on the findings, the study concluded that IFRS adoption has joint significant effect on Return on asset, on Basic earnings power and on Interest coverage while the reverse was the case for financial leverage.

Research limitations/implications – This study is limited in the context of consumer goods companies only. Future studies can extend the result of this study by investigating other industry in identifying the implication of IFRS adoption in their businesses.

Keywords: IFRSs, Profitability, Leverage, Interest Coverage, Earning Power Ratio.

1. Introduction

The rampant corporate scandals which led to the failure and collapse of some great blue chip companies in the developed countries have reiterated the need for looking into accounting qualities. This led to the scrutiny of reporting practices and accounting standards. The witnessed crises drew world attention to the accounting quality emphasizing reviewing and globalization of accounting standards. International Financial Reporting Standards (IFRSs) were initially adopted and popular in the western world, but with the globalization of trading activities, and the need for companies to raise capital and operate beyond their local territories have jointly accounted for its universal acceptance across different continents of the world.

One of the main advantages of a single set of global accounting standards as advocated by its supporters like Schipper (2011) was that it enables international investors to compare different financial statements across several companies and across countries. These resulted in a quest for global standards by regulators across the world of which professional accountancy bodies and preparers of financial statements are not excluded.

The adoption of international financial reporting standards by companies operating in developing countries have afforded them the opportunity of comparing their financial statements prepared locally with that of their international counterparts in developed economies of the world. This development enhances sound cross border investment decision and improves the ability to attract investment capital across International boundaries (Madawaki, 2011).
The adoption of IFRSs will improve accounting quality of the reporting entities and thus help in reducing information asymmetry which may lead to adverse selection on the part of investors. In this regard, Barth, Landsman and Lang, (2008) defined accounting quality as the ability of accounting measures to reflect the economic position and performance of a firm. This definition provided that accounting quality applies the various contents of financial reports like the financial position, financial performance, statement of changes in equity, cash flow statement and valued added statement of a firm.

The global adoption of IFRSs has led to numerous empirical investigations by scholars in developed countries, developing countries and Nigeria with the aim of examining whether accounting quality and performance of companies have improved due to its adoption.

However, it has been observed from the cursory investigation that most of the existing studies on IFRSs adoption have focused on international accounting harmonization which covered areas such as, the degree of harmonization inherent through the implementation of IFRSs Murphy(2000); and the degree of compliance with IFRS (Street and Gray, 2001). Furthermore, there exist numerous studies that have reported conflicting views questioning the relevance of IFRS adoption in developed and emerging economies (Winney, Marshall, Bender and Swiger (2011). Similarly, another area that has also suffered little neglect in the literature is the effect of IFRS adoption on the financial performance of manufacturing companies in Nigeria. This neglect is evidenced in the area of measuring the effect of the adoption of IFRSs on some performance proxies such as profitability, interest coverage, basic earnings power, as well as the leverage ratio of the manufacturing companies in developing countries including Nigeria. This study therefore aimed at improving the frontier of knowledge by conducting a study on effect of IFRSs adoption on the financial performance of some selected listed consumer goods manufacturing companies in Nigerian with the aim of examining whether IFRSs adoption significantly influence financial performance of quoted the selected companies in subsector. The consumer good is a subsector in the Nigerian manufacturing firms that specialize in consumable goods.

The main objective of this study is to carry out a research on the effect of IFRSs adoption on the performance of quoted consumer goods manufacturing companies in Nigeria. To achieve this, the following specific objectives will be addressed:

1) To determine the effect of IFRSs adoption on profitability of listed consumer goods manufacturing companies in Nigeria.
2) To examine the effect of IFRSs adoption on earnings per share of quoted consumer goods manufacturing companies in Nigeria.
3) To assess the effect of IFRSs adoption on interest coverage of quoted consumer goods manufacturing companies in Nigeria.
4) To measure the effect of IFRSs adoption on leverage of quoted consumer goods manufacturing companies in Nigeria.

2. Literature Review

The IFRS Adoption and Profitability

The adoption of IFRS has to do with preparing the financial statements based on relevant IFRSs and IAS. The main aim is to prepare a set of financial statement that can be used for global comparison. By its adoption, it will enhance international comparison and companies will be able to attract international investment form international investors. This will help in reducing cost of capital and also help firms in raising sufficient capital.

According to political costs theory, information asymmetry is expected to reduce with good performance, this is because, companies will be more eager to publish more information when profit is made so as to justify their profitability (Schipper, 2005). On the other hand, when performance is low, managers hide the reasons for losses or lower
profit. Similar to leverage level, the association between profitability and voluntary IFRS adoption is a priority, since compliance with IFRS makes earnings management more difficult and tend to make firms to be more conservative, as firms choosing to use IFRS may be providing a signal of better performance, thereby expected that the propensity to adopt IFRS increases with profitability.

However, adoption of IFRS is typically a long term choice in financial information disclosure policy which may be considered regardless of a firm's profitability. Barth (2007) examined accounting quality during the pre and post and IFRS era which was for a sample of 327 firms that voluntarily adopted IFRS between 1994 and 2003. The findings show that the post IFRS adoption led to lower earnings management, higher value relevance and more timely recognition of losses compared to the pre-transition local Generally Accepted Accounting Principles (GAAPs). Also, study Okafor and Killian (2011) in Nigeria and from the perspective of stakeholders; achieved through the use of questionnaire discovered that the benefits derivable in terms of improvement in performance of business, and its impact on other business performance are higher during IFRS adoption era than during Generally Accepted Accounting Principles (GAAPs) era; it was therefore recommended that management should start making comprehensive plans ahead of IFRS adoption while on the other hand, findings by Agyei-Mensah (2012) did not support earlier findings by Okafor and Killian (2011). Similar study by Alu and Akinwunmi (2017) discovered that IFRS adoption has no significant relationship with performance of manufacturing firms listed on the Nigerian Stock Exchange when proxy by Return on Asset (ROA). H01: The adoption and of IFRS has no significant effect on profitability of quoted consumer goods manufacturing firms in Nigeria.

The IFRS Adoption and Earnings per Share

Earnings per share refer to a portion of the earnings of a company allocated to each unit of outstanding shares. It is earnings divided by the number of ordinary shares held by the company at the end of the financial year. It is an indicator of profitability and is calculated by subtracting from net income dividend due to preferred stock holders the value obtained is then divided by the average number of shares Asian (2015). The adoption of qualitative set of accounting standards should motivate investors to channel more investment to the company. As a company adopts IFRS, the existing and potential shareholders will be motivated to invest more thereby affording the company the opportunity of having access to more equity capital and thus improves its earnings. IFRS adoption thus has a significant influence on the earnings per share. Asian (2015) indicate that there is no statistical difference between pre IFRS adoption Earnings per share and the post adoption era. This implies that IFRS adoption does not significantly affect earnings per share in contrast, study by Tanko (2012) documents that IFRS adoption has significant positive effect on Earnings per share. Arising from the conflicting findings by authors, we therefore hypothesize in a null form.

H02: The adoption of IFRSs has no significant effect on earnings per share of quoted consumer goods manufacturing firms in Nigeria.

The IFRS Adoption and Interest Coverage

The capital structure of a firm comprises of both the equity and. Interest is the cost on debt utilized by a firm in financing its operations. Firms should therefore be able to generate sufficient revenue so as to be able to recover the interest cost of financing its operations. The interest converge ratio, also known as the times-interest earned (TIE). It measures the ability of firm’s current operating earnings (EBIT) to meet current interest obligations. It is the ratio of Earnings before interest and taxes to interest charge. The ratio shows number of times the interest payments are covered by the firm’s operating earnings.
Therefore, the larger the coverage, the better the ability of the firm to service interest obligations on debt. Different studies have reported improvements in financial reporting quality following voluntary IFRS adoption include Barth, Landsman and Lang, (2008) and Gassen and Sellborn (2006). Daske, Hail, Leuz and Verdi (2007) found that serious IFRS adopters experience significant declines in their cost of capital and substantial improvements in their market liquidity compared to label adopters. Similar result was found by Castillo-Merino, Menendez-Plans and Guerrero (2014). While the study of authors like Christensen, de la Rosa and Feltham (2010) contradicts the existing findings that IFRS adoption reduces cost of capital. Due to these inconclusive findings, the study hypothesizes in a null form.

\[H_{03}: \text{The adoption of IFRSs has no significant effect on interest coverage of quoted consumer goods manufacturing firms in Nigeria.}\]

The IFRS Adoption and Leverage

Firms have incentives to enhance their transparency (for instance by preparing high quality accounting information) in order to attract external financing at lower costs (Durnev and Kim, 2005). Existing literature emphasize that borrowing costs are larger for higher risks. Financial statements are used to monitor agency problems between shareholders and creditors because their performance and activities will be judged based on the financial reports. Income smoothing is often used by firms to reduce the perceived risks.

The adoption of IFRS which restricts the possibilities of income smoothing increases the quality of financial statement information. As leverage is positively associated with the need for monitoring between shareholders and creditors, it can be argued that high leveraged firms are more eager to adopt IFRS in order to reduce borrowing costs compared to low leveraged firms. On the other hand, Zarzeski (1996) argue that firms communicate with their creditors via private information channels. If firms in relative terms have more creditors, they feel less need to adopt IFRS. Firms that rely more on equity are characterized with higher levels of information asymmetry between managers and shareholders and hence are more sensitive to shareholders’ demand for information. There exists mixed result as to the exact effect of IFRS adoption on leverage. Agyei-Mensah (2012) found that IFRS adoption did not provide support for a positive relationship with leverage.

\[H_{04}: \text{The adoption of IFRSs has no significant effect on leverage of quoted consumer goods manufacturing firms in Nigeria.}\]

The Stakeholder Theory

Stakeholder theory was postulated by Freeman in 1984. The principle of stakeholder theory was gradually integrated into management theory since the 80s. Freeman, (1984), argued that corporate bodies have a wide coverage of accountability than the parochial representation of agency theory. Wheeler et al, (2003), support this argument by saying that stakeholder’s theory is a product of sociology and organizational disciplines that identify a good array of other stakeholders in an organization.

Stakeholder theory postulated that a stakeholder is ‘any group or individual who can affect as well as been affected by the achievement of the organization’s objectives. In other words, whoever is affected by failure or success of the enterprise is a stakeholder. Unlike the agency theory, stakeholder theory demonstrated that there are chains of parties who are affected by the management decisions such as suppliers, employees and business partners. This study is therefore anchored by this theory since the adoption of IFRSs is meant to protect the interest of different stakeholders to a business. Such stakeholders include shareholders, management, investors, government, lenders and tax authorities. This theory is deficient in the sense that it makes the resources of the enterprise to be shared with different groups in the environment in which a business operates, this will lead to reduction in the wealth of the shareholders who
contribute the capital and bear business risks. Despite this deficiency, this theory is still relevant to the study as there exist more than one stakeholder to businesses that affects and is affected by the company. Thus, there consideration in financial reporting will help in making the company to prosper and attract more supports from them.

3. Research Method

The samples used were the annual reports of 10 selected listed consumer goods which are: Nestle Nigeria Plc, 7up Bottling Company Plc, Nigerian Breweries Plc, Unilever Nigeria Plc, PZ Cussons Nigeria Plc, Cadbury Nigeria Plc, Dangote Sugar Refinery, Nigerian Flour mills Plc and Vitafoam Nigeria Plc. The 10 companies were chosen based on their contribution to the entire performance of the consumer goods companies and because they have similar characteristics in terms of their assets, turnover, profitability and market price per share. The purposive Sampling technique adopted.

Model specifications

\[
\begin{align*}
\text{ROTA}_i&t= \beta_0 + \beta_1 \text{IFRS}_i + \epsilon_i \\
\text{ICR}_i&t= \beta_0 + \beta_1 \text{IFRS}_i + \epsilon_i \\
\text{BEPR}_i&t= \beta_0 + \beta_1 \text{IFRS}_i + \epsilon_i \\
\text{LR}_i&t= \beta_0 + \beta_1 \text{IFRS}_i + \epsilon_i
\end{align*}
\]

Where:

- \( \text{ROTA}_i \): Return on Total Asset of firm i in period t
- \( \text{ICR}_i \): Interest Coverage Ratio of firm i in period t
- \( \text{BEPR}_i \): Basic Earnings Power Ratio of firm i in period t
- \( \text{LR}_i \): Leverage Ratio of firm i in period t

Adapted from Asian (2015).

4. Result and Discussion

The effect of Adoption of IFRS on the Profitability of Manufacturing Companies

\( H_0: \) IFRS adoption has no significant effect on the profitability of manufacturing consumer goods companies in Nigeria.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>0.286317</td>
<td>0.292610</td>
<td>0.978495</td>
<td>0.3305</td>
</tr>
<tr>
<td>IFRS</td>
<td>0.814292</td>
<td>0.411842</td>
<td>1.977193</td>
<td>0.0511</td>
</tr>
</tbody>
</table>

**Effects Specification**

- R-squared: 0.377986
- Adjusted R-squared: 0.307302
- S.E. of regression: 2.047740
- Sum squared resid: 5.347581
- Log likelihood: -205.6016
- F-statistic: 5.347581

Table 1. Determination of the Effect of IFRS Adoption on Return on Total asset
Panel ordinary least square was adopted in the estimation of the model, this is due to the number of years under consideration which is ten. The periods are considered short and thus the need to adopt this estimation technique so as to obtain appropriate result. Co-integration test would have been conducted if the years under consideration are much, doing this may lead to obtaining spurious results which will make the study not to be reliable in making decision. Both fixed and random test were done, but going by the outcome of the Hausman test, fixed effect is appropriate for interpretation of result. The result of the random effect was not shown in order not to make the work unnecessarily lengthy.

From table 1 fixed effect estimation, IFRS adoption has significant effect on return on total asset. The probability of IFRS adoption of 0.0511 which is exactly 5%, we, therefore, reject the null hypothesis that IFRS adoption has no significant effect on return on total asset. The implication of this finding is that as companies adopt IFRSs in the preparation of financial statement, better reports is enhanced which shows the true performance of the companies and thus serves as incentive for improved performance.

Table 2. The Effect of IFRS adoption on the Interest Coverage Ratio of Manufacturing Companies

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>19.91180</td>
<td>3.578884</td>
<td>5.563690</td>
<td>0.0000</td>
</tr>
<tr>
<td>IFRS</td>
<td>-4.307200</td>
<td>5.061306</td>
<td>-0.851006</td>
<td>0.3971</td>
</tr>
</tbody>
</table>

Equation: Untitled
Test cross-section random effects

<table>
<thead>
<tr>
<th>Test Summary</th>
<th>Chi-Sq. Statistic</th>
<th>Chi-Sq. d.f.</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section random</td>
<td>16.231446</td>
<td>2</td>
<td>0.0240</td>
</tr>
</tbody>
</table>
Both fixed and random test were done, but going by the outcome of the hausman test, fixed effect is appropriate for interpretation of result. The result of the random effect was not shown in order not to make the work unnecessarily lengthy. From table 4.2 fixed effect estimation, IFRS adoption has no significant effect on interest coverage. The probability of IFRS adoption of 0.3971 which is greater than 5%, we, therefore, accept the null hypothesis that IFRS adoption has no significant effect on interest coverage. Based on the outcome of the findings, the alternative hypothesis (H1) was rejected and null hypothesis (H0) was accepted. IFRSs adoption is expected to improve interest coverage, from this finding; one reason that can be adjudged for this adverse result is that as companies adopt IFRSs, they tend to attract more loans because the lenders are willing to do so because of low asymmetry in information due to better reporting. This increases the borrowing cost and thus increases interest which also reduces profitability by paying substantial parts of profit as interest.

The Effect of Adoption of IFRS on the Basic Earnings
H03: The adoption and implementation of IFRS have no significant effect on the Basic Earnings Power of manufacturing companies in Nigeria.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>11.76392</td>
<td>2.943714</td>
<td>3.996285</td>
<td>0.0001</td>
</tr>
<tr>
<td>IFRS</td>
<td>16.85128</td>
<td>4.163041</td>
<td>4.047830</td>
<td>0.0001</td>
</tr>
</tbody>
</table>

Effects Specification

| R-squared | 0.613652     | Mean dependent var | 20.18956 |
| Adjusted R-squared | 0.570242 | S.D. dependent var | 31.75182 |
| S.E. of regression | 20.81520 | Akaike info criterion | 9.012710 |
| Sum squared resid | 38561.27 | Schwarz criterion | 9.299279 |
| Log likelihood | -439.6355 | Hannan-Quinn criter. | 9.128990 |
| F-statistic | 14.13622 | Durbin-Watson stat | 1.280254 |
| Prob(F-statistic) | 0.000000 |

From table 3, fixed effect estimation IFRS adoption has significant effect on basic earnings power. The probability of IFRS adoption of 0.001 which is below 5%, the study therefore reject the null hypothesis that IFRS adoption has significant effect on basic earnings power. The meaning of this is that the companies are able to report better earnings and maximize shareholders wealth by the adoption of IFRSs.

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

<table>
<thead>
<tr>
<th>Test Summary</th>
<th>Chi-Sq. Statistic</th>
<th>Chi-Sq. d.f.</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section random</td>
<td>14.231556</td>
<td>2</td>
<td>0.0340</td>
</tr>
</tbody>
</table>

Both fixed and random test were done, but going by the outcome of the hausman test, fixed effect is appropriate for interpretation of result. The result of the random effect was not shown in order not to make the work unnecessarily lengthy. From table 4.3 fixed effect estimation, IFRS adoption has significant effect on basic earnings power ratio. The probability of IFRS adoption of 0.0001 which is less than 5%, the study therefore, reject the null hypothesis that IFRS adoption has no significant effect on basic earnings power ratio.
The Effect of Adoption of IFRS on the Leverage Ratio of Manufacturing Companies

H_{04}: The adoption and implementation of IFRS have no significant effect on the leverage of manufacturing companies in Nigeria.

<table>
<thead>
<tr>
<th>Dependent Variable: LR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Method: Panel Least Squares</td>
</tr>
<tr>
<td>Date: 03/14/18  Time: 16:04</td>
</tr>
<tr>
<td>Sample: 2006 2015</td>
</tr>
<tr>
<td>Periods included: 10</td>
</tr>
<tr>
<td>Cross-sections included: 10</td>
</tr>
<tr>
<td>Total panel (balanced) observations: 100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>4.425419</td>
<td>1.345379</td>
<td>3.289347</td>
<td>0.0014</td>
</tr>
<tr>
<td>IFRS</td>
<td>-2.347730</td>
<td>1.893595</td>
<td>-1.239827</td>
<td>0.2183</td>
</tr>
</tbody>
</table>

Effects Specification

R\textsuperscript{-}squared: 0.153056
Adjusted R\textsuperscript{-}squared: 0.056813
S.E. of estimation: 9.415228
Log likelihood: -356.6352
Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

<table>
<thead>
<tr>
<th>Test Summary</th>
<th>Chi-Sq. Statistic</th>
<th>Chi-Sq. d.f.</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section random</td>
<td>12232236</td>
<td>2</td>
<td>0.0430</td>
</tr>
</tbody>
</table>

Both fixed and random test were done, but going by the outcome of the hausman test, fixed effect is appropriate for interpretation of result. The result of the random effect was not shown in order not to make the work unnecessarily lengthy. From table 4.4, fixed effect estimation, IFRS adoption has no significant effect on leverage. The probability of IFRS adoption of 0.2183 which is greater than 5%, the study therefore, accept the null hypothesis that IFRS adoption has no significant effect on leverage. The meaning of this is that the choice of capital structure of the companies is not affected by IFRS adoption. Other factors like tangibility, liquidity, age, assets growth and sales growth may be responsible for capital structure decision of firms.

Discussions

The R\textsuperscript{-}square of 0.377986, 0.305590, 0.613652, and 0.153056 for ROTA, ICR, BEPR and LR respectively implies that about 38% of the changes in ROTA, 31% changes ICR, 61% in BEPR changes 15% of the changes in LR are caused by IFRS adoption while the remaining percentages are caused by other factors not considered (included) in the models.

Findings revealed that adoption of IFRS had a significant positive effect on the basic earnings power of manufacturing companies in Nigeria. This finding opposed the finding of Asian and Dike (2015) that found a decline in the basic earnings of firms and the value of equity are less relevant or less significant in post-IFRS compared to pre-IFRS period. However, the outcome of this study agrees with that of Hayfa, Nadia and Sarra (2013) in their study of sampled listed companies in European stock market that IFRS adoption has improved accounting quality by the increase in the firm’s market value through basic earnings power.
Chinwuba and Killian (2011) in their study found that IFRS have potential for yielding greater benefits than old financial reporting, GAAP, by improving business performance management and other business functions owing from stakeholders’ perspective, therefore, the finding corroborates the outcome of this study, in the areas of profitability, basic earnings power, and leveraging as highly beneficial to manufacturing companies in Nigeria.

Similarly, the finding of this study that the basic earnings per share of Nigeria manufacturing companies in the post-IFRS is better than its value in the pre-IFRS period, confirms the findings in the work of Adebimpe and Ekwere (2015) in the banking industry that equity value and earnings of banks are relatively value relevant to share price under IFRS than previous Nigerian SAS. Again, their finding is line with the finding of this study that adoption of IFRS by manufacturing companies in Nigeria is highly relevant as more of equity financing is used as against that of debt financing in the pre-IFRS period.

In the work of Fasina and Adegbite (2014) study, the effect of IFRS adoption on accounting practices in Nigeria found a strong positive relationship between IFRS adoption and financial performance due to cost reduction of an organization, in contrary to the result of this study that IFRS adoption has no significant implication in the interest coverage ratio of companies, specifically in manufacturing industry in Nigeria. In other words, pre-IFRS interest coverage ratio is not significantly different from post-IFRS period, due to non-reduction in their finance costs.

In terms of financial riskiness, this study found out that IFRS adoption actually reduced the level of financial riskiness in the capital structure of the adopters, measured in terms of leverage ratio which shows a statistically significant effect in the post-IFRS period; as different from the outcome of the study carried out by Rahul and Ruchir (2014), that IFRS adoption has statistically significant impact on financial risks of sampled Indian companies.

In accordance with the finding of this study on the implication of IFRS adoption on the interest coverage position of manufacturing companies in Nigeria, for instance, the study agrees with the findings of David, Carlota and Neus (2004) who found in their study of listed Spanish companies between 1999 and 2009, that there is a significant reduction in their cost of equity capital after IFRS adoption in 2005. However, this study in its own findings discovered that IFRS adoption has not accounted to the prospects of the adopters in Nigeria manufacturing companies, by minimizing their finance costs or proportion of their interest expenses, relative to their capital structure and earnings power ratio.

In terms of profitability level, the finding of this study agrees with that of Kipchoge (2015) conducted on a sample of listed 30 companies on the Nigeria Stock Exchange (NSE) from 2007 to 2011, that IFRS adoption has a significant effect on corporate profitability. Subsequently, in terms of leverage position, the finding of this study significantly agreed with the study of Kipchoge’s (2015) that IFRS adoption has significant effect on companies’ leverage. Hence, this study reveals that IFRS adoption has a significant effect on companies leverage, specifically in the manufacturing industries in Nigeria.

5. Conclusions
The study concluded that IFRSs adoption has joint significant effect on all the identified performance measures (Return on total asset, basic earnings power and interest coverage) while the reverse was the case for leverage. Arising from the conclusion of the study, the following recommendations were made. First, as to Interest coverage ratio, though significant negative joint effect of IFRS adoption was found on, but individually, it was found not to be significant. This means that IFRS adoption has no significant negative effect on interest coverage. Meaning that, IFRS adoption reduces interest coverage insignificantly. Consumer goods companies should therefore
strategize to increase profitability by way of accounting quality and reduce their borrowings so as to reduce interest cost. Second, the finding as regard leverage revealed that IFRS adoption has no significant negative effect. This implies that IFRSs adoption thus not affect firms capital structure significantly. It is therefore recommended that firms should adopt balanced capital structure strategy as IFRSs adoption has no significant negative effect on it.

References
Okafor, C.A., & Killian, O. Potential Effects of the Adoption and Implementation of IFRS in Nigeria."


Murphy, A. (2000). Firm characteristics of Swiss companies that utilize International Accounting Standards. *The International Journal of Accounting, 34*(1), 121-13


IFRS, Financial Performance