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IFRS Implementation and Earnings Quality in listed conglomerate Companies in Nigeria: Earnings Management Insights

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Abstract

This study investigated the effect of International Financial Reporting Standards (IFRS) implementation on earnings quality in listed conglomerate companies in Nigeria, using discretionary accruals estimated through the Modified Jones Model as a proxy for earnings management. The study also examined whether the interaction between IFRS compliance and reported earnings improves earnings quality. Pooled data were collected from the annual reports of selected conglomerate firms listed on the Nigerian Exchange Group over a period 2012 – 2022. Descriptive statistics, correlation analysis, robustness diagnostics, and pooled regression techniques were employed for data analysis. The findings reveal a statistically significant positive association between IFRS compliance and discretionary accruals, suggesting that IFRS implementation alone may not effectively reduce earnings management in the Nigerian context. However, the interaction between IFRS adoption and earnings performance shows a negative and significant effect on discretionary accruals, indicating that higher earnings, when aligned with IFRS, enhance earnings quality. The study concludes that while IFRS adoption has brought reporting uniformity, it does not automatically ensure improved earnings quality unless supported by robust enforcement and firm-level governance structures. The paper recommends enhanced regulatory oversight by the Financial Reporting Council of Nigeria (FRCN) and stronger compliance mechanisms to maximize the intended benefits of IFRS implementation in Nigeria's capital market.

Keywords: IFRS Implementation, Earnings Management, Earnings Quality, Discretionary Accruals.

1. Introduction

The globalization of capital markets has significantly increased the demand for transparent, comparable, and high-quality financial reporting across jurisdictions. As capital flows across borders, the need for a unified financial reporting framework that enhances investor confidence has become essential. Transparency and relevance in financial reporting are crucial attributes that allow users of financial statements to make informed decisions.

According to Devalle, Onali, and Magarini (2010), the erosion of investors' confidence—partly due to opaque financial disclosures—was a key factor in the global financial crises. In response, the International Accounting Standards Board (IASB) intensified its campaign for the global adoption of International Financial Reporting Standards (IFRS), promoting a common set of high-quality accounting standards (Fourati, 2012).

A major challenge arising from the use of diverse national accounting frameworks is the inconsistency in how financial information is reported and interpreted. The use of varying recognition and measurement criteria undermines the comparability of financial statements across countries (IASB, 2009; Lorichir, 2015). This lack of comparability creates barriers for international investors, particularly retail investors who do not have the expertise or access to alternative sources of financial information. Ball (2006) argues that harmonizing accounting standards through IFRS adoption reduces these barriers, enabling more informed investment decisions and reducing the cost of processing financial information. In Nigeria, Hassan (2015) observed that the information disclosure requirements under the previous Nigerian Generally Accepted Accounting Principles (NGAAP) were insufficient to bridge the information gap between companies and stakeholders. Investors frequently complained that financial data were either unavailable or lacked

credibility (Lorchir, 2015). It was anticipated that IFRS would address these concerns by enhancing disclosure quality and comprehensiveness (Doukakis, 2020).

The adoption of IFRS in Nigeria in 2012 marked a significant transition in the accounting environment, especially with the shift to fair value accounting. Unlike NGAAP, which largely relied on historical cost, IFRS emphasizes fair value measurement, offering a more realistic representation of a firm's assets and liabilities. However, this flexibility also introduces room for subjective judgment, potentially affecting the quality of reported earnings. For example, under IFRS, goodwill is tested for impairment rather than systematically amortized as required under NGAAP, which grants managers more discretion in accounting choices (Sakalo, 2013; Adeyemi, 2016). Adeyemi (2016) further posits that this increased managerial flexibility may incentivize earnings manipulation, particularly through impairment tests. Similarly, IFRS requires the separation of convertible bonds into equity and debt components, unlike NGAAP, which classifies them wholly as long-term debt another area prone to discretionary accounting treatment.

Beyond technical changes, the IFRS framework has introduced different definitions for key elements of financial statements such as assets, liabilities, and income as well as new recognition and measurement rules (Deloitte, 2013). Galaen and Stenheim (2012) emphasize that the shift to

IFRS represents not just a change in reporting practices but a comprehensive overhaul of the financial reporting landscape. These changes are expected to enhance the quality of accounting numbers by improving their reliability and relevance. Barth (2018) also argues that IFRS facilitates better financial reporting through its inherent features, such as timeliness, comparability, and faithful representation.

Earnings quality remains one of the most critical attributes of financial statements, serving as a key input for users such as investors, analysts, and regulators. As a forward-looking measure, earnings quality reflects the extent to which reported earnings capture the underlying economic performance of a firm. With over 120 countries having adopted or allowed IFRS (PwC, 2014), there is growing interest in evaluating the extent to which IFRS enhances earnings quality. While several studies (Lorchir, 2015; Barth & Schipper, 2018; Atwood et al., 2012; Agostino et al., 2012) have reported positive effects of IFRS adoption on earnings quality, findings remain mixed, especially in emerging markets. This variation often arises from differences in enforcement quality, firm-level governance, political environments, and institutional maturity.

Although IFRS is designed to improve the comparability, transparency, and relevance of financial reports, the actual impact of its implementation on earnings quality, especially in developing economies like Nigeria, is still

debated. While proponents argue that IFRS reduces information asymmetry and limits managerial opportunism (Ball, 2016; Armstrong et al., 2017; Jean & Stolowy, 2018), others noted that its complexity can introduce inconsistencies in application, increase transaction costs, and reduce the reliability of financial statements (Jensen & Meckling, 2016). Furthermore, contextual factors such as the strength of regulatory institutions, legal enforcement, corporate governance, and economic stability influence how IFRS is applied and whether it effectively curbs earnings management (Bergstresser & Philippon, 2016).

The conglomerate sector in Nigeria, with its complex structure and diverse revenue streams, presents a particularly interesting case for assessing the real effect of IFRS on earnings quality. There is growing concern that the managerial discretion permitted under IFRS could be exploited to manipulate earnings. Discretionary accrual models, particularly the Modified Jones Model, have been widely used to detect such manipulation, though these models themselves have limitations (Zéghal et al., 2021; Lipe, 2020). Other factors—such as company performance, industry risk, and business environment—may also affect earnings quality (Umobong & Akani, 2015). Given these complexities, this study investigates whether the implementation and compliance with IFRS have significantly improved the earnings quality of listed conglomerate companies in Nigeria by reducing earnings management.

The broad objective of this study is to examine the effect of IFRS implementation on the earnings quality of listed conglomerate companies in Nigeria, with particular focus on earnings management practices. The specific objectives are to: examine the effect of IFRS implementation influences earnings management in listed conglomerate companies in Nigeria and whether IFRS adoption interaction with earnings leads to an improved earnings quality.

The remainder of this article is divided into literature review which focusses on concepts, empirical review, hypotheses development and review of relevant theories. The next part covers the methodology followed by the results of the study, while the last part discusses the result and then the policy implication of the results.

2. Literature Review

This section contains reviews of the concepts of earnings quality and overview of IFRS adoption in Nigeria.

2.1 Concept of Earnings Quality

Earnings quality refers to the degree to which reported earnings reflect a firm's actual economic performance and are useful for decision-making (SFAC No. 1, 2018). High-quality earnings offer better insights into a firm's future performance and are persistent, predictable, and less volatile (Schipper & Vincent, 2013). Dechow (2014) defines earnings as a summary measure of firm performance used in executive compensation, debt

covenants, IPO valuations, and investment decisions. The positive accounting theory reinforces the role of accounting in contract enforcement, especially when managers have incentives to manipulate earnings to meet targets (Watts & Zimmerman, 2016).

Several constructs define earnings quality, including persistence, predictive ability, and value relevance (Penman & Zhang, 2012; Dechow & Schrand, 2014). Persistence, explained by the Clean Surplus Theory, is the ability of current earnings to predict future earnings (Scott, 2019; Lipe, 2020). Predictive ability refers to earnings' ability to forecast future cash flows, a core objective of financial reporting (IASB, 2019; Atwood et al., 2021). Value relevance, on the other hand, is the extent to which earnings explain stock returns (Hellstrom, 2015; Devalle et al., 2020).

Another proxy for earnings quality is low earnings management. Managers may manipulate earnings to meet thresholds or avoid small losses, a behavior explained by prospect theory (Kahneman & Tversky, 2019). Healy and Wahlen (2019) define earnings management as the use of judgment in financial reporting to mislead stakeholders or achieve contractual outcomes. Techniques include earnings smoothing, timing accruals, and real activity manipulation (Ewert & Wagenhofer, 2015; Barth et al., 2008). Several studies emphasize that managing earnings to meet small positive profit thresholds reduces the

reliability of earnings (Lorchir, 2015; Burgstahler & Dichev, 2017).

2.2 Overview of IFRS and Its Relevance to Earnings Quality

IFRS, issued by the IASB, are globally recognized accounting standards intended to promote transparency, accountability, and comparability in financial statements. Over 120 countries currently adopt IFRS (Mirza, Holt & Knorr, 2015). IFRS is principles-based and encourages fair value reporting, which may improve the relevance of financial information but also introduces subjectivity and managerial discretion (Deloitte, 2013; Galaen & Stenheim, 2012).

The IFRS Conceptual Framework supports decision-usefulness by ensuring that financial statements are relevant, reliable, and comparable. It defines core elements such as assets, liabilities, income, and expenses, and encourages capital maintenance either on a financial or physical basis (IASB, 2019). However, the flexibility IFRS allows has also raised concerns about its potential to increase earnings management (Adeyemi, 2016).

Empirical evidence about IFRS's impact on earnings quality is mixed. Some scholars argue that IFRS reduces earnings management (Zeghal et al., 2021; Chen et al., 2020), while others suggest that managerial discretion under IFRS may actually worsen it (Christensen et al., 2019; Kabir et al., 2020). The role of institutional enforcement and legal systems is critical. Studies

show that the effect of IFRS is more pronounced in countries with strong legal enforcement (Landsman et al., 2012; Ahmed et al., 2013), while results from developing countries like Nigeria remain inconclusive (Tanko, 2012; Umobong & Akani, 2015).

2.3 IFRS Adoption in Nigeria

Nigeria officially adopted IFRS in 2012. The Financial Reporting Council of Nigeria (FRCN) became the statutory body responsible for IFRS implementation, replacing the Nigerian Accounting Standards Board (NASB). The adoption roadmap required public interest entities to comply by 2012, with SMEs following by 2014 (FRCN, 2020). However, implementation challenges—including limited technical capacity and weak enforcement—have affected compliance quality (Obazee, 2012; Oduware, 2012).

Despite regulatory reform, empirical studies on the Nigerian context show divergent outcomes. Bello et al. (2016) found no significant change in earnings management post-IFRS, while Tanko (2012) observed a reduction in variability and more timely loss recognition. Umobong and Akani (2015), focusing on manufacturing firms, reported a decline in accounting quality post-adoption. These inconsistencies highlight the need for more robust sector-specific studies using refined methodologies.

3. Empirical Review and Hypotheses Development

Understanding the relationship between IFRS adoption and earnings quality has been the focus of extensive empirical research across different jurisdictions. While IFRS is expected to improve the quality of financial reporting through enhanced transparency and comparability, studies have produced mixed results, particularly concerning its influence on earnings management and predictability. These inconsistencies are often attributed to differences in institutional frameworks, enforcement mechanisms, and firm-level practices. This section critically reviews prior empirical evidences, both global and Nigeria-specific, on the effects of IFRS implementation on earnings management and the broader implications for earnings quality. The discussion is organized around two key dimensions aligned with the objectives of this study.

3.1 IFRS Implementation and Earnings Management

Earnings management refers to managerial efforts to manipulate reported earnings, usually via discretionary accruals, in ways that do not reflect the firm's true economic performance. Several studies have investigated the effect of IFRS implementation on earnings management, with mixed findings. While IFRS is designed to improve transparency and comparability through principles-based standards and fair value

reporting, its flexibility can provide room for manipulation. Van der Meulen, *et al.* (2018) observed an increase in earnings persistence following IFRS adoption, suggesting improved earnings quality and less manipulation. Similarly, Muhammad *et al.* (2015) documented that mandatory IFRS adoption reduced abnormal accruals, signalling lower earnings management and enhanced earnings informativeness. Conversely, Callao and Jarne (2010) and Ahmed *et al.* (2013) reported that IFRS adoption does not necessarily limit managerial discretion and may even stimulate earnings manipulation in contexts of weak enforcement.

In Africa, the findings remain inconsistent. While Onalo *et al.* (2014) and Ozili (2015) suggested improvements in earnings quality in Nigeria post-IFRS adoption, other scholars (e.g., Bello *et al.*, 2016) found that IFRS adoption had no significant impact on reducing earnings manipulation. The inconclusive results are often attributed to weak regulatory enforcement, managerial opportunism, or inadequate implementation strategies. Cai *et al.* (2014) summarized this divide, noting that empirical evidence from European Union countries also revealed both positive and negative effects of IFRS on earnings management. Overall, the link between IFRS adoption and earnings management remains an open empirical question, particularly within the Nigerian conglomerate sector where firms span diverse business lines and industries.

Hypothesis 1 (H1): *IFRS implementation does not significantly reduce earnings management in listed conglomerate companies in Nigeria.*

3.2 IFRS Adoption Interaction and Improved Earnings Quality

Beyond direct effects, some studies examine how IFRS interacts with firm-level characteristics or disclosure practices to influence earnings quality. Hai (2014) found that IFRS adoption in Canada improved the predictive ability of earnings, suggesting better alignment with future cash flows and stronger earnings quality. Similarly, Wilson et al. (2012) and Ahmad et al. (2013) reported that IFRS adoption led to better earnings predictability in firms with robust compliance and governance practices. However, studies such as Atwood et al. (2011) and Mollah et al. (2015) argued that IFRS adoption had negligible or even negative effects on cash flow predictability and that value relevance did not significantly increase post-IFRS. The divergence in findings often reflects differences in enforcement strength, industry characteristics, and firm-specific factors such as audit quality or financial complexity.

In Nigeria, the interaction effect of IFRS adoption and earnings attributes such as persistence or predictability has received limited attention, especially in the context of conglomerate firms. Given their size and cross-sector exposure, these firms might be better positioned to benefit from IFRS implementation, provided that compliance is genuine and not cosmetic. Uwuigbe, et al. (2015)

and Ugbede, et al. (2014) noted that improvements in earnings quality post-IFRS are more pronounced when firms adopt stronger monitoring mechanisms, higher-quality audits, and sound disclosure practices. This suggests that the benefits of IFRS on earnings quality may depend not just on adoption but also on how firms interact with the standards.

Hypothesis 2 (H2): *The interaction between IFRS adoption and earnings does not significantly improve the earnings quality of listed conglomerate companies in Nigeria.*

4. Theoretical Review

The theoretical underpinning of this study is anchored on a multi-theory approach involving signalling theory, stewardship theory, prospect theory, and decision usefulness theory. Signalling theory, as developed by Spence (2012), posits that entities use financial disclosures as a signal of quality to external stakeholders. In the context of IFRS adoption, countries and firms adopt high-quality accounting standards such as IFRS to minimize information asymmetry and attract investors, especially in capital markets (Lang & Lundholm, 2013). Stewardship theory, in contrast, views managers not as opportunistic agents but as trustworthy stewards whose actions align with the interest of the owners when the reporting environment enables transparent disclosure (Donaldson & Davis, 2012). IFRS, as a principle-based standard, provides such an environment, thereby enhancing the credibility and decision-

usefulness of earnings information. Prospect theory, introduced by Kahneman and Tversky (2019), explains managerial motivations to manage earnings upward to avoid reporting losses, as investors are disproportionately sensitive to losses compared to equivalent gains. This behaviour explains why earnings management, especially around zero earnings thresholds, is a critical indicator of earnings quality. Finally, decision usefulness theory, as articulated by the IASB (2008) and FASB (1980), stresses that financial reporting should provide relevant, reliable, and comparable information that assists investors, creditors, and other users in making economic decisions. Together, these theories provide a comprehensive lens for evaluating how IFRS implementation may influence earnings management behaviour and, by extension, earnings quality among listed conglomerate companies in Nigeria.

5. Methodology

This study employs an ex-post facto and correlational research design to examine the effect of IFRS implementation on earnings quality among listed conglomerate companies in Nigeria. The ex-post facto design is appropriate since it deals with already existing data, while the correlational approach enables the assessment of statistical relationships between IFRS adoption and earnings quality attributes – specifically earnings predictability, and earnings management. This approach is consistent with the positivist

paradigm, which supports quantitative hypothesis testing using historical data.

The population consists of the six conglomerate companies listed on the Nigerian Exchange (NGX) as of December 31, 2021. A census approach was adopted, covering all the firms over a 10-year period from 2012 to 2021. Data were obtained from published annual reports and audited financial statements of the sampled companies. Given the study's focus on accounting and financial disclosure trends, the use of secondary data was deemed most appropriate.

Descriptive statistics such as mean, standard deviation, minimum and maximum values were computed to describe the data. Pearson correlation was used to examine preliminary associations among variables. The main analytical tool employed was multivariate panel regression, suitable for datasets that span both cross-sectional and time series dimensions. Fixed and random effects models were estimated, with the Hausman test guiding model selection. Additional robustness diagnostics including normality of residuals, heteroscedasticity, and multicollinearity tests were also conducted.

To estimate the effects of IFRS adoption on earnings quality from the dimension of earnings management, the following model is specified thus:

$$DA_{it} = \beta_0 + \beta_1 IFRS_{it} + \beta_2 ERN_{it} * IFRS_{it} + \beta_3 SIZE_{it} + \varepsilon_{it}$$

Where DA is the level of discretionary accruals estimated via the Modified Jones Model, used widely in earnings management studies. IFRS is measured as compliance index through content analysis using the IFRS checklist of 2022 as prepared by International Financial Accounting Committee (IFAC). ERN is measured as net income before extraordinary items scaled by total assets. While SIZE is a control variable measured as natural log of total assets.

A significant and negative $\beta_1(H1)$ implies that IFRS adoption is associated with reduced earnings manipulation. While $\beta_2(H2)$ implies that IFRS interaction with earning reporting is associated with earnings quality. It reflects how earnings behave under IFRS and helps determine if IFRS truly improves earnings persistence, predictability, and reduces earnings management, all of which are attributes of high earnings quality.

6. Results

This section presents and interprets the empirical findings derived from the analysis of pooled data collected from the financial reports of listed conglomerate companies in Nigeria. The study employs descriptive statistics, correlation matrix, and regression analysis to examine the effect of IFRS implementation on earnings quality, using discretionary accruals (measured via the Modified Jones Model) as a proxy. The results aim to assess whether IFRS adoption has significantly curtailed earnings manipulation and enhanced financial

reporting quality. In addition, the section includes relevant robustness tests to validate the assumptions of the regression model. Each table is introduced, presented, and analysed in light of the study’s objectives and hypotheses.

6.1 Descriptive Statistics

The result in table 1 below summarises the distribution of each variable used in the study, IFRS compliance (IFRS), earnings (ERN), discretionary accruals (DA) as the Modified Jones Model measure of earnings quality, and firm size (SIZE). It reports the number of observations, mean, standard deviation, minimum, and maximum for each variable.

Table 1: Descriptive Statistic

Variable	Obs	Mean	Std. Dev.	Min	Max
IFRS	55	0.789	0.013	0.771	0.830
ERN	55	6.317	6.759	6.976	7.377
DA	50	0.001	0.231	–0.566	0.712
SIZE	55	7.535	0.591	6.818	8.646

Source: Authors’ Computation, 2024

The average IFRS compliance index (0.789) is close to the maximum, indicating high and fairly uniform adherence to IFRS across the sampled conglomerates. Earnings (ERN) show substantial variation (standard deviation $\approx$ 6.76), reflecting heterogeneity in profitability among firms. Discretionary accruals (DA) centre around zero with a wide range from –0.566 to 0.712, implying that some firms engage in both income-decreasing and income-increasing accrual practices. Firm size (SIZE) varies moderately, with a mean logged

asset value of roughly 7.54. Overall, these descriptive statistics set the scene for subsequent correlation and regression analyses by indicating both high IFRS compliance and notable variability in earnings and accrual behaviour. The next section presents the correlation analyse for assessment of the existence of linear relationship between the dependent and independent variables.

6.2 Correlation Analyses

Table 2 below displays pairwise Pearson correlation coefficients among IFRS compliance, earnings (ERN), discretionary accruals (DA), and firm size (SIZE). Correlations quantify the strength and direction of linear relationships between variables.

Table 2: Matrix of correlations

Variables	IFRS	PAT	EM	SIZE
IFRS	1.000			
ERN	0.044	1.000		
DA	0.049	0.116	1.000	
SIZE	-0.004	0.640	-0.043	1.000

Source: Authors’ Computation, 2024

IFRS compliance has very weak positive correlations with both earnings (0.044) and discretionary accruals (0.049), implying that higher compliance alone does not linearly relate to profitability or accrual behaviour. Earnings and firm size are strongly correlated (0.640), indicating that larger conglomerates generate higher profits. The modest positive correlation between earnings and discretionary accruals (0.116) suggests that firms reporting higher profits tend to exhibit slightly higher discretionary accruals, while the

slight negative correlation between DA and SIZE (–0.043) implies larger firms might engage marginally less in earnings manipulation. These correlations offer preliminary evidence that the link between IFRS and earnings quality is nuanced and may depend on firm characteristics.

6.3 Robustness Tests

Before interpreting the regression results, diagnostic tests ensure that the pooled regression model is reliable. This table 3 reports the p-value for residual normality, the mean variance inflation factor (VIF) for multicollinearity, and the p-value for heteroscedasticity for the model with discretionary accruals.

Table 3: Robustness Tests

Models	Residuals Normality>P	VIF>Mean	Heteroskedasticity (p-value)
DA	0.062	1.11	0.03(0.854)

Source: Authors’ Computation, 2024

The residual normality p-value of 0.062 is above the 0.05 threshold, suggesting the residuals are approximately normally distributed. The mean VIF of 1.11 is well below the conventional cut-off of 5, indicating that multicollinearity is not a concern. The heteroscedasticity test yields a p-value of 0.854, implying that the variance of the residuals is constant across observations. Together, these diagnostics show that the regression model used to explain discretionary accruals is statistically sound and that the reported coefficients are reliable.

6.4 Pooled Regression Result for DA and IFRS Adoption

The regression model evaluates the effect of IFRS implementation, earnings performance, and firm size on discretionary accruals (DA), which serve as a proxy for earnings management. Table 4 presents coefficients, t-values and p-values from a pooled regression where the dependent variable is discretionary accruals (DA). Independent variables include IFRS compliance, its interaction with earnings (IFRS × ERN), and firm size (SIZE).

Table 4: Pooled Regression Result for DA and IFRS Adoption

DA	Coef.	t-value	p-value
IFRS	4.202	1.85	0.007
IFRS*EARN	-0.229	1.35	0.018
SIZE	0.146	2.83	0.007
CONSTANT	-4.048	-2.21	0.032
R ²		0.222	
Prob>f		0.009	

Source: Authors’ Computation, 2024

The overall model fit is reasonable, with an R² of 0.222, meaning that approximately 22.2% of the variation in discretionary accruals is explained by IFRS compliance, earnings, and firm size. The model is jointly significant, as indicated by the F-statistic p-value of 0.009, confirming the overall explanatory power of the model.

The coefficient for IFRS compliance is positive and statistically significant (Coef. = 4.202, p = 0.007), indicating that higher compliance with IFRS is associated with an increase in discretionary accruals. Since greater discretionary accruals suggest more earnings manipulation, this result implies that IFRS adoption, in this context,

does not reduce earnings management and may, in fact, permit greater flexibility for such practices.

The interaction term IFRS × EARN shows a negative coefficient (−0.229) and is also statistically significant (p = 0.018), suggesting that the influence of IFRS on earnings management diminishes as earnings increase. In other words, firms reporting higher earnings may be less likely to use IFRS flexibility to manage accruals, possibly due to less pressure to manipulate results when performance is already strong.

Firm SIZE is positively and significantly related to DA (Coef. = 0.146, p = 0.007), implying that larger conglomerates tend to engage more in accrual-based earnings management, likely due to the complexity and scale of their operations, which may provide greater room for discretionary judgment.

6.5 Test of Hypotheses and discussion of Results

This section evaluates the study’s hypotheses using the regression results where discretionary accruals (DA), measured via the Modified Jones Model, serve as the proxy for earnings quality. The focus is to determine whether IFRS implementation significantly influences earnings management, and whether its interaction with earnings performance improves the overall quality of reported earnings among listed conglomerate companies in Nigeria. The results are interpreted in light of prior empirical findings to draw context-specific insights.

Hypothesis 1 (H1): IFRS implementation does not significantly reduce earnings management in listed conglomerate companies in Nigeria.

From the regression output, the coefficient of IFRS implementation (4.202) is positive and statistically significant at 1% ($p\text{-value} = 0.007$). This result does not support H1, indicating that IFRS implementation has a statistically significant association with increased earnings management as proxied by discretionary accruals (DA). This contradicts the expectation that IFRS adoption should constrain managerial discretion. This aligns with earlier findings by Christensen, *et al.* (2019) and Kabir, *et al.* (2020) who argued that IFRS adoption, particularly in jurisdictions with weak enforcement mechanisms, may offer managers more flexibility to manipulate earnings. Similarly, Adeyemi (2016) and Galaen and Stenheim (2012) emphasized that IFRS's principle-based approach allows greater room for subjective judgment, which could be exploited by opportunistic managers. In Nigeria, where legal enforcement is relatively weak, IFRS adoption may not curb earnings manipulation as theoretically anticipated.

Hypothesis 2 (H2): The interaction between IFRS adoption and earnings does not significantly improve the earnings quality of listed conglomerate companies in Nigeria.

The interaction term (IFRS*EARN) has a negative coefficient (-0.229) and a $p\text{-value}$ of 0.018, indicating significance at the 5% level. Therefore, H2 is rejected, suggesting that the interaction

between IFRS adoption and reported earnings is significantly associated with improved earnings quality. A negative coefficient implies that IFRS moderates the relationship between earnings and discretionary accruals, thereby reducing earnings management. This is consistent with the view of Atwood et al. (2010) and Lorchir (2015) who found that IFRS strengthens the predictive power and credibility of earnings by discouraging excessive accruals manipulation. The result also aligns with Zeghal, *et al.* (2021), who reported lower earnings smoothing and improved accrual quality in IFRS environments. Furthermore, Chua, *et al.* (2012) confirmed that post-IFRS adoption in Australia resulted in less manipulation and more timely loss recognition. Thus, while IFRS alone may not prevent manipulation, its interaction with reported earnings can enhance earnings credibility.

7. Policy Implication

The findings reveal that while IFRS implementation is statistically significant, it is associated with increased earnings management, suggesting that compliance alone is insufficient to guarantee improved earnings quality. This underscores the need for Nigerian regulatory bodies such as the Financial Reporting Council of Nigeria (FRCN), the Securities and Exchange Commission (SEC), and the Nigerian Exchange Group (NGX) to strengthen enforcement mechanisms and monitoring frameworks. Beyond formal compliance checklists, regulators should enhance post-adoption reviews, mandate audit

quality assurance, and train preparers and auditors in consistent IFRS interpretation. Additionally, firm-level governance reforms, such as reinforcing board and audit committee independence, are crucial in translating IFRS flexibility into transparent and faithful reporting. For IFRS to truly enhance earnings quality in the Nigerian conglomerate sector, it must be complemented by institutional accountability, strong enforcement, and investor education.

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