Effect of IFRS on Accounting Ratios in Nigeria Oil and Gas Companies (A Comparative Analysis)

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ABSTRACT

In line with the notion that the adoption of IFRS in Nigeria as well as other countries of the world brings about other benefits other than harmonisation benefit, this study was embarked upon to find out if the adoption of IFRS leads to a significantly higher performance assessment the oil and gas companies in Nigeria.

This was done by comparing the financial ratio computed under NGAAP with those computed under IFRS for two years period under each regime, from 2010 to 2011 under NGAAP regime and 2012 to 2013 under IFRS regime. The mean differences between the two regimes were considered. Empirical analysis was performed to check if there is a significant difference significant difference between the ratios prepared under IFRS regime and NGAAP regime, using the T-test Statistics.

From the analysis of the result, the overall ratios of both the short and long term solvency indicate higher liquidity for NGAAP denominated financial statement than the IFRS, except for debt to worth that showed a higher performance under IFRS while the profitability ratio was higher under IFRS regime, but there was no significant difference between the two regimes.

1.1 INTRODUCTION

Financial statements are described as the end product of accounting transactions and entries and economic events aimed at providing qualitative and quantitative financial information to evaluate and predict the performance of organisation in order for the users of financial statements to make informed decisions (Ilaboya, 2008). Due to the importance of financial accounting to the economic development of any nation, it operates within a framework that
directs its preparation and presentation. While in some countries, accounting standards are set by legal entities, in others they are set by the accounting profession. Yet, in other countries, it is a joint responsibility with other bodies. This lead to diversities across countries with respect to the form and content of financial statements, the rules used to measure assets and liabilities and recognize and measure revenues and expenses, and the magnitude and nature of the disclosures provided in a set of financial statements (Adejala, 2011).

The need for quality and uniformity in the preparation and presentation of financial statements gave birth to International Financial Reporting Standards (IFRS) which was formerly called international Accounting standard (IAS). Before its adoption in Nigeria, there was a legal and regulatory framework of accounting in respect to preparation of financial statements - Company and Allied Matters Act (2004) and Statement of Accounting Standard. The Company and Allied Matter Act (CAMA’90) prescribe some format and content of company financial statement disclosure requirements and auditing. It requires that the financial statement of all corporate organisations comply and adhere with the Statement of Accounting Standards (SAS) issued from time to time by the Nigerian Accounting Standard Board (NASB) (Edogbanya & Kamardin, 2014). Since the adoption of IFRS in Nigeria, like in every other countries that have adopted, companies recognition and disclosure practices of companies has taken a new turn. The adoption of IFRS across the world, Nigeria inclusive, represents a watershed in the annals of accounting development (Herbert, Tsegba, Ohenere & Ayahara, 2013).

The adoption of IFRS signifies a fundamental shift in national accounting systems and professions. This shift from national accounting standard to IFRS implies that the latter is more beneficial than the formal. Apart from the harmonisation benefit of IFRS, The benefits ascribed to the adoption of IFRS are many and have been continually debated by several scholars of accounting. According to Ball (2006), IFRS arguably leads to more accurate, comprehensive and timely financial statement information. It also reduces the adverse selection arising from information access differential among users of financial statements that may likely spur reduction in the cost of equity; better comparability of financial statements and much more, transparency in reporting; reduction in information processing cost leading to market efficiency; removal of barriers to cross-border acquisitions and divestitures, leading to increased takeover premiums; finally, better accounting quality and value relevant information resulting from less earnings management and more timely loss recognition (Daske & Gebhardt, 2005; Ball, 2006).

Studies have been done to find out if IFRS adoption has increase higher quality of report and higher performance assessment of accounting entities. Lantto and Sahlstrom (2009) investigated the impact of IFRS on financial ratios in Finland, by comparing ratios calculated under IFRS and Finnish GAAP for the same time period – the year 2004. Blanchette, Raciciot and Girard (2011), compared the ratios of nine Canadian companies that have adopted IFRS with the previous GAAP, for the same year. But in all these studies, oil and gas companies were not represented except for a study done in Nigeria by Abdul-Baki, Uthman and Sanni (2014). Their study examined the effect of IFRS adoption on the performance evaluation of a case firm using some financial ratios selected from four major categories of financial ratios. They surveyed the financial statements of an Oil and GAs firm that voluntarily adopted IFRS and prepared their financial statements in both Nigerian GAAP and IFRS for the period of 2004 to 2010. Their study was limited however by the sample size of the survey, which is just a company and it focused on voluntary adoption of the surveyed firm.

In light of this limitations, the study seek to examine whether such benefits of IFRS adoption extend to higher quality of report and higher performance assessment the oil and gas
sector of Nigeria by considering five sampled oil and gas companies for four years period, from 2010 to 2013. Two years for pre adoption of IFRS, while the remaining two years for post adoption. The objective of this study therefore is to investigate whether significant difference exists among financial ratios prepared from IFRS financial statement and Nigeria GAAP financial statement of the case firm in order to ascertain whether financial ratios prepared from IFRS financial statement show higher performance than those prepared from Nigeria GAAP.

2. LITERATURE REVIEW

2.1 Theoretical framework

Value maximization theory

This paper adopts the value maximization theory for situating the study. The value maximization theory holds that the single objective of a firm’s existence is to maximize profits in the short run and maximize shareholders wealth in the long run (Friedman, 1970; Jensen, 2001) in (Abdul-Baki, Utman, & Sanni, 2014). The theory therefore explains that all the activities of organization are profit-seeking. The theory explains further that the long run wealth maximization does not portend the maximization of shareholders’ wealth alone but also the maximization of other financial claimants like debt and warrant holders. Therefore, firm’s disclosure of IFRS compliant financial statements is to maximize firm’s value.

CONCEPTUAL FRAMEWORK

2.2 Main Features of IFRS

The goal of IASB was to develop a single set of high quality global accounting standards that are understandable and that improve transparency in financial reporting on the various capital markets of the world (IASB, 2010). IFRS is a principle-based set of accounting standards designed to improve the comparability of financial statements internationally (Blanchette et al, 2011). According to Blanchette et al 201, the main features of IFRS include a principle-based approach, fair-value orientation, the concept of comprehensive income, the entity theory underlying consolidation, and improved transparency. The principle-based approach of IFRS implies that the standards rely primarily on principles and specified desirable regulatory outcomes rather than detailed, prescriptive rules. This approach gives more importance to substance (over form) and allows management to exercise judgment/discretion in application. In short, management has greater flexibility in selecting accounting methods and in estimating accounting figures when preparing financial statements. In turn, a rule-based approach offers less flexibility in aligning business objectives and processes with regulatory outcomes and forces specific treatments when precise criteria are met. For example, a standard on consolidation that is based on a general definition of control, such as “the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities” (IAS 27.4), is principle-based.

Fair value accounting Fair value accounting is a departure from the traditional historical cost principle. IFRS gives emphasis to fair value unlike the earlier Nigerian GAAP. It primarily responds to the needs of investors which are given deliberate importance in IFRS compared to other users (Chua & Taylor, 2008). Valuing fair value involves various levels of subjectivity depending on the availability of an active market for the assets and liabilities in question.
Comprehensive income is a major improvement in the conceptual framework of IFRS. It is a new feature showing all revenues, expenses, gains and losses that are to be recognized according to accounting standards during a period, and is summarized in a separate financial statement named the Statement of Comprehensive Income (Chua & Taylor, 2008). It consists of two components -The first relates to the bottom line (profit or loss) of the income statement as it is normally measured, incorporating gains and losses on transactions with outside parties and a number of unrealized gains and losses on items measured at fair value through profit or loss. The second component of the statement of comprehensive income relates to unrealized gains and losses caused primarily by fair value adjustments. This component is designed to bypass the income statement.

2.3 IFRS ADOPTION IN NIGERIA

The Nigeria’s Federal Executive Council (FEC) gave approval for the convergence of Nigerian SAS with the IFRS from January 1, 2012. The adoption was organized such that all stakeholders use IFRS by January 2014. According to the IFRS adoption Roadmap Committee (2010), Public Listed Entities and Significant Public Interest Entities are expected to adopt the IFRS by January 2012. All Other Public Interest Entities are expected to mandatorily adopt the IFRS for statutory purposes by January 2013, and Small and Medium-sized Entities (SMEs) shall mandatorily adopt IFRS by January 2014. Nigerian listed entities were required to prepare their closing balances as at December 31, 2010 according to IFRS. The closing figures of December 31, 2010 will become the opening balances as at January 1, 2011 for IFRS based financial statements as at December 31, 2011. The opening balances for January 1, 2012 will be the first IFRS full financial statements prepared in accordance with the provision of IFRS as at December 31, 2012.

2.3 IFRS VS. NIGERIAN GAAP

The petroleum sector occupies a very strategic unique sector in the economy of Nigeria. Accounting for oil and gas activities presents many difficulties (E & Y, 2012). This is because, and the extractive industry is a specialized sector with lots of complications regarding the recognition, measurement, classification and treatment of assets in the books of Oil and Gas companies. Oil and Gas sector is characterised by heavy initial investment in terms of Exploration and Evaluation (E&E) operations. These activities require the use of high level and sophisticated technology for geological and geophysical (G&G) evaluation of the field to determine whether a commercially producible deposit of Oil and Gas is present (KPMG, 2012). Despite the commitment of huge resources at the (E&E) stages, there is no guarantee that the well would produce a commercial quantity of Oil and Gas to pay for the investment. This unique nature of the extractive industry makes accounting for the Oil and Gas sector equally unique. It is only in the extractive industry that different accounting methods (Full Cost or Successful Effort) are used to account for the costs incurred in the acquisition, exploration, development and productions phases of Oil and Gas production. A special standard “IFRS 6 – exploration for and evaluation of mineral resources” issued by the IASB is dedicated strictly for the extractive industry to provide guidance for the treatment of acquisition, exploration and evaluation costs. In Nigeria however, SAS 14, accounting in the Petroleum industry - Upstream Activities and SAS 17, Accounting in the Petroleum Industry – Downstream Activities are the two standards that provide guidance for the treatment of all costs incurred in Oil and Gas exploration and production prior to IFRS adoption.

IFRS 6, Exploration for and Evaluation of Mineral resources is a standard tailored specifically to the extractive industries to provide guidance for the treatment of exploration costs
pending the outcome of the wider extractive industries project being executed by the IASB. However, entities transitioning to IFRS are permitted to continue using their current local accounting policy for exploration and evaluation of mineral resources (PWC 2011). Under IFRS 6, expenditures incurred in exploration activities should be expensed unless they meet the definition of an asset – when it is probable that economic benefits will flow to the entity as a result of the expenditure.

Although, IFRS 6 provides that all expenditures incurred in exploration activities be expensed unless they meet the definition of an asset. However, the treatment of exploration and evaluation (E&E) assets depends on the classification of the asset. Intangible E&E assets may include costs of exploration permits and licences while tangible E&E assets may include items of equipment and plants used for exploration activities. IFRS 6 requires entities recognising E&E assets to perform an impairment test on those assets when facts and circumstances suggest that the carrying amount of the assets may exceed their recoverable amount (KPMG 2012). The impairment should be carried out in accordance with IAS 36 Impairment of Assets once it is identified (Deloitte 2013). However, IFRS 6 is limited in scope and does not provide guidance for the treatment of development and production costs. This implies that IFRS 6 does not go beyond the exploration stage. Companies are therefore, allowed by the IASB to continue using the existing guidance provided by their local standards for the treatment of development and production costs pending the completion of the on-going project being carried out by the IASB regarding the IFRS 6. Also, the two most common accounting approaches applied by IFRS companies are successful efforts and modified full cost accounting. There is no definition of these methods in IFRS.

According to Barde (2011), SAS 14 was first issued in 1993 by the NASB to enhance the comparability of financial statements prepared by companies operating in the upstream sector of the petroleum industry in Nigeria. The standard basically deals with accounting and reporting for upstream activities which involve the acquisition of mineral interest in properties, exploration (including prospecting), development, and production of crude oil and gas.

The main sector-specific accounting issues for oil and gas companies IFRS consider according to KPMG (2011) are exploration and evaluation (E&E) assets; depletion, depreciation and amortisation (DD&A); impairment of non-financial assets; decommissioning and environmental provisions; Joint arrangements; revenue recognition; reserves reporting; financial instruments.

### 2.4 Financial Ratio

Ratio analysis is one of the conventional ways that use financial statements to evaluate the company. Blanchette et al (2011) opined that financial ratio based on accounting information is widely used in practice. It creates standards that have simply interpreted financial sense. According to Ogiedu, Erhagbe and Ibadin (2009), ratio is defined as the quantitative factor which expresses the relationship between two or more values. Financial ratios are used by Investors, bankers, brokers and other stakeholders to analyse the financial condition and performance of a company, establish covenants in lending agreements or for other commercial arrangements. Key performance indicators (KPIs) refer to profitability, liquidity and gearing measures mostly used by firms to determine their financial strengths, weaknesses and ability to honour their obligation as they fall due (Abdul-baki et al., 2014). The four ratios commonly used in practice to assess firms are; the Liquidity, Leverage, Coverage and Profitability. However, according to Bala
(2013), because of the complex nature of Oil and Gas sector, other coverage and common stock valuation ratios are also computed and analysed. 

Liquidity ratio is the measure of firm’s ability to meet maturing short term financial obligations. It shows how a firm can change its non-cash assets into cash; it also shows the size of a firm investment in non-cash assets relative to it short term liabilities (Tanko, 2012). All of the components of the liquidity and leverage ratios are based on accounting figures taken from the balance sheet (financial position). The liquidity ratios are measured using current assets and current liabilities. The leverage ratios show the importance of liabilities relative to assets or equity (Bala, 2013). The leverage ratio also known as long term solvency ratio measures the burden of a firm in terms of its total debt. It shows the long term safety of a firm. The coverage and profitability ratios are composed of items from the income statement, comprehensive income, the cash flow statement, the balance sheet; and stock price – one component which is obtained from outside of the financial statements (Abdul-baki et al., 2014). The coverage ratios weight some expenses or charges, such as interest expense, fixed charges, and current liabilities, against profit or cash available to cover them. The profitability ratios measure the success of a firm in earning a net return on investment and other efficiency or productivity indicators. The price-earnings related ratios are used in two forms: one relies on basic earnings per share (EPS) whereas another one uses the diluted EPS. This allows observation of the impact of dilutive instruments on the profitability of shareholders. The ratios based on comprehensive income are adapted from the traditional return on assets (ROA) and return on equity (ROE) computations (Lantto & Sahlstrom, 2009). They have the same denominator (total assets and equity), but the profit is replaced by comprehensive income in the numerator.

2.5 Effects of IFRS on Financial Ratios
With the introduction of IFRS, some terms used in financial accounting has changed, likewise the accompanying ratio. Example of such terms includes debtors and sales which are now called receivables and turnover, and the ratio measuring debt to sales now called receivable turnover. The differences in the measurement of accounting figures under IFRS and Nigerian GAAP may directly affect the numerator of ratio calculations, their denominator, or both (Blanchette et al 2011). In cases where the difference in measurement affects only the numerator or only the denominator, the effect of changes is straightforward, easy to identify and to interpret. For example, according to Blanchette, et al (2011), the current ratio is higher under IFRS (everything else being equal) if current assets are higher but current liabilities remain unchanged. Lantto and Sahlstrom (2009) opined that identification and interpretation is less obvious in cases of numerous diverging effects on ratios. For example, a lower profit under IFRS will pull down the ROA by reducing the numerator but, at the same time, will pull it up by reducing the denominator. Moreover, there might be distinct accounting differences between IFRS and Nigerian GAAP that have opposite effects on a particular ratio. An example is the impact on the current ratio of higher current assets under IFRS due to an earlier recognition of revenues and receivables concurrent with higher liabilities due to the recognition of a finance lease liability.

2.6 REVIEW OF PRIOR STUDIES
Apart from harmonisation, there are other benefits derived from the adoption of IFRS. Amongst the benefits is the effect it has on financial performance of entities that uses IFRS standard. Scholars have carried out studies to evaluate if the adoptions of IFRS have impacted the performances of financial statements. Studies reporting improvements in financial reporting
quality following voluntary IFRS adoption include Gassen & Sellborn (2006) and Barth, Landsman & Lang (2008).

In a study conducted by Lantto and Sahlstrom (2009) on the impact of IFRS adoption on key financial ratios of Finnish listed firms, shows that the adoption of IFRS changes the magnitude of the key accounting ratios of Finnish companies. Profitability ratios increase by 9-19% and the price-to- earning (PE) ratios decrease by 11%, gearing ratios increase by 2.9% while equity ratios decrease by 0.2%. Punda (2011) based his study on Lantto and Sahlstrom (2009) and examined the effects of IFRS adoption on key financial ratios of UK listed firms. He reported a substantial change in the KPIs of these firms post IFRS adoption. All the three profitability ratios significantly increased: Operating Profit Margin (OPM) increased by 10.8%, Return on Equity 27.0% and Return on Invested Capital (ROIC) by 11.4%. However, current ratio (CR) and price-to-earning (P/E) ratios have not shown such significant change, but still change by 4.2% and -2.9% respectively. Blanchette et al (2011) however examined the impact of transition from Canadian GAAP to IFRS on financial ratios in the areas of liquidity, leverage coverage and profitability. They reported a significantly higher volatility to most of the ratios under IFRS when compared to those derived under pre-changeover Canadian GAAP.

Studies of this nature have also been done in Nigeria. Tanko (2012) reported that firms in Nigeria (some selected banks) under IFRS tend to exhibit higher values on a number of profitability measures such as EPS. In a more recent study, Abdul-baki et al (2014), examined the impart of IFRS adoption on oil and gas entities, by surveying an oil company’s financial record that started preparing their account in both NGAAP and IFRS. They concluded that IFRS do not depict a higher performance than the ratios under the Nigerian GAAP except for the profitability ratios and the investment ratios where the IFRS has two of the ratios under each category to be higher than the Nigerian GAAP. This study was however restricted to a particular company that voluntarily prepared their financial statements in accordance to IFRS standard. Upon this limitation to Abdul-baki et al (2014) scope was this study carried out.

### 3.1 METHODOLOGY

The purpose of this study is to provide empirical evidence of the impact of IFRS on the financial performance of Nigerian oil and gas sector. This will be done by comparing the financial ratio computed under NGAAP with those computed under IFRS for two years period under each regime, from 2010 to 2011 under NGAAP regime and 2012 to 2013 under IFRS regime.

The study relies on secondary data. Data was collected from audited financial statements prepared under NGAAP and IFRS of the five sampled oil and gas companies from the capital market, for four years period and ratios calculated using figures from both sets of statements. The mean differences between the two regimes were considered. Empirical analysis was performed to check if there is a significant difference between the ratios prepared under IFRS regime and NGAAP regime, using the T-test Statistics.

- **H01**: there is no significant difference between in liquidity ratio prepared under IFRS and NGAAP in oil and gas entities.
- **H02**: there is no significant difference between in leverage ratio prepared under IFRS and NGAAP in oil and gas entities.
- **H03**: there is no significant difference between in profitability ratio prepared under IFRS and NGAAP in oil and gas entities.
4. DATA PRESENTATION AND ANALYSIS

Table one: Mean Distribution of the Different Ratios for the Five Firms

<table>
<thead>
<tr>
<th>RATIOS</th>
<th>NGAAP</th>
<th>IFRS</th>
<th>REMARK</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIQUIDITY</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Ratio</td>
<td>2.34</td>
<td>0.92</td>
<td>*</td>
</tr>
<tr>
<td>Quick Ratio</td>
<td>1.84</td>
<td>0.72</td>
<td>*</td>
</tr>
<tr>
<td>LEVERAGE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Ratio</td>
<td>0.96</td>
<td>0.79</td>
<td>*</td>
</tr>
<tr>
<td>Equity Ratio</td>
<td>0.02</td>
<td>0.01</td>
<td>*</td>
</tr>
<tr>
<td>Debt to worth</td>
<td>197.06</td>
<td>233.02</td>
<td>**</td>
</tr>
<tr>
<td>PROFITABILITY</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on asset</td>
<td>0.1</td>
<td>0.06</td>
<td>**</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>8.97</td>
<td>12.23</td>
<td>**</td>
</tr>
<tr>
<td>Return on investment</td>
<td>0.12</td>
<td>0.09</td>
<td>*</td>
</tr>
<tr>
<td>Asset turnover</td>
<td>4</td>
<td>3.56</td>
<td>*</td>
</tr>
<tr>
<td>Net profit margin</td>
<td>0.02</td>
<td>0.03</td>
<td>**</td>
</tr>
</tbody>
</table>

Researchers survey 2015
* indicate that the mean score of SAS is greater than the mean of IFRS
** indicate that the mean score of IFRS is greater than the mean score of SAS

Table 1 above summarizes the 4 years mean of the sampled ratios under each category of ratio for the different regimes of the five oil and gas firms. The overall ratios of both the short and long term solvency indicate higher liquidity for NGAAP denominated financial statement than the IFRS. All the individual ratios under the short-term and long-term solvency ratios are higher under NGAAP than IFRS, except for debt to worth, which is higher for IFRS than NGAAP. Inferring from this, financial ratios computed for solvency portray higher liquidity under NGAAP than the IFRS. This finding is in agreement with the study of Abdul-baki et al (2014), though differ in debt to worth which reflected the same figure in their findings.

There is a disparity for the profitability ratios between the two regimes. Return on asset, Return on Equity, Net profit margin are higher under IFRS, while Return on investment and Asset turnover are higher under NGAAP, with only a little difference in the latter.

It can be concluded from the above comparison of ratios that neither the Nigerian GAAP nor the IFRS has depicted a higher performance in terms of ratios as the results are mixed. While IFRS shows a higher performance in profitability ratios, NGAAP shows a higher liquidity both in the short term and long term.

TABLE TWO - TEST FOR SIGNIFICANTS OF THE DIFFERENT RATIOS

<table>
<thead>
<tr>
<th>Ratios</th>
<th>NGAAP</th>
<th>IFRS</th>
<th>T-STATISTICS</th>
<th>SIGNIFICANT</th>
<th>t Critical two-tail</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIQUIDITY</td>
<td>2.1</td>
<td>0.82</td>
<td>9.142857</td>
<td>1</td>
<td>12.7062</td>
</tr>
<tr>
<td>LEVERAGE</td>
<td>66.01333</td>
<td>77.94</td>
<td>-0.9925</td>
<td>2</td>
<td>4.302653</td>
</tr>
<tr>
<td>----------</td>
<td>-----------</td>
<td>-------</td>
<td>---------</td>
<td>---</td>
<td>-----------</td>
</tr>
<tr>
<td>PROFITABILITY</td>
<td>2.642</td>
<td>3.194</td>
<td>-0.80948</td>
<td>4</td>
<td>2.776445</td>
</tr>
</tbody>
</table>

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In the previous table, the individual ratios were examined. Table two provides the mean results for the overall ratios in different categories, as well as the test for significant. The table shows generally, ratios under NGAAP shows a higher liquidity of the firm in the short term, while ratios under IFRS show a long term liquidity and higher profitability. The result of the test of significant shows that there are no significant differences between liquidity ratios, leverage ratios and profitability ratios prepared under NGAAP and IFRS since the T test is lower than the critical values.

**TABLE 3- SUMMARY OF T- TEST STATISTICS ON OVERALL FINANCIAL RATIOS PREPARED FROM IFRS AND NIGERIA GAAP FINANCIAL STATEMENTS**

<table>
<thead>
<tr>
<th></th>
<th>NGAAP</th>
<th>IFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>21.545</td>
<td>25.143</td>
</tr>
<tr>
<td>Variance</td>
<td>3810.790694</td>
<td>5348.985</td>
</tr>
<tr>
<td>Observations</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>0.999912181</td>
<td></td>
</tr>
<tr>
<td>Hypothesized Mean Difference</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Df</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>t Stat</td>
<td>0.994581333</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P(T&lt;=t) two-tail</td>
<td>0.345926292</td>
<td></td>
</tr>
<tr>
<td>t Critical two-tail</td>
<td>2.262157158</td>
<td></td>
</tr>
</tbody>
</table>

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Table three is the result of the T-test. The result shows that there is no significant difference in the distribution of the ratio computed under the Nigerian GAAP and IFRS as the test statistic is 0.99 which is lesser than the critical value (2.26) at 0.05 (i.e. at 5% level of significance). This result implies that the null hypothesis would be accepted. Thus we accept that there is no significant difference among the financial ratios computed under Nigerian GAAP and under IFRS.

5. **CONCLUSION**

This study was embarked upon to find out if the adoption of IFRS leads to a significant difference in performance assessment the oil and gas sector of Nigeria by comparing the key performances indicators of five sampled oil and gas companies in Nigeria that prepares their financial statements in line with IFRS as against their financial statements under NGAAP for...
four years period, from 2010 to 2013. Key performance indicators (KPIs) refer to profitability, liquidity and gearing measures. From the analysis of the result, the overall ratios of both the short and long term solvency indicate higher liquidity for NGAAP denominated financial statement than the IFRS, except for debt to worth that showed a higher performance under IFRS. The profitability ratios performed better under IFRS. The can be concluded that there is no significant difference between KPIs under NGAAP and IFRS except for profitability ratio that is slightly higher under IFRS

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