

Determinants of Compliance with International Financial Reporting Standard 6 by Quoted Intergrated Oil and Gas Companies in Nigeria

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Abstract

This study assessed the determinants of compliance with IFRS 6 by quoted integrated oil and gas companies in Nigeria. The data are collected from annual reports and accounts of sampled integrated companies in Nigeria for the period of six years (2012 to 2017). Compliance index, descriptive statistics, correlation and regression were used as technique of data analysis. The result revealed that quoted integrated oil and gas companies in Nigeria have strongly complied with the requirements of IFRS 6 which is about 84%. It also revealed that age and leverage positively and significantly influenced compliance with IFRS 6 while company size, return on asset and audit type insignificantly influenced compliance with IFRS 6. The study recommends that International Accounting Standard Board, Financial Reporting Council of Nigeria and other relevant regulatory bodies should enlighten corporate bodies, individual and other stakeholders on the benefits derivable from compliance with requirements of IFRSs. The study also recommends that, integrated oil and gas companies in Nigeria should employ the services of good accounting firms as it positively influence compliance.

Keywords: Determinants, Compliance, IFRS 6, Integrated Oil and Gas Companies.

Introduction

Many countries and regions around the world have different financial reporting and accounting practices, which stem from varying legal, cultural, economic, social and political contexts. Different national standards prescribe different formats and classification of items in financial statements for reporting purposes. This dissimilarities in financial reporting and accounting practices make it very difficult for users of accounting information to consolidate such

information and make comparisons of firms that are quoted in different countries. International Accounting Standard Board (IASB) issued international Financial Reporting Standards (IFRSs) to harmonize this differences and come up with a sets of accounting standards, guidelines, treatments, rules, regulations, policies and procedures for the preparation of financial statement. Compliance with IFRSs is a state of being in accordance with established guidelines or

specifications of IASB to ensure that organizations prepared their financial report uniformly based on regulations and government legislation.

The integrated oil and gas companies in Nigeria have been complying with the requirements of IFRSs when the Nigerian Federal Executive Council approved January 1, 2012 as the effective date for the convergence of Nigerian Statement of Accounting Standards (SAS) or Nigerian GAAP (NG-GAAP) with International Financial Reporting Standards (IFRS) (Masud, 2013). Prior to this period, the annual financial statements of companies in the oil and gas sector of Nigeria were prepared using the statement of accounting Standard (SAS) issued by the Nigeria Accounting Standard Board (NASB). These standards have now been phased out and replaced with the international financial reporting standards (IFRS). IFRS 6 specifies some aspects of the financial reporting for costs incurred for exploration for and evaluation of mineral resources (for example, minerals, oil, natural gas and similar non-regenerative resources), as well as the costs of determination of the technical feasibility and commercial viability of extracting the mineral resources. The standard requires entities recognizing exploration and evaluation 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.

Based on review of related literatures, it clearly revealed that; there is limited study on the compliance with IFRSs in Nigeria, Though most of researchers were more concerned on adoption of IFRS Framework, a very few of such studies could be found on compliance with IFRS specifically on compliance with IFRS 6. This study differed in scope, variables and methodology with previous studies of Sani and Umar (2014), Yakasai (2014) and Muhammad (2017). Thus there is need to study on the determinants of compliance with international reporting standard in the integrated oil and gas companies in Nigeria because some of the firm were found not complying with standard based on the assertion of political cost theory and in order not to put shareholders, potential investors, regulatory bodies, and general public to mention a few, into dilemma (Ben, 2013). This study will enlighten not only corporate bodies but also individual stakeholders on the advantages derivable from complying with accounting standards to intensify the relevance of the IFRS 6.

The oil and gas industry consist of upstream and downstream oil industry. The upstream is the most important sector in the economy. Despite the problems associated with persistent ethnic unrest, corruption, insecurity and political instability, Nigeria's wealth of oil makes it most attractive

to the major oil-multinationals, most of whom are represented in Nigeria, with the major foreign stakeholder being Shell Nigeria Petroleum Exploration and Production Company (SNEPCO). The downstream oil industry is responsible for the marketing and distribution of petroleum and natural gas products. However, Problems such as sabotage, poor management, and lack of turn around maintenance, corruption and undue interference suppresses the refining capacities of these refineries. The majority of the natural gas reserves are located in the Niger Delta and, therefore, the sector is also affected by the same security and regulatory issues affecting the oil industry.

The main objective of this study is to assess the determinants of compliance with IFRS 6 by the quoted integrated oil and gas companies in Nigeria. Based on the foregoing problem and objectives of the study, the null hypothesis is stated as quoted integrated oil and gas companies in Nigeria do not significantly comply with the requirements of IFRS 6.

This study would consist of five Section, section one is the introduction, two covers literature review, section three addresses methodology, the fourth section is on result and discussions and finally section five is on conclusion and recommendations

Literature Review

Accounting and Reporting Standard in the Integrated Oil and Gas Companies in Nigeria

The Financial Reporting Council of Nigeria (FRC) is a unified independent regulatory body for Accounting, Auditing, Actuarial, Valuation and Corporate Governance practices in public and private sectors in Nigeria. The council addresses current institutional weaknesses in regulation, compliance and enforcement of standards and the development of robust arrangements for monitoring and enforcing compliance with financial reporting standards in Nigeria (FRC Act, 2011).

IFRSs are set of accounting standards, guidelines, treatments, rules, regulations, policies and procedures established by the International Accounting Standards Board (IASB) for the preparation of financial statement. Is is a basis of preparing financial statements and therefore a means of narrowing the areas of differences in accounting practice.

Agwor (2015) opined that the Nigerian Accounting Standard Board (NASB) now Financial Reporting Council of Nigeria (FRC) in 1991 constituted a steering committee on oil and gas accounting with a view to producing a statement on accounting practices for petroleum industry, the committee's recommendations formed the major part of the statement of accounting standard (SAS 14 - on Accounting in

the petroleum Industry, Upstream Activities) released for compliance in 1994. NASB went further to issue another statement of accounting standard for the Downstream Petroleum Industry known as SAS 17 on Accounting in Petroleum Industry: Downstream Activities. These standards have been the leading accounting standard in Nigeria and is still relevant even after the introduction of IFRS 6 by the International Accounting Standard Board (IASB).

While the portion of E & E expenditures incurred by entities engaged in extractive activities is significant, these expenditures are excluded from the scope of IAS 38: *Intangible Assets*, and mineral rights and non-regenerative resources and are not covered by the IAS 16: *Property Plant and Equipment* (IFRS Foundation, 2010). This has led to diverse accounting treatments of these expenditures, which in turn led to incomparable results reported by these entities. Therefore, the IASB issued the IFRS 6 to regulate and harmonize accounting practices for extractive industries.

IFRS 6 segregates capital expenditures into three categories or phases: Pre exploration; exploration and evaluation (E&E); and Post-exploration development and production. IFRS 6 only applies to the E&E phase and does not address the recognition and measurement of pre-exploration costs or post exploration development and/or

production capital activities. Pre-exploration expenditures are expenditures typically incurred before obtaining the legal rights to explore a specific area. Development expenditures are expenditures incurred after the technical feasibility and commercial viability of extracting mineral resource (i.e., the existence of proved and/or probable reserves). Most of the integrated super-majors in O & G, as well as some smaller enterprises, use the “successful efforts” method of accounting for exploration and development (E&D). Under this method, the costs associated with locating, purchasing, and developing reserves are capitalized on a field-by-field basis. Once the reserves are proven, the capitalized costs can be assigned to the discovery; if discovery is not attained, then the expenditures are charged as an expense, (KPMG, 2010 & KPMG, 2011).

Under IFRS, Pre-exploration costs are generally expensed as incurred given the inherent uncertainty associated with exploration activity, making it difficult to justify capitalization unless IAS 38 *Intangible asset* definitions are achieved. Post exploration costs incurred, subsequent to the determination of technical feasibility and commercial viability, and costs of replacing parts of property, plant and equipment are recognized as oil and gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are

recognized in profit or loss as incurred. IFRS 6, exploration for and evaluation of mineral assets, allows for the use of full cost only for exploration and evaluation. After this phase, companies must switch to the successful efforts method. This treatment is currently under discussion and will likely evolve over time. Companies will need to monitor developments and make adjustments as required, (Deloitte 2014).

Empirical Review

In Nigeria and other part of the world, several studies have been carried out on international financial reporting standards, though most of the researchers were geared towards the adoption of IFRS, few studies were conducted on the compliance with IFRSs, depending on the nomenclature used to describe the title of the studies. Studies in Nigeria are very limited when compared with those conducted in other parts of the world, particularly developed economies. Quite a number of studies have been deals with IFRS and other standard, in Nigerian and its environs, this includes:

Muhammad, (2017) assesses compliance with IFRS 4 by listed insurance companies in Nigeria. The study sampled 15 insurance companies listed in the Nigeria Stock Exchange (NSE) data were generated from annual reports and accounts of the sampled companies for four years period covering from 2012 to 2015. Descriptive statistics, compliance

index, correlation analysis and regression are techniques used to analyzed data. The study shows that listed insurance companies in Nigeria have strongly complied with the requirements of IFRS 4 and there is no variation on compliance.

Sani and Umar (2014) assessed the compliance of IFRS framework at first time adoption by the Quoted Banks in Nigeria using Ex-post factor and survey Research designs. The findings revealed that, Nigerian banks complied with IFRS but some challenges in the sector were lack of indepth knowledge for the preparation of financial statement on IFRS based. This is in line with Yakasai (2014) also assesses the level of compliance with IFRS 7 by listed Banks in Nigeria. A semi structured interview guide was also used to gather data for the study. The overall results show a high degree of compliance with IFRS 7, though not absolute.

Pius, Jane, and Raymond (2014) examined the Impact of the IFRS Adoption on Stock Market Movement in Nigerian Corporate Organization. The survey and Ex-post factor Research design was adopted. The Major variables used for this study were earning per Share (EPS), leverage size of the company. The major finding of the study is that the share trades in the banks massively increase from 2011 to 2012 in the banks under study and there is also an

improvement on the shares in Nigerian stock market in recent period.

Oseni (2013) used content analysis method to highlight challenges that are peculiar to Nigeria. Different statutes that are apparently in conflict with the provisions of the standards (IFRS) are to be amended if Nigeria is fully adopting the International Financial Reporting Standards. The study also posits that, terms like balance sheet, value added statements and five- year financial summary recognized by the Companies and Allied Matters Act Cap C20, Laws of the Federation of Nigeria 2004, are to be amended. Significant changes in respect of accounting standards are recommended to be incorporated into the syllabus of tertiary institutions offering accounting courses. Regulatory authorities should step up their supervisory functions on preparers of financial statements to ensure strict adherence to the full provisions of the standards.

Masud (2013) examined the effect of international financial reporting standards of financial reports of Nigerian listed entities, the case of oil and gas companies. The findings among others revealed that it was only in the oil and Gas sector heavy investment did not guarantee commensurate returns. The research concluded that a signal global accounting standard has the prospect of improving information quality

across the border and will foster border investment.

Okaro and Okafor (2013) investigated the Loan Loss provisioning under International Financial Reporting Standards (IFRS) and Nigerian Prudential Guidelines. The audited first time annual reports of four Nigerian banks were analyzed. The study found that, prudential guidelines provisions were more aggressive and higher in all cases than IFRS provisions. In other words, the profit figures under prudential guideline model were more conservative than the corresponding figures under the IFRS model.

Ben (2013) found that, the auditor type is positively associated with quality of financial statement disclosure. The study concluded that, the implementation of IFRSs generally reinforced accounting quality with the improvement in the quality of financial reports after adopting IFRSs, users were assured of useful information for financial decision-making.

Isenmila and Adeyemo, (2013) employed the one way repeated measure analysis of variance, and the likelihood ratio test, otherwise referred to as G-test or maximum likelihood statistical significance test.. The results show that there is a statistically significant difference in the perception of the stakeholders about the desirability of the mandatory adoption of IFRS.

Chua, Cheong and Gould (2012) examined the IFRS impact on the accounting quality by focusing on three perspectives: the earnings management; timely loss recognition and value relevance. Using four years of adoption experience since the mandate was first made effective in Australia for a wide range of accounting-based metrics and market-based information. The study finds that the mandatory adoption of IFRS has resulted in better accounting quality than previously under Australian GAAP. Additionally, the study found that the value relevance of financial statement information has improved, especially for non-financial firms.

Ikpefan and Akande (2012) highlighted the initial inconsistencies of IFRS with local laws in different countries. In Nigeria, the legal frameworks for preparing financial statements are spelt out by Companies and Allied Matters Act Cap C20, Laws of the Federation of Nigeria, 2004. Kenneth (2012) stated that the IFRS adoption is already an issue of global relevance among various countries of the world due to the quest for uniformity, reliability and comparability of financial statements of companies. Stratified Random sampling method was adopted and primary data used to elicit responses with 123 structured questionnaires administered. The Findings showed that IFRS has been adopted in Nigeria but only fraction of companies has implemented with deadline for the

others to comply. It is perceived that IFRS implementation will promote FDI inflows and economic growth.

Muhammad (2012) was of the opinion that external auditors have vital roles to play in ensuring strict compliance to the provisions of the standards. In his assessment of some selected Nigerian banks that are quoted on the Nigerian stock market, it was found out that firms recognized losses more frequently in the post adoption period than they do in the pre adoption period. Okafor and Killian (2011) worked on empirical evidences of Compliance with International Accounting standards, examined the financial statements of 13 listed banks. The findings indicate noncompliance with provisions of national standards that would be useful for inferring group membership despite compliance with other disclosure provisions. This study is not IFRS based.

Onafalajo, Eke and Akinlabi (2011) found that financial measurement model as envisioned by IFRS 4 and 7 are quite relevant to Nigerian financial environment. But there is need to modify to a more restrictive model in the determination of insurance accounting items to enable future compliance to IFRS be efficient. Due to the time frame and other prevailing changes this pave way for the study on compliance with IFRS 6 by quoted integrated oil and gas companies in Nigeria.

Nwakaeze (2010) examined the regulations of financial reporting for accountability in public companies in Nigeria, the results sought to correlate the non-compliance with the financial standards and governance code in 20 selected public quoted companies on the Nigerian stock exchange (NSE) in Delta State. The study revealed that there is a general problem of accurate financial reporting of accounts of some public companies which resulted in misleading of the prospective investors and the general public at large.

Barde (2009) evaluated accounting information disclosure in the Nigerian oil marketing industry with respect to SAS 2 and SAS 17, auditor type, information and communication technology and company attributes (such as company size, age, profitability, liquidity, ownership diffusion, auditor type and leverage) were used as variables of the study. The result shows that Nigerian Oil Marketing Companies strongly apply the requirements of SAS 2 but do not significantly apply the requirements of SAS 17. It was also documented by the research that Codes and Statutes did not enhanced the application of SAS 2 but enhanced the application of SAS 17 and overall compliance in the industry.

Daske, Hail, Leuz and Verdi (2012) Using regression analysis and found that, a company's adoption of IFRS creates unassailable economic gains in countries with uncompromising

regulation over financial reporting. These benefits included an enhancement in the stock's market value, an increase in market liquidity, and a lower cost of capital; Companies with foremost departures between GAAP and IFRS standards show the peachiest benefit when endorsed by a strong regulatory environment.

Kantudu (2005) assessed the level of compliance with the requirement of SAS No 2 information to be disclosed in financial statement" by Nigerian Quoted Companies, the study found that gap exists between requirement of the standard and disclosure practice of listed firms. This is also in line with Kantudu (2008) on the impact of NASB act on compliance with accounting standards on employees' benefits in Nigeria and the result shows a gap exists between what listed insurance companies do and what is required of them by SAS 8, (76.9%) this was referred to it as compliance within the semi-strong range which he discovered to be inadequate, because accounting standards are expected to be complied with in total, that is 100% compliance.

Al-Shammari, Brown and Tarca (2003) used compliance index and found that, compliance increased over time, from 68% in 1996 to 82% in 2002. This indicates that there was significant variation in compliance among the six countries and between companies based on size, leverage, internationality and industry. Non-

compliance was greater than that observed in developed countries and reflected limited monitoring and enforcement by the bodies responsible for overseeing financial reporting and limited comprehensiveness of audits by external auditors.

Theoretical Framework

Several theories emerged to explain the conduct of the study on corporate compliance on financial information based on regulatory framework which has been subjected to various influences from enforcement bodies, such theories are heavily dependent on environmental factors which may yield different results and therefore different conclusion were drawn. This is consistent with the position of the American Accounting Associating Committee on Concepts and Standards for External Financial Reports (Al-Shammari, 2005) that financial accounting literature houses numerous theories that presume differences in the user environment and there is no single and universal governing theory of financial reporting and compliance with the specified standard. The choice of a theory depends on the nomenclature and the requirement of the study. Signaling theory and codification and regulatory theory are found to be relevant.

The argument of the signaling theory is that companies comply and disclosed information in financial statements to signal superior performance for

shareholders, potential investors, corporate and regulatory bodies including other market participants. Barde (2009) and Ben (2013) argued in different dimensions that compliance to International Accounting Standards by profitable companies is one way of signaling their superior performance to the market.

Codification and Regulatory theory emphasis on this theories are entirely based on compliance with a specific regulations as that of reporting standard the regulatory theory assumed to have the best interest of the society at heart. However, it is very complicated to decide on the right amount of regulation due to the nature of the information and the differences in users' needs (Scott, 2003).

If the afore mentioned theories are examined critically, it can be deduced that the signaling theory and regulatory theory evidently explain compliance with the specified standard in financial reporting, because the later tries to make emphasis on the assertion that the extent of compliance attract potential investors, stakeholders and on the other hand give confidence to the existing shareholder on the prosperity of the company. While the codification and regulatory theory confirms the authenticity of the activities of standard setters and corporate code that guide the entire issue of compliance with IFRSs. The Codification and signaling theory is

adopted to map the credibility of this study by emphasizing on the corporate compliance and link with the main objectives of the study.

Methodology

This study employs non-survey research design. The population of this study comprise of all the 12 oil and gas companies quoted on the floor of the Nigerian Stock Exchange as at 31st December, 2017. These include 11 (Mobil), Anino, Capoil, Conoil, Eterna, Forte, Japaul, MRS, Oando, Rakunity, Seplat and Total.

This study employs purposive sampling technique, which is applied when the researcher uses his judgment to select from the population a member that will give accurate information (Adamu, Muhammad & Dandago, 2010). The selection of the sample reflects the purpose and objectives of the study. Five (5) quoted integrated oil and gas companies were selected for the period of 2012-2017. The selection was done on the premise that the companies have been operating as integrated oil and gas companies and complying with the requirements of IFRS 6 over six years. As a results 11 (Mobil), Eterna, Forte, Japaul and Oando were selected.

Data was generated from the annual reports and accounts of the sampled companies. This study used of compliance index by qualitative grading system (QGS) to measure the extent of compliance with the

requirement of IFRS 6. Using a score sheet, the study assigns one mark for each variable or item of compliance and a zero for non-compliance of an item. The ordinals ranked were therefore used in qualitative judgment of the degree of compliance of the requirements of IFRS 6 by integrated oil and gas companies in Nigeria. Descriptive statistics and multiple regression were also used as a technique of analysis.

The qualitative grading system of 0% - 100% is used to determine the degree of compliance with the requirements of IFRS 6 the (dependent variable). The aggregate score per requirements (r_1 to r_7) was taken and weighted against the expected degree of application, the result was expressed on a scale of 100 to enhance its comprehensibility. Thus, compliance formula is in consistent with Kantudu (2006), Barde (2009), Ben (2013), Yakasai (2014) and Muhammad (2017) with little modifications made on the formula for the purpose of this study.

$$D_c = \sum n \frac{Ara}{Mra} \times \frac{100}{1}$$

Where:

D_c = Degree of compliance

$\sum$ = Summation

n = Number of expected variables to be complied with

Ara = Actual number of variables complied by sampled company

Mra = Maximum number of variables expected to be complied by the sampled company.

The variables of the study consists of both dependent and the independent variables. The dependent variable is the level of compliance while the independent variables are factors influencing the compliance with IFRS 6 by quoted integrated oil and gas

companies which were proxied by company Size, Age, Profitability, Leverage and Auditor type.

The variables of the study and their measurements are stated in table 1.

Table 1 Variable of the Study and their Measurements

Variables	Measurements
Compliance index	Measured by the dichotomous of 1 and 0 to obtain Rate of actual score to total score as used by Kantudu, 2006; Kantudu & Tanko, 2008; Barde, 2009; Ben, 2013; Yakasai, 2014; and Muhammad, 2017.
Company size	Is measured as natural log of total asset as used by Alsaeed 2005; Aljifri & Khasharmeh, 2006; Kantudu, 2006; Barde, 2009; Ben, 2013; Sani & Umar, 2014; Yakasai, 2014 and Muhammad, 2017.
Company Age	The age of a company was measured from the year listed on the NSE as used in Al- Shammari 2005; Kantudu 2006; Barde 2009; Ben 2013; Sani & Umar 2014 and Muhammad, 2017.
Profitability (ROA)	Return on assets (ROA), expressed as profit after tax to total assets ratio, as used in Fatula, 2007; Ben, 2013 and Muhammad, 2017.
Leverage	This is measured by the the total debt to total asset ratio, as used in Ahmed & Naser, 1995; Fatula, 2007 and Muhammad, 2017.
Auditor type	The auditor type is measured as dichotomous variable represented by big 4 (Deloitte, KPMG, Price Water house cooper and Ernst and Young) or non- big 4,a value of is assigned for big 4 otherwise 0 as used by Muhammad, 2017.

This study adopts and modified the multiple regression function of Pius, Jane & Raymond, 2014 and Long 2014 as follows.

$$TCI = a_0 + a_1S_{it} + a_2A_{it} + a_3P_{it} + a_4L_{it} + a_5A_{it} + a_6\epsilon_{it}$$

Where:

TCI = Total compliance index

S = Size of Asset

A = Age of the company

P = Profitability

L = leverage

A = Auditors type

a_0 = Intercept

ϵ = an error term assumed to satisfy the standard OLS

i = entity

t = time

a_1, a_2, a_3, a_4, a_5 , and a_6 = Multiple regression coefficients

Heteroskedasticity result also shows a significant prob >chi2 of 0.000. This indicates presence of heteroskedasticity and it was corrected through OLS robust standard error. Similarly, normality test conducted through Shapiro wilk to ensure whether or not the data are normally distributed. The result shows 0.1251 which is insignificant.

Results and Discussion

Relevant tests were conducted for the validity of the results. The multicollinearity test revealed that the Variance Inflation Factor (VIF) range from 1.23 to 1.43. These values are less than 10 which indicate absence of multicollinearity problem.

Level of Compliance

Compliance index as a technique has been used by previous researchers to determine the level of compliance. The frequent used of this technique justifies its effectiveness and hence is considered appropriate for this research.

Table 2 Compliance with the Requirements of IFRS 6 by Quoted Integrated Oil and Gas Companies in Nigeria

S/ N	Companies	Periods	Expected Compliance	Total Compliance
1	11 Plc (Mobil)	2012-2017	$7 * 6 = 42$	21
2	Eterna Plc	2012-2017	$7 * 6 = 42$	36
3	Fort oil Plc	2012-2017	$7 * 6 = 42$	42
4	Japoul Plc	2012-2017	$7 * 6 = 42$	36
5	Oando Plc	2012-2017	$7 * 6 = 42$	42
Total			210	177

Source: Generated by the Author from Annual Reports of the Sampled Companies, using Microsoft excel

Table 2 shows that the sampled Quoted Integrated Oil and Gas Companies in Nigeria complied with 177 requirements in six years out of the 210 aggregate of the requirements of IFRS 6. However, to determine the degree of compliance with these

requirements the formula used by Kantudu (2005) and (2006), Yakasai (2014), Ben (2013) and Muhammad (2017) was adapted.

Degree of Compliance = Number of Points earned from Compliance,

divided by the Maximum Score Required from the compliance multiply by 100. Thus:

Number of Point earned from the compliance = 177

Maximum Score required from the compliance = 210

Therefore, the result is $177 \div 210 \times 100\% = 84\%$

Based on the above criteria for grading compliance with the requirements of IFRS 6 by Quoted Integrated oil and gas companies in Nigeria as shown in appendix 1. The quoted integrated oil and gas companies in Nigeria strongly complied with the requirements of IFRS 6 at 84% level of compliance. This finding is in line with Kantudu (2005), Kantudu (2006), Mamman

(2006), Barde (2009), Yoha and Faboyede (2011) and Muhammad (2017). But contradicts that of Akiwi, (2010), Okafor (2011) Madawaki (2012) Ben (2013, Mabruk (2013) and Sani and Umar 2014) and Freese (2014).

Descriptive Statistics

This provides statistical analysis of the data generated on the dependent and independent variables of the study. Table 3 provides summary of statistics on the measures of central tendency, such as mean, measures of dispersion (the spread of the distribution) such as the standard deviation, minimum and maximum of both the dependent variable and independent variables of the study.

Table 3 Descriptive Statistics of the Variables

Variables	Obs	Mean	Std. Dev.	Min	Max
Compliance index	30	.8423333	.3170737	0	1
Log of TA (Size)	30	10.86797	.4568618	10.25657	11.98576
Age	30	20.66667	8.941701	6	37
ROA	30	5.009	3.04753	1.19	16.2
Leverage	30	61.18567	23.51486	15.31	93.7
Auditor type	30	.6	.4982729	0	1

Source: Generated by the Author from Annual Reports of the sampled Companies, using STATA (version 14.0)

From Table 3, the mean total compliance scores for the sampled companies shows an average compliance with IFRS 6 of about 0.84. This means that quoted integrated oil and gas companies in Nigeria complied with the requirements of IFRS 6 of about 84% with minimum of

0 and maximum 1. This indicates an element of high level of compliance in the industry. The standard deviation of 0.32 indicates that there is no significant variation in compliance with IFRS 6 between the sampled companies during the period of the study.

The mean proportion of size of the sampled companies is measured by the natural logarithm of total assets and has a mean of about 10.87%, with a minimum of about 10.25% and maximum of about 11.98%. This suggests a high level of dispersion in the total assets among the sampled companies.

The mean age of sample companies in the integrated oil and gas companies in Nigeria is 21 years. The standard deviation is 9 years, minimum age is 6 and the maximum age is 37 years among sampled companies. This suggest all the sampled companies exist during the period of study. The result in table 3 showed a mean vlue of return on assets (ROA) of 5.0 and standard deviation is 3.05. Furthermore, leverage showed a mean of 61.18% which indicates that most of the companies are highly levered. The

standard deviation of 23.51% indicates a significant dispersion among integrated oil and gas companies in Nigeria.

Finally, on the auditor type, classified as. On average 60% of the sampled companies are audited by Big 4 (Deloitte, KPMG, Price Water house cooper and Ernst and Young). This finding is in line with that of Nwakaeze (2010), Ben (2013) and Muhammad (2017).

Regression Results on Compliance with IFRS 6

The regression results of Fixed Effects estimates the influence of the independent variables (Size, Age, Profitability, Leverage, and Auditor type) on compliance with IFRS 6 by quoted integrated oil and gas companies in Nigeria are presented in Table 4.

Table 4: Fixed Effect Regression Result

Variable	Coefficient	Std error	t	p>/z/
Constant	-2.3025	1.5290	-1.51	0.147
SIZE	0.1478	0.1263	1.17	0.255
AGE	0.0693	0.0292	2.37	0.028
ROA	0.0225	0.0190	1.19	0.249
LEV	-0.0001	0.0026	-0.05	0.962
AUD	0.0218	0.0820	1.16	0.247
R Square: Within 0.4418 Between 0.0379 Overall 0.4452				

Source: Generated by the Author from Annual Reports and Accounts of the sampled Companies, using STATA 14.0

From table 4, the overall R Square is 0.4452 meaning that size, age, ROA, leverage and auditor account for 45% of the factors that influences the compliance with IFRS 6 by listed integrated oil companies in Nigeria. The remaining percentage are caused by other factors. The F value of 5.15 with p value of 0.0024 signifies the fitness of the model. The regression result also shows Size, ROA and Audit type are positive and insignificantly related to total compliance. Therefore, increase in SIZE, ROA and auditor type increases positively but insignificantly the level of compliance with IFRS 6 by listed integrated oil and gas companies in Nigeria. This finding contradict that of Hossain (1994) Ahmed and Naser (1995), Fatula (2007) and Ben (2013), Sani and Umar (2014). It however in line with that of Muhammad (2017) and Yakasai (2014) that discovered that there is positive insignificant relationship between these variables.

The regression result also shows that Age is positive and significantly related to the level of total compliance index in the quoted integrated oil and gas companies in Nigeria at 5% level of significance. The result is not in line with the findings of Mamman (2006), Kenneth (2012), Madawaki (2012), Mabruk (2013) and Ben (2013). Finally, leverage has negative and insignificantly related with level of compliance of listed integrated oil and gas companies in Nigeria.

Conclusions and Recommendations

From the results and discussion the study conclude that quoted integrated oil and gas companies in Nigeria strongly complied with the requirements of IFRS 6. In addition, size of assets, ROA and Audit type of the companies influenced insignificantly the compliance with IFRS 6. Thus, these factors affects the compliance with the requirement of IFRS 6 positively. However, age positively and significantly influences the compliance level

The study recommends that International Accounting Standard Board, Financial Reporting Council of Nigeria and other relevant regulatory bodies should enlighten corporate bodies, individual and other stakeholders on the benefits derivable from compliance with requirements⁴ of IFRSs. The study also recommends that, integrated oil and gas companies in Nigeria should employ the services of good accounting firms as it positively influence compliance

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Appendix A

Listed Oil and Gas Companies

S/N	Company	Ticker	Year of Listing
1	11 Plc	Mobil	1991
2	Annino Int. Plc	Anino	1990
3	Capital Oil Plc	Capoil Plc	1990
4	Conoil Plc	Conoil	1989
5	Eterna Plc	Eterna	2007
6	Forte Oil Plc	Forte	1978
7	Japaul Oil & MS Plc	Japaul	2005
8	MRS Oil Nig. Plc	MRS	1978
9	Oando Plc	Oando	1992
10	Rakunity Pet. Plc	Rakunity	1989
11	Seplat Pet. Plc	Seplat	2014
12	Total Nig. Plc	Total	1979

Source: Nigerian Stock Exchange, December, 2017

Appendix B

Sampled integrated oil and Gas Companies

S/N	Company	Ticker	Year of Listing
1	11 Plc	Mobil	1991
2	Eterna Plc	Eterna	2007
3	Forte Oil Plc	Forte	1978
4	Japaul Oil & MS Plc	Japaul	2005
5	Oando Plc	Oando	1992

Appendix C

Criteria used for grading compliance with the Requirement of IFRS 6 by quoted integrated oil and gas companies in Nigeria

S/N	Letter Grade	Percentage	Form	General Remarks
1	A	80%-100%	Strongly complied	Excellent
2	B	60%-79%	Semi-strongly complied	Good
3	C	40%-69%	weakly complied	Poor
4	D	0%-39%	Non-compliance	Extremely Poor

Appendix D

Requirements Check List of IFRS 6

S/N	Requirements	Variables
1	Entity shall not apply IFRS to expenditure incurred before the exploration for and evaluation of mineral resources, such as expenditures incurred before the entity has obtained the legal rights to explore a specific area	R ₁
2	Entity shall not apply IFRS to expenditure incurred after the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.	R ₂
3	The standard requires entity to clearly classify E&E assets into tangibles and intangibles. This classification is necessary for accounting policy choices related to the measurement of these assets after recognition and their disclosures	R ₃
4	Entity shall recognizes the amount of assets,, liabilities, income and expenditure arising from exploration and evaluation of mineral resources	R ₄
5	Operating and investing cash flows in connection with exploration and evaluation of mineral resources	R ₅
6	Exploration and Evaluation assets shall be treated as separate class in the statement of financial position	R ₆
7	Entity that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this IFRS and measure any impairment in accordance with IAS 36 Impairment of Assets	R ₇

Source: Generated by the Researcher from IFRS 6

This indicate the extracts from the content of IFRS 6 as major requirements of which integrated Oil and Gas Company in

Nigeria are expected to complied with during the period under study.