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Compliance of Selected Firms Listed on Nigeria Stock Exchange with Requirements of International Accounting Standard 16

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Abstract

The study examined the degree of compliance of some quoted firms with International Accounting Standard 16 (IAS 16) which prescribed accounting treatment for property, plant and equipment. We sampled ten listed firms on the Nigerian Stock Exchange from manufacturing, conglomerate and banking sectors. We collected secondary data from the published financial statements of the firms for the period 2015-2017. The dependent variable was company compliance index while the independent variables were company total actual compliance and required total IAS compliance. We analysed the data using compliance index and found that the average compliance level was 84% which met that Nigerian quoted companies complied strongly with IAS 16. Despite the high level, the firms had compliance deficiencies in depreciation and impairment. We recommended that Nigerian quoted firms should improve on their compliance in these areas.

Keywords – (3-5 words): : Accounting Standards, Financial Statements, Compliance.

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Introduction

In 1973, ten developed nations which included Britain, France and Canada established a body known as International Accounting Standard Committee (IASC). It was charged with the responsibility to promote, develop and converge accounting standards that would enhance accounting practice among member nations. Over the years, more nations joined IASC; by year 2000, membership had increased to one hundred and four countries. IASC issued standards known as International Accounting Standards (IAS). Between 1973 and 2001, forty-one standards were issued by IASC (Igben, 2009).

In order to achieve international accounting harmonization and convergence around the globe, a new board named International Accounting Standard Board (IASB) was formed to replace the IASC in 2001. The new board adopted all the previous IASs issued by the former board and in addition, it issued thirteen standards (IFRS) between 2001 and 2014. Following the adoption of IAS, any mention of IFRS incorporates the IAS. Countries have a choice to join IASB as member nations and thereby adopt the standards. Nigeria is a member and she adopted the standards fully in 2012 (Idekwulim, 2014).

International Accounting Standard 16 (IAS 16) is about non-current assets known as Property, Plant and Equipment (PPE) of firms and prescriptions of accounting treatment of these assets. The standard was initially issued by IASC in 2003; but subsequent modifications and amendments up to 2018 have been done over the years by IASB (the body that replaced IASC). The current IAS 16 which we obtained from the website of IASB contains eighty-three paragraphs. The first paragraph states the objective of the standard which is "to prescribe accounting treatment for property, plant and equipment" for the usage of stakeholders. The first paragraph stated further that four issues are paramount in the treatment of PPE; these are asset recognition, carrying amount, depreciation and impairment. Paragraph two to five discuss the scope of the standard: it states that only PPE in use to aid production are covered but other PPE in stock for sale, biological assets related to agriculture, exploration and evaluation assets are exempted. Paragraph six defines concepts which include carrying amount, depreciation, fair value and impairment. The remaining paragraphs (seven to eighty-three) discuss comprehensively the four issues mentioned in the first paragraph.

Property, plant and equipment (PPE) include buildings, motor vehicles, electricity generating machines and computers. They can "be reliably measured and it is probable that the entity will obtain future economic benefits from them" (IAS 16). PPE are not used up in one accounting period, that is, in one year, they last for two or more years. The IASB standard for accounting treatment of PPE is the International Accounting Standard 16 (IAS 16). In order to account for the usage of PPE, IAS 16 provides that the estimated amount used in a year is allocated to that year and written off as an expense. The balance in the book becomes the net assets at the end of the accounting period. PPE assets are instruments of production of goods and services (Bobber, 2015).

Although the IFRS have stipulated rules, accounting for tangible current assets and disclosure is not easy in practice. This is because each firm decides on a lot of concerns that should conform to generally accepted accounting principles. Each firm is concerned with the law of the land, with impairment, with objectives of maximization of wealth to the owners, with taking care of the interests of stakeholders, with fair value of assets, with information asymmetry, with accuracy in reporting, and with business survival and growth. These concerns pose various challenges to firms' Management who are saddled with reconciling them (Muller, Riedl and Sellhorn, 2011). Some companies may not comply fully with the provisions of IAS 16, this will have the implication that their financial statements may not meet international standards and investors may not have full reliance on the statements.

The disclosures of accounting information as required by IASB facilities the efficient operations of the money and capital markets. Such disclosures also aid business investments and financial stewardship (Barde, 2008). Lack of disclosure and deliberate manipulation of financial figures lead to business collapse, bankruptcy, loss of confidence in financial

information by stakeholders, criminal investigations and litigations as happened in cases such as Enron and WorldCom; two companies in the United States of America (Yahaya, 2011).

Studies on compliance are very few, Saidu and Dauda (2014) assessed the compliance of banks in Nigeria with IFRS provisions; Siyanbola, Musa and Wula (2014) examined the compliance with IAS provisions by listed agricultural firms in Nigeria, while Egbunike, Jesuwunmi, Adewoyin and Ogunmeru (2018) investigated compliance level of listed cement manufacturing firms in Nigeria. Their studies were based on single sectors of the economy leaving a gap about what happens in other sectors and giving no room for comparison among economic sectors. This paper therefore filled the gaps by examining the compliance of selected quoted firms in the Nigerian Stock Exchange with the IAS 16 provisions for PPE in three sectors, namely manufacturing, conglomerates and banks.

Literature Review.

Conceptual review

The four issues raised in paragraph one of IAS 16 are: recognition of the assets, determination of assets carrying amount, depreciation charges and impairment losses. These issues are fundamental concepts underlining PPE and they form the discussion in this section.

Initial recognition:

The initial measurement of PPE as provided for by IAS 16 is at cost. Cost is made of the original price for the purchase and all direct costs that can be attributed to the asset such as the cost of site preparation, initial delivery and handling; installation and professional fees associated with initial installation and handling. Initial costs are all costs attributed to put the assets in a useable position for the first time. Any other costs that cannot be directly traced to the purchase and installation of non-current assets should be charged to profit or loss and comprehensive income account (IAS, Paragraphs 15-20).

Determination of the carrying amount

The standard defines carrying amount as the monetary value at which an asset is recognised less accumulated depreciation and impairment (IAS 16, Paragraph 6c). After initial recognition, a firm may chose cost model or revaluation model as its carry amount. Cost model in initial cost less accumulated depreciation and impairment. Revaluation model is applicable to cases in which the initial recognition of the asset at cost is considered unsuitable in subsequent years by Management due to a loss in value or an appreciation in value of the asset (IAS 16, Paragraphs 29-31). More often than not; revaluation is attributed to an appreciation in value. Therefore, subsequent to the initial recognition at cost, IAS 16 allows a firm an option of further recognition of the asset to be at cost or at revaluation. The revaluation model is a measurement at a revalue amount less subsequent depreciation and impairment. The standard defined the revalue amount as the asset **fair value** at the date of revaluation. Then, **what is fair value**? The International Accounting Standard Committe (IASC) first defined fair value in 1982 , under IAS 16 as "the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction" (Cairns, 2006). The definition of fair value in IAS 16 has been modified for simplicity as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measure date" (Paragraph 6c of IAS 16). The new definition contains some key words that call for a discussion. It mentions trading in assets or liabilities in an orderly transaction which presupposes perfect information free of asymmetric dealings. It also mentions market participants**,** aligning these two concepts with orderly transaction, it can be taken that fair value is associated to markets where buyers and sellers trade in a free situation without any impediment to information and choice of purchase.

Cairns (2006) argues that IAS 16 definitional approach to fair value emphasizes on "quoted prices in active markets", therefore for assets and liabilities that are traded in such markets, fair value is equivalent to market value. Property, plant and equipment (PPE) are not traded in orderly and active markets (such as the Stock Exchange), it means fair value for such assets would have to depend on market information as provided by IASB. Reliable market

information are not easy to come by which makes fair value for PPE to be difficult and unreliable. Paragraph 31 of IAS 16 provides that revaluation of assets as an option of accounting measurement should be used when the fair value of assets can be reliably measured. If follows from the argument above that PPE which are tangible non-current assets may not be reliably measured; and that revaluation is not a good option for their subsequent recognition. Although fair value has some merits such as being current, neutral and consistent; it would be difficult to make it the main method of valuation for assets that lack liquidity (Christensen and Nikolan, 2012).

One of the quoted firms in Nigeria attempted to determine fair value for its property, plant and equipment (PPE) in terms of 'depreciated replacement cost and comparison approaches'. These approaches mean that current costs of replacing or reconstructing a given depreciated asset would be established first and then would be compared with the sale of a similar asset in the same business locality, the figure obtained from this exercise would be the fair value of the asset (John Holt PLC, 2017). However, John Holt did not explain how the fair value figure from this comparison would be arithmetically obtained; whether by taking the higher of depreciated replacement cost or sale price of similar asset; or by relying on the average amount of the two approaches. Another firm measures fair value in terms of quoted prices in active markets for similar assets in addition to observable variation based on market and non-market data. (Transport Corporation of Nigeria, 2016). Although, these firms used professional valuers in applying and computing the fair value technicalities, but as argued by Cairns, there are no orderly and active markets for property, plant and equipments, therefore fair value measurement for PPE poses a challenge for companies.

Depreciation:

Depreciation is defined in IAS 16 (Paragraph 6c) as "the systematic allocation of the depreciable amount of as asset over its estimated useful life" the standard recognizes that a non-current asset will not be used up in one accounting period which is usually a year, therefore the value should be gradually written off over the years of its estimated economic usefulness to the firm. The cost allocation should be systematic, that is, a recognized and a consistent method of depreciation under generally accepted accounting principles (GAAP) should be applied, the commonest method is straight line; other methods are reducing balance and sum of the years' digits. For consistency, once a particular method has been chosen, a company using it should keep to it unless there is an over-riding reason to change to another method (IAS, Paragraph 62). In financial reporting, the method of depreciation chosen has impact on profitability. The straight line method even out income because the same amount of depreciation would be charged on yearly basis. But in reducing balance method, a percentage is applied to the book balance of the asset thereby it lowers profit in earlier years of depreciation more than later years (Ifede, 2011).

Impairment of assets.

When the carrying amount of an asset is higher than its recoverable value, the asset suffers from impairment which results into losses. The provision for impairment in IAS 16 (Paragraph 63, 65 & 66) is limited to definition and compensation for impairment, the standard refers to the general provision in IAS 36 which shall be applied in the determination of impairment. The IAS 36 provides that the recoverable value of an asset should not be lower than its carrying value. In accounting for impairment, the impairment loss should be recognized first by generally reviewing if impairment has happened to an asset or a group of assets. The next is to establish if the impairment is due to internal or external factors. Internal factors include a significant decrease in the market value of as asset that cannot be explained by passage of time; change in business economic, technological or cultural environment. For example, computers might the overtaken by modern technology. While internal environment include physical damage or obsolescence or significantly lower cash flow. The recoverable amount of the asset should be measured; and the difference between the carrying value and the recoverable value should be adjusted and the resulting losses should be charged to profit or loss account. However, if the asset was previously re-valued, the impairment amount should be used to reduce revaluation reserve (Komissaro, Kastantin, and Rick, 2014).

Theoretical Review.

It is pertinent to discuss theories that are relevant to PPE because they provide explanations to actual world phenomena. Two theories related to this work are the agency theory and the shareholder theory.

Agency Theory:

The agency theory explains the conflicts between business owners and managers. The owners or shareholders of a business employ managers to operate the business and see to its day to day affairs, these managers are collectively referred to as Management. The shareholders mandate Management to maximize their wealth, but the latter may have their own objectives that may conflict with the owners' objectives, such as maximizing their own personal emoluments and promotions. Since Management is involved in the day to day activities of the business they know more than the owners which create information asymmetry between the two categories of people. In order to minimize information asymmetry and align conflicting interests, the owners incur costs which include accounting, auditing and board monitoring (Jensen & Meckling, 1976; Ittonen, 2010).

Stakeholder Theory:

In 1970, a renowned economist propounded a shareholder theory that the sole aim of a business is to make profit for the owners (Friedman, 1970). But another theory, known as stakeholder theory, was propounded to counter the shareholders theory fourteen years later. The stakeholder theory states that a lot of people are in a position to gain from the success of a business and also can be adversely affected by the failure of that business. Shareholders are just one out of many stakeholders; others include creditors who want repayments of principals plus interests, and workers who want secured jobs, steady and regular payments of salaries. Also tax officers, who like to make revenue for the government; buyers whose interests are in regular supply of quality goods at reasonable prices, and so on. The interest of all the stakeholders should be well aligned and be satisfied (Freeman, 1984).

Agency theory and stakeholder theory are relevant to PPE because they involve financial accountability which is a report of stewardship by the agents (Management) to all stakeholders. Without accounting for the assets of a business, the stakeholders would be at a loss on how the assets have been utilized, the confidence imposed in the Management would dwindle, interests of the stakeholders would be at jeopardy and achievement of business objectives would become a mirage (Oladimeji, 2012).

The two theories are relevant because managers should apply the provisions of IFRS as agents of their firms while stakeholders are the people that make use of accounting information for various purposes as stated above.

Empirical Review

Studies on compliance with the requirement of IAS 16 are few, most studies dealt with general compliance with IASs/IFRS. Al-Shammari (2005) in his PhD thesis examined the compliance of Gulf Co-Operation Council (GCC) member states with IASs and explored the relationship of the firms' characteristics with compliance. The member states of GCC were Bahrain, Oman, Kuwait, Qatar, Saudi Arabia and United Arab Emirates. The period of study was 1996 and 2002; the sample was one hundred and thirty-seven listed companies in these countries. He obtained primary data through telephone interviews conducted with personnel responsible for monitoring and enforcements in the GCC member states. In addition, he sought secondary data through laws and regulations concerning accounting disclosure in these nations and obtained the annual reports of the companies for the period of study. For analysis, Al-Shammari (2005) used compliance index to measure the degree of compliance and he used multivariate regression to find out the relationship between company attributes and IASs compliance. He found that the average level of compliance was 75%; there was no significant difference in compliance among the states and that no company complied fully with all the standards. Also, compliance varied with the size, leverage and internationality of the companies.

Mutawaa and Hewaidy (2010) investigated the level of compliance of Kuwaiti quoted firms with IFRS disclosure requirements. The population was one hundred and twenty-one companies listed on Kuwaiti Stock Exchange as at 2006, after excluding banks; insurance,

foreign and religious based companies. They collected data by a stratified random sampling from the annual reports of forty-eight companies operating in investment, real estate, service and manufacturing industries. They used un-weighted disclosure index to analyse the data. They found that only six of the sampled companies had a compliance level that was above 80%; the average compliance was 69%. They found that firm did not comply fully with all the standard that were examined. They concluded that compliance with IFRS standards by listed firms in Kuwaiti was only at the intermediate level.

Three groups of researchers in Nigeria inquired into disclosure compliance of listed firms with IAS 16 and IFRS 1; their studies are reviewed below. Siyanbola, Musa and Wula (2014) examined the compliance of listed agricultural firms with IAS 16 and SAS. The population was five agricultural firms quoted on the Nigerian Stock Exchange, three of the companies were sampled for the period 2002 to 2011. They used secondary data obtained from annual financial reports of the companies; they extracted eleven disclosure requirements from SAS and twenty-one from IAS and analyse their data using compliance index. Siyanbola et al found that the highest score of the sampled firms was 34.92% and the average score was 34.76% which showed weak compliance . They therefore concluded that Nigerian companies did not achieve disclosure requirements of SAS & IAS.

Saidu and Dauda (2014) assess the degree of compliance of Nigerian banks with International Financial Reporting Standard 1 (FRSC 1). This standard prescribe treatment for financial statements which include statement of financial position, statement of profit or loss & comprehensive income and statement of cash flows. The population of the study were the twenty-four deposit money banks in Nigeria as at 2014, while a sample of ten of the banks was taken. Primary data was obtained through questionnaire and secondary data were extracted from the audited and published financial statements of the banks for 2012 only. The method of analysis was compliance index. Saidu and Dauda found that the degree of compliance was an average of 74% which they classified as semi-strong and therefore concluded that Nigeria bank complied with IFRS 1 in their financial statements.

Another study by Egbunike, Jesuwunmi, Adewoyin and Ogunmeru (2018) determined the level of compliance of cement manufacturing firms in Nigeria with IAS 16. The population was the four listed cement companies in Nigeria; the researchers took a census of the four. They obtained data from the audited annual financial statements of the firms for 2010-2014 and analysed the data using compliance index. They found that three of the companies sampled; namely, Dangote Cement PLC, Lafarge Wapco Cement PLC and Ashaka Cement PLC scored above 70% in compliance with IAS 16. The researchers graded this as extremely complied. But the forth firm, Company Cement of Northern Nigeria PLC scored 25.7% which meant non-compliance with IAS 16. Overall, the average compliance was 67.6%, which was graded as fair compliance. Egbunike el al (2018) concluded that Nigerian quoted companies complied fairly with the requirements of IAS 16.

Gaps in the studies.

Al-Shammari (2005) interviewed only the officials monitoring compliance with IASs in GCC member states. Such an interview seemed one sided, the companies that were expected to comply with IAS ought to have been equally interviewed to obtained unbiased data. Mutawaa & Hewaidy used only 2006 annual reports of Kuwait listed companies. The period was too short for comparative analysis. In Nigeria, Siyanbola et al (2014) picked only on agricultural firms for their study on compliance with IAS 16; leaving out other firms quoted on the Stock Exchange. Also, Sauda & Dauda (2014) assessed the compliance of only deposit money banks with FRSC 1; while Egbunike et al (2018) examined only cement manufacturing firms about compliance with IAS 16. The findings of these groups of researchers could not be generalized on listed firms in other industries because their work concentrated on only one sector; leaving a gap for further studies. Moreover, using only one sector did not give room for comparative analysis among different sectors, which is another gap in previous works. This study intended to fill the gaps identified in the studies in Nigeria, namely; taking samples for more than one sector and making a comparative analysis across sectors.

Methods

The population of the study was all the seventy firms listed on the Nigerian Stock Exchange (NSE) as contained in its FactBook (2012) in three sectors, namely; manufacturing, conglomerates and deposit money banks. Ten of the firms, constituting 14.3% of the population, were randomly sampled and secondary data on their audited annual financial reports were obtained from their websites; doing so allowed the researchers to read the comprehensive notes attached to their published financial statements and to observe whether or not the companies complied with the provisions IAS 16. Table 1 contains the names of the companies and the sector in which each of them operated. The data obtained were for three years, 2015 to 2017.

Table 1: Listed companies sampled in the study

Companies.	Sectors.
1. Cadbury Nigeria PLC	Manufacturing
2. Dangote Cement PLC	Manufacturing
3. Guiness Nigeria PLC	Manufacturing
4. Curtix PLC	Manufacturing
5. Vitafoam Nigeria PLC	Manufacturing
6. Transnational Corporation PLC	Conglomerate
7. John Holt PLC	Conglomerate
8. UAC of Nigeria PLC	Conglomerate
9. United Bank for Africa PLC (UBA)	Banking
10. Wema Bank PLC	Banking

From the provision of IAS 16, we developed a checklist in Table 2 of fifteen disclosure items in line with previous studies (Al-Shammari, 2005; Siyanbola et al, 2014 and Egbunike et al, 2018). Any of the requirements that was satisfied by each of the ten firms earned five marks. But if any of the firms failed to abide by a provision, it scored zero (See Table 4). In doing so it meant that the checklist was un-weighted, if it was weighted, it might lead to some level of subjectivity in disclosure index (Mutawaa and Hewaidy, 2010).

Table 2: Check List disclosure for property, plant and equipment.

Variables	Required Disclosures.	Paragraph(P) in IAS 16
R1	Assets should be measured at cost on recognition	P15
R2	An entity should choose either cost model or revaluation model as its accounting policy after recognition	P29
R3	Depreciation charge shall be recognized in profit or loss	P48
R4	Depreciation shall be allocated over useful life	P50
R5	Depreciation method should be consistent	P62
R6	Residual value, the useful life and depreciation shall be reviewed yearly	P51
R7	For determination of impairment, an entity shall apply IAS 16	P63
R8	Carry amount shall be derecognized on disposal or when no future economic benefits are expected	P67
R9	Gain or loss from derecognized assets shall be included in P or L	P71
R10	Measuring basis for determining the gross carrying amount shall be made known	P73(a)
R11	Depreciation method shall be disclosed	P73(b)

R12	Gains from derecognized of PPE shall not be classified as revenue	P68
R13	Gross carrying amount and accumulated depreciation and impairment shall be disclosed	P73(d)
R14	Reconciliation of the carrying amount at the beginning and at the end of period	P73(e)
R15	Impairment losses shall be recognized in P or L	P73(e)v

Source: Extracted from the provisions of IAS 16 by the researchers.

The compliance index model used in the study was as follows:

$$CCI = CC/RC$$

Where CCI = Company Compliance Index (dependent variable)

CC = Company total actual Compliance (independent variable)

RC = Required total IAS Compliance (independent variable)

Source: (Mutawaa and Hewaidy, 2010 (with modifications))

The Company Compliance Index (CCI) was, therefore, the ratio of each company total actual compliance, CC to total required IAS disclosure, that is, RC.

To assess the CCI we used Table 3, adapted from Barde (2009) and Siyanbola et al (2014) with modifications.

Table 3: Grading of Companies Compliance Index (CCI)

S/N	CCI	Grade	Remarks
1	70% - 100%	A	Strongly complied
2	50% - 69%	B	Fairly complied
3	40% - 49%	C	Weakly complied
4	20% - 39%	D	Very weakly complied
5	0% - 19%	E	Failed to comply

Each company was individually graded, followed by average grading in each sector. The average grading for each sector was compared to other sectors for analysis in their compliance with IAS 16.

Analysis and Interpretations of Data

Data analysis was done on Table 4; it showed that in the manufacturing sector compliance with IAS requirements was 93% for Dangote Cement PLC. The other four companies in the sector scored 80% each. On the average quoted manufacturing firms had 82% compliance. Under conglomerate sector, UAC scored 93% while the other two companies scored 80% each; this resulted in an average score of 84%. The third sector was banking, represented by UBA and Wema Bank in the sample. Each of the banks had 80% compliance, obviously their average score was also 80%. Applying their performance to the grading on Table 3, all the sampled firms scored A (strongly complied). The conglomerate 84% average compliance performed better than manufacturing at 82%; while manufacturing sector did better than banks with 80% compliance.

Table 4
Quoted companies compliance index with IAS 16.

	Cadbury	Dangote	Guinness	Trans-national	John Holt	UAC	Curtix	Vitafoam	UBA	Wema	Total
R1	5	5	5	5	5	5	5	5	5	5	50
R2	5	5	5	5	5	5	5	5	5	5	50
R3	5	5	5	5	5	5	5	5	5	5	50
R4	5	5	5	5	5	5	5	5	5	5	50
R5	5	5	5	5	5	5	5	5	5	5	50
R6	0	0	0	0	0	0	0	0	0	0	0
R7	0	5	0	0	0	5	0	0	0	0	10
R8	5	5	5	5	5	5	5	5	5	5	50
R9	5	5	5	5	5	5	5	5	5	5	50
R10	5	5	5	5	5	5	5	5	5	5	50
R11	5	5	5	5	5	5	5	5	5	5	50
R12	5	5	5	5	5	5	5	5	5	5	50
R13	5	5	5	5	5	5	5	5	5	5	50
R14	5	5	5	5	5	5	5	5	5	5	50
R15	0	5	0	0	0	5	0	0	0	0	10
CC	60	70	60	60	60	70	60	60	60	60	620
RC	75	75	75	75	75	75	75	75	75	75	75
CCI	80%	93%	80%	80%	80%	93%	80%	80%	80%	80%	83%

Where:

R1 – R15 = Required compliance in Table 2 (5 marks for each compliance, 0 for non-compliance)

CC = Company total IAS actual compliance

RC = Required IAS total compliance

CCI = Company compliance index; the ratio of CC to RC in percentages

Source: Prepared by the researchers from the audited annual financial statements of the companies and the attached notes for 2015, 2016 and 2017.

Findings, conclusion and recommendations.

This study found that quoted firms in Nigeria complied with the requirements of IAS 16 and made disclosures in their audited and published financial statements. All the sampled firms scored above 80% each, their performance was graded as A and regarded as strongly complied with the provisions of IAS 16 concerning property, plant and equipment (PPE). The findings conformed with the work of Egbunike et al (2018) which found that Nigerian cement manufacturing firms scored an average of 67.6% compliance with IAS 16 requirements. But our study showed higher level of compliance. However, our findings was contrary to that of Siyanbola et al (2014) who found that listed agricultural firms had an average compliance of 34.76% with IAS 16 (very weak compliance). The lack of agreement in their findings an our own could be attributable to the fact that they used compliance requirements of both SAS and IAS in their data and the period of their study was 2002 and 2011when IAS was not fully operational in Nigeria.

Despite the high performance about compliance with IAS 16 in our study, the sampled companies had deficiency in two areas which prevented them from scoring 100%. Firstly, none of them complied with R6 requirements which provided that the residual value, the useful life and the depreciation of PPE should be reviewed on yearly basis Secondly, only Dangote Cement PLC and UAC complied with R7 (determination of impairment provision) and R15 (recognition of impairment in P or L).

Nigeria quoted firms complied largely with IAS 16 provisions in the preparation of their accounts and the disclosure contained in their published financial statements. But there was room for improvement in their treatment of depreciation and impairment of PPE.

We recommend that quoted firms should always comply with the provisions under IAS Paragraphs 51, 63 and 73e (v) coded as R6, R7 and R15 in this study (Table 2). They should review residual value, useful life and depreciation of PPE yearly as required by Paragraph 51 in

order not to over-value their assets. They should apply IAS 36 to determine impairment (Paragraph 63) and periodically write off losses arising from impairment (Paragraph 73e (v)) to avoid exaggerating net profits. Further studies might include more sectors for sampling; also investigations might be carried out on non-listed companies in Nigeria.

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