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The Adoption of IFRS and Earnings Quality of Financial Statements of Nigerian Breweries Plc: Generalised Linear Model Approach

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ABSTRACT: The adoption of IFRS is expected to improve the earnings quality of firms that adopt them. It is against this background that this study investigated how the adoption of IFRS has affected earnings quality of Nigerian Breweries Plc. The company was selected because of its importance to the Nigerian economy. The 18 -year research period (2003 – 2020) was divided equally between (2003 – 2011) Pre- IFRS period (9 years) and (2012 – 2020) Post – IFRS period (9 years). Data on share price and Earnings per Share used to calculate earnings yield and change in earnings yield used to proxy earnings quality were sourced from the published financial statements of the company. Findings from Generalized Linear Model revealed no improvement in the earnings quality of the company after the adoption. Findings further showed that the company faced a lot of macro and micro economic challenges that affected its operating performances during the research period. The study therefore recommends to government to address those ident fied challenges because of the importance of the industry to the Nigerian economy.

KEYWORD: IFRS, Nigerian Brewery, Earning per Share, Earnings Quality, Share Price

I. INTRODUCTION

The adoption of International Financial Accounting Standards (IFRS) is expected to improve the quality of financial statements. Other benefits of the adoption of the standards, as claimed by its proponents, include encouragement of foreign direct investments. The adoption will act as a catalyst to credibility and reliability as well as easy comparability of financial reports across the globe for informed decision making (Sanni & Adereti, 2018; Paul, Peter & Dan, 2012; FASB, 2010; IASB, 2010; SEC, 2008). The proponents claimed further that the standards, on adoption, will lead to improvement in the earnings quality of those firms that adopt them. Majority of developed countries for these reasons eagerly adopted the standards as a means of unifying accounting practices across the globe (PWC, 2011), the exception being the United States that held to its Generally Accepted Accounting Principles (GAAPs).

The need for the adoption of the standards by developing countries has always been controversial as the economies of these countries are weak and subjected to volatile political and economic environments which are not favourable for the adoption. This is in sharp contrast to developed nations. The claim that the adoption of the standards will lead to improvement in the quality of financial reports is also controversial.

A Critical review of related literature on the effect of the adoption of IFRS on the quality of financial statements across the globe reveals lack of agreement among researchers (Abudullahi & Abubakar, 2020). Inconsistencies and contradictions in findings exist among scholars from the same country, continent and occasionally among scholars who used the same methodologies. The implementation of IFRS was seen in some quarters as an imposition on the third world countries by the developed countries as both economies do not develop the same way and cannot be compared together. These short-comings notwithstanding, Nigeria, in 2012, discarded its age long local Statements of Accounting Standards (SAS), issued by The Nigerian Accounting Standards Board (NASB) and formally adopted IFRS though in phases (Sanni, 2017).

In spite of the fact that very little research work has been done on whether the adoption of IFRS has actually led to improvement in the quality of accounting reports in emerging economies, most especially in West Africa, much has been done in Germany (Bartov, Goldberg & Kin, 2005; Hung & Subramanyam, 2004) and in China (Eccher & Healy 2003, in Umobong& Akani, 2015). Findings from both countries however, provide mixed results. Similarly, majority of the studies on how IFRS impact the quality of financial reports were conducted mainly in Europe (Callao, Jarne &Laínez, 2007; Gjerde, Knivsflå&Sættem, 2008; Jermakowicz, 2004; Paananen & Lin, 2009; Umobong& Akani, 2015; Van Tendeloo&Vanstraelen, 2005).

In Nigeria, most of the research works on the adoption of IFRS and the quality of financial reports focused mainly on other areas of the Nigerian economy and other issues, neglecting the brewery industry. Most of them used many variables to proxy quality of financial reports but excluded earnings quality such as (Abudullahi & Abubakar, 2020); (Al-Khafaji, 2018); (Danrimi, 2013); (Eleng & Bassey, 2018); (Iyoha & Jimoh, 2011); (Kenneth, 2012); (Lamidi, 2019); (Nwanbani & Okoro, 2019); (Ogunmakin, Fajuyagbe, & Akinleye, 2021); (Okpala, 2012); (Onafalujo, Eke & Akinlabi, 2011); (Oyedele, 2011); (Sanni & Adereti, 2018); (Umobong & Akani, 2015). Also, none of the previous works in Nigeria used Generalized Linear Model (GLM). This model is used when the variables in use are continuous in nature.This is considered most appropriate for this work as all the variables/data used are continuous.

Nigerian Breweries Plc, with a total market capitalization of almost ₦483.8 billion in May, 2020 is one of the top most capitalized listed companies in Nigeria. The company in terms of asset size (₦382.5 billion) and market control of almost 60%, tops the brewery industry (Augusto, 2020), the industry that provides employment directly for at least 50, 000 persons and indirectly to over 500, 000 persons including firms that provide related services (Wole, 2009 as cited in Sanni & Adereti, 2018) and contributes nearly 28% of Manufactured Added Value (MAV). The company is 55.95% owned by Heineken Group of Netherlands, which will, together, with other local investors, naturally be interested in the quality of the financial statements of the company.The brewery industry, as observed by Scherer (2000), has since World War II, been a major focus of interest on matters relating to industrial organisation economics. It is therefore, becomes imperative to focus on how the adoption of IFRS has affected the quality of the financial statements of this company, using GLM approach because of the importance of the company to the Nigerian economy.

II. LITERATURE REVIEW

1. Concept of Earnings Quality

Earnings quality is the reported earnings of the firm after the exclusion of extraordinary items. It is considered good if it can serve as a good pointer of future earnings. Earning quality is seen as being irrelevant if it is not connected to specific decisions as stakeholders need earnings numbers for economic decisions. Earnings quality is of high quality if it accurately reflects all the intrinsic attributes of the firm and also considers the current operating performances of the firm. It is used in valuation of firms. Earnings quality has been measured differently from empirical studies as it can be accounting based or market based. Accounting based measures consist of properties like accounting conservatism, predictability of accruals, persistency and earnings management income smoothing. The market - based measures indicate how investors react to earnings announcements. These include value relevance and coefficients of earnings response. This work has adopted the definition of earnings quality as put forward by Cohen (2003) and Sanni and Adereti (2018) as the degree to which underlying financial situations of an entity is portrayed adequately by accounting figures and also the extent to which the portrayed financial health leads to operating cash flows in the future.

2. Empirical Framework

Gyimah (2021) investigated the correlation that exists between earnings quality and the adoption of IFRS in Ghanaian listed non – financial firms, using secondary data from 2005 – 2006 pre-IFRS adoption period and 2007 – 2008 post – IFRS adoption period. Logistic regression analysis was used by the study. The study reported that earnings were properly manipulated towards positive targets more often before the adoption of IFRS than after the adoption. Large losses were recognized quite more often after the adoption period in comparison with the pre-adoption period. The study concluded that manipulations of earnings were prevented with the adoption of IFRS. The adoption limits accounting choices and possible flexibilities as it makes provisions for clearly defined procedures that guaranty transparency from high quality accounting information.

Yaboah and Yeboah (2015) examined whether there is an improvement in earnings quality occasioned by reduced earnings management following the adoption of IFRS, using firms listed in South Africa. The study found evidence of reduced earnings management after the adoption. In another study, Ames (2013) on his part examined listed South African firms and established that earnings quality did not improve significantly after the adoption of IFRS.

Hessayri and Saihi (2015) worked on listed firms in Philippines, South Africa, Morocco and United Arabs Emirates to examine whether ownership structure complements the adoption of IFRS in order to prevent managers from management of earnings with opportunistic behaviour. The study could not establish that earnings management reduced after the adoption of IFRS.

Rao and Warsame (2014) worked on African capital markets and examined the effect of IFRS on unlisted, cross – listed and listed firms in the markets. The researchers investigated whether discretionary earnings management reduces, value relevance and stock returns increase with the adoption of IFRS. The study found that informativeness of earnings per share improved after the adoption and concluded that earnings quality increased with the adoption of IFRS.

Onalo, Lizam and Kaseri (2014) investigated how the adoption of IFRS affect earnings management of listed Nigerian and Malaysian banks from 2009 to 2012 using modified Jones (1991) model. It was affirmed that earnings quality improved in both countries after the adoption.

Mutiso and Kamau (2013) interestingly observed that interference by management in Kenya, revision of accounting standards frequently and the absence of guidance on how to interpret financial reports make financial reporting to be more complex. These affect earnings quality in Kenya.

Outa (2011) used listed Kenyan firms to examine the association between the adoption of IFRS and improvement in accounting quality. The study did not find any evidence of improvement in earnings quality after the adoption and blamed weak compliance for the decline observed in earnings quality.

Zureigat (2010 in Gyimah, 2021) sampled 198 Jordanian listed companies in a research conducted on how financial structure affect earnings quality, using logistic regression analysis. Findings showed a direct and significant relationship between IFRS influenced financial structure and earnings quality.

Ladychampions (2020) used ex-post-facto and correlational research design to examine how the adoption of IFRS affected the earnings quality of Nigerian listed conglomerate firms. The research covered 2006 – 2011 pre-IFRS and 2012 – 2015 post – IFRS periods using regression analysis, the findings were mixed. An increase in the persistency of earnings leads to an increase in earnings quality. Earnings quality decreases with increase in earnings management and decreases in predictability of cash flow. These indicate that the adoption of IFRS marginally decreases two of the three metrics and improves the third one, making the study to conclude that the earnings quality remains the same after the adoption.

In the work of Sanni and Adereti (2018), studied on how the adoption of IFRS affects the earnings quality of Zenith Bank Nigeria Plc. Post – IFRS earnings yield and change in Post – IFRS earnings yield were used to proxy earnings quality in line with existing works. The study period of ten years was divided equally between 2007 – 2011 pre – adoption and 2012 -2016 post – adoption periods. Fractional regression analysis was conducted on data sourced from Nigerian Stock Exchange and audited financial statements of the bank. Ther study revealed a statistically significant improvement in earnings quality after the adoption.

Uwuigbe, Uyoyoghene, Jafaru, Uwuigbe, and Jimoh (2017) study researched on the impact of the adoption of IFRS on predictability of earnings, using eleven listed Nigerian banks from 2010 – 2011 pre-IFRS adoption period and 2013 – 2014 post-IFRS adoption period. The study adopted data from the published financial statements of the sampled banks which were subjected to regression analysis and it was found that ability to predict future earnings from current earnings decreased after the adoption of the standards, indicating a negative impact on predictability of earnings.

Hassan (2015) worked on how the earning quality of sampled fourteen Nigerian listed deposit money banks was affected by the adoption of IFRS. The balanced data sourced from published financial reports of the banks were analysed by correlational research design using multiple regression analysis. Findings revealed that earning quality was significantly influenced by firm attributes like bank growth, leverage, liquidity, bank size and profitability after the adoption in contrast to the pre-IFRS adoption period. Tanko (2012) worked on how the adoption of IFRS affects the performance of some listed Nigerian banks. The study established a reduction in earnings variability in the post-IFRS adoption period.

Findings from these literatures reviewed showed an increase in investigations into the effect of the adoption of IFRS on the earnings quality of financial statements world -wide with conflicting results. There is therefore, the need to investigate further most especially on the brewery industry in Nigeria due to its importance to the Nigerian economy.

III. METHODOLOGY

The entire eight (8) listed companies in the Brewery industry constituted the population of this study from which only one – The Nigerian Breweries - was selected representing just 12.5% of the population. The Nigerian Breweries was selected because it ranks as one of the most capitalized companies in Nigeria, tops the industry and controls almost 60% of the market share in brewery industry (Augusto, 2020). The company thus, truly represents the entire industry. The data used by this study were sourced from Nigerian Stock Exchange and published financial statements of the company.

The variables used for this study followed the pattern of association studies of Ball and Brown (1968) which determined the strength of association between market returns (firm valuation) and earnings (accounting information). The model used here was in tandem with the works of Barth and Landsman (1998); Burgstahler and Dichev (1997); Hayfa, Nadia and Serra (2013); Sanni (2016); Sanni & Adereti (2018); Zhang (2000) which emphasized that profits and the value of a business complement each other and are the two variables used to explain the value of shares.

The relationship between them is expressed in this form:

Pre- IFRS Regression:

$$RET = \alpha o + \alpha 1EPSitpre/Pi,t\text{-}1 + \alpha 2\Delta EPSitpre/Pi,t\text{-}1 + \alpha 3Size + \mu it\text{……………}(1)$$

Post – IFRS Regression:

$$POSTRET = \alpha o + \alpha 1EPSitpost/Pi,t\text{-}1 + \alpha 2\Delta EPSitpost/Pi,t\text{-}1 + \alpha 3Size + \mu it\text{……}(2)$$

The two models arose from additional value relevance tests based on a model developed by Bartov, Goldberg and Kim (2005).

$$POSTRET = \alpha o + \alpha 1Post + \alpha 2EPSit/Pi,\ t\text{-}1 + \alpha 3\Delta EPS/Pi,\ t\text{-}1 + \alpha 4Sizeit + \alpha 5Post{*}EPSit/Pi,\ t\text{-}1 + \alpha 6\Delta Post{*}EPSit/Pi,t\text{-}1 + \mu it\text{…………………………………......}(3)$$

Where:

Pit = Stock price of the firm (i) at the end of the year (i)

EPSit = Earnings per Share of the firm (i) produced during the year (i)

Size = Firm size (proxy by log of total assets)

RET = Pre-IFRS returns: Market returns of the firm (i) during year (i)

Post = A dummy variable that equals 1 for post – IFRS reports and zero if otherwise

POSTRET = Post – IFRS returns

So:

RET = EPSit/Pi, t-1 + EPSit/Pi, t-1

EPSit/Pi, t-1= Pre-IFRS Earnings Yield (PREYEILD)

ΔEPSit/Pi, t-1= Change in Pre – IFRS Earning Yield (CPREEY)

Post*EPSit/Pi, t-1 = Post – IFRS Earnings Yield (POSTEY)

ΔPost*EPSit/Pi, t-1 = Change in Post – IFRS Earnings Yield (CPOSTEY)

The models can now be summarized in the following form:

Pre- IFRS Regression:

$$RET = \alpha o + \alpha 1PREEY + \alpha 2CPEEY + \alpha 3Size + \mu it\text{……………………………}\ (4)$$

Post – IFRS Regression:

$$POSTRET = \alpha o + \alpha 1Post + \alpha 2PREEY + \alpha 3CPREEY + \alpha 4SIZE + \alpha 5POSTEY + \alpha 6CPOSTEY + \mu it\ \text{…………………..}\ (5)$$

Coefficients α5 and α6in equation 3 stand for the difference in the effect of transacting to IFRS from local Nigerian GAAP. The coefficients must be positive and significant if there is greater value relevance in reported earnings after the adoption of IFRS. The entire research period of 18 years was divided equally into nine years each between the pre – IFRS period (2003 – 2011) and 2012 – 2020 post – IFRS period. This is in line with the works of Adereti and Sanni (2016); Olfa, Emma and Salem (2013); Sanni (2015); Sanni and Elumilade (2016); Wen, Michelle and Judy (2012).

IV. RESULTS AND DISCUSSION

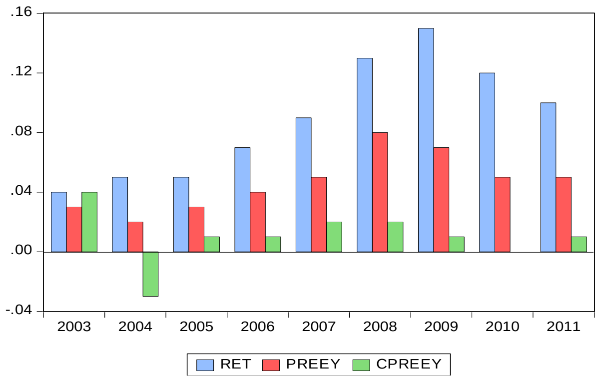
Table 1: Descriptive Statistics on Pre -IFRS Adoption Period

	RET	PREEY	CPREEY	SIZE
Mean	0.088889	0.046667	0.010000	0.876667
Median	0.090000	0.050000	0.010000	0.880000
Maximum	0.150000	0.080000	0.040000	0.900000
Minimum	0.040000	0.020000	-0.030000	0.810000
Std. Dev.	0.039193	0.019365	0.018708	0.025981
Skewness	0.193737	0.389492	-0.728931	-2.106763
Kurtosis	1.678817	2.193333	3.903061	6.207819
Jarque-Bera	0.710872	0.471572	1.102832	10.51646
Probability	0.700868	0.789950	0.576134	0.005205
Sum	0.800000	0.420000	0.090000	7.890000
Sum Sq. Dev.	0.012289	0.003000	0.002800	0.005400
Observations	9	9	9	9

Source: *Output of Analysed Data by the Authors (2021)*

Returns (RET) has a Pre – IFRS mean of 0.088 and median of 0.09 (Table 1). Those of Pre- IFRS Earning Yield (PREEY) are 0.04 and 0.05 respectively. Change in Pre-IFRS Earning Yield (CPREEY) has a mean and median of 0.01, while those of Firm Size (SIZE) are 0.87 and 0.88 respectively. The probability of Jarque – Bera of three of the variable: RET (0.70); PREEY (0.79) and CPREEY (0.58) are not statistically significant at 0.05 meaning that the assumption of normal distribution has not been violated. The probability of Jarque – Bera of SIZE (0.00) is however statistically significant, indicating that the data is not normally distributed. Though one of the advantages of GLM is that it can accommodate data that are not normally distributed, the variable was removed from the model because of it was too large in relation to other variables and it was not one of the most important variables. This is in line with Sanni and Adereti (2018).

Figure1: Graphical Presentation of Pre-IFRS



Source: *Output of Analysed Data by the Authors (2021)*

Pre-IFRS Return (RET) rose steadily from 0.04 in 2003, got to its peak (0.15) in 2009 and nose dived to 0.10 in 2011. Pre-IFRS Earning Yield (PREEY) was 0.03 in 2003, got to its peak of 0.08 in 2008 and dropped to 0.05 in 2011. Change in Pre-IFRS Earning Yield (CPREEY) was at its highest (0.04) in 2003 and at its worst (-0.03) a year later.

From the table 2 below, the coefficient of Pre-IFRS Earning Yield (PREEY) is positive and statistically significant at 0.05 while that of Change in Pre-IFRS Earning Yield (CPREEY) is negative and also statistically significant.

Table 2: GLM Analysis of Pre-IFRS Adoption Period

Dependent Variable: RET				
Method: Generalized Linear Model (Newton-Raphson / Marquardt steps)				
Date: 08/08/21 Time: 18:54				
Sample: 2003 2011				
Included observations: 9				
Family: Normal				
Link: Identity				
Dispersion computed using Pearson Chi-Square				
Convergence achieved after 0 iterations				
Coefficient covariance computed using observed Hessian				
Variable	Coefficient	Std. Error	z-Statistic	Prob.
PREEY	2.029864	0.260715	7.785765	0.0000
CPREEY	-0.581028	0.269865	-2.153028	0.0313
C	-2.78E-05	0.012466	-0.002231	0.9982

Source: *Output of Analysed Data by the Authors (2021)*

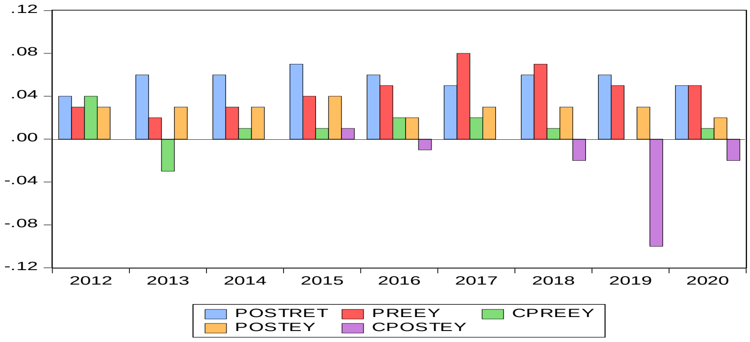
Table 3: Descriptive Statistics on Pre -IFRS Adoption Period

	POSTRET	PREEY	CPREEY	POSTEY	CPOSTEY
Mean	0.056667	0.046667	0.010000	0.028889	-0.015556
Median	0.060000	0.050000	0.010000	0.030000	0.000000
Maximum	0.070000	0.080000	0.040000	0.040000	0.010000
Minimum	0.040000	0.020000	-0.030000	0.020000	-0.100000
Std. Dev.	0.008660	0.019365	0.018708	0.006009	0.033208
Skewness	-0.544331	0.389492	-0.728931	-0.015086	-2.065137
Kurtosis	2.833333	2.193333	3.903061	2.991124	5.956516
Jarque-Bera	0.454861	0.471572	1.102832	0.000371	9.675055
Probability	0.796578	0.789950	0.576134	0.999815	0.007927
Sum	0.510000	0.420000	0.090000	0.260000	-0.140000
Sum Sq. Dev.	0.000600	0.003000	0.002800	0.000289	0.008822
Observations	9	9	9	9	9

Source: *Output of Analysed Data by the Authors (2021)*

From table 3 above, the probability values of all the variables (with the exception of CPOSTEY – Change in Post-IFRS Earning Yield) are not statistically significant, showing that they are normally distributed. The study took the advantage of the ability of GLM to combine both normally and non-normally distributed data to retain the non-normally distributed variable. The variable was very importantfor the study as it was one of the yardsticks to measure earnings quality.

Figure 2: Graphical Presentation of Post – IFRS Adoption Period



Source: *Output of Analysed Data by the Authors (2021)*

Figure 2 shows that apart from Change in Post – IFRS Earnings Yield (CPOSTEY) all the other variables had positive values throughout the period.

Table 4: GLM Analysis of Post-IFRS Adoption Period

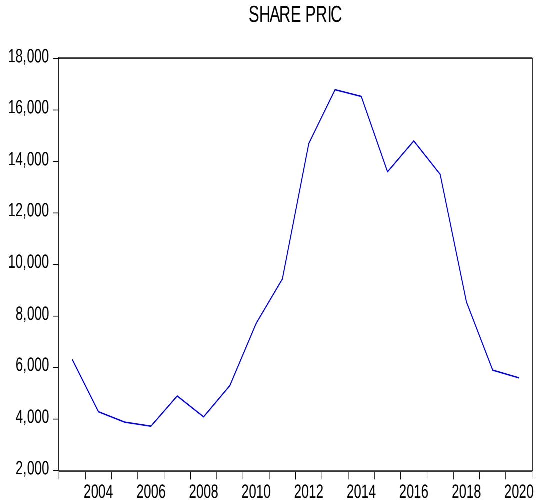
Dependent Variable: POSTRET				
Method: Generalized Linear Model (Newton-Raphson / Marquardt steps)				
Date: 08/08/21 Time: 19:07				
Sample: 2012 2020				
Included observations: 9				
Family: Normal				
Link: Identity				
Dispersion computed using Pearson Chi-Square				
Convergence achieved after 0 iterations				
Coefficient covariance computed using observed Hessian				
Variable	**Coefficient**	**Std. Error**	**z-Statistic**	**Prob.**
PREEY	0.065341	0.184785	0.353605	0.7236
CPREEY	-0.252298	0.191657	-1.316405	0.1880
POSTEY	0.520089	0.558648	0.930977	0.3519
CPOSTEY	-0.000405	0.105123	-0.003848	0.9969
C	0.041109	0.019209	2.140104	0.0323

Source: *Output of Analysed Data by the Authors (2021)*

Following the work of Hayfa *et al.* (2013) the coefficients of POSTEY (Post – IFRS Earnings Yield) and CPOSTEY (Change in Post- IFRS Earnings Yield) must be positive and significant if there is greater value relevance in reported earnings after the adoption of IFRS. The coefficient of POSTEY is positive (0.520089) and not statistically significant (p = 0.3519) (Table 3). The coefficient of CPOSTEY is negative (-0.000405) and also not statistically significant (p = 0.9969) indicating that the adoption of IFRS has not led to any significant improvement in the earnings quality of Nigerian Breweries Plc.

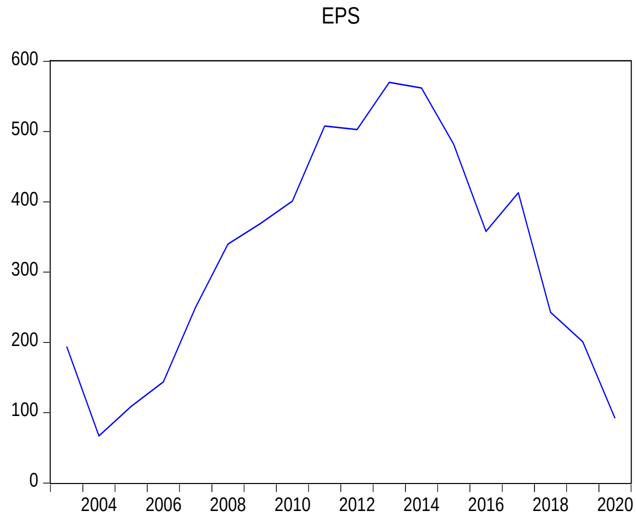
V. DISCUSSION OF FINDINGS

Figure 3. Graphical Presentation of Share Prices



Source: *Output of Analysed Data by the Authors (2021)*

Figure 4: Graphical Presentation of EPS



Source: *Output of Analysed Data by the Authors (2021)*

Findings from this study revealed that the adoption of IFRS has not improved the earnings quality of Nigerian Breweries Nigeria Plc. This is consistent with the works of Ames (2013); Callao & Jarne (2010); Camaran & Campa (2012); Capkun, Cavezan – Jay, Jeanjean, & Weiss (2008); Hessayri&Saihi (2015); Outa (2011); Paananen (2008); Syarifuddin and Davrvis- Said (2015) that reported no improvement in the quality of financial statements after the adoption of IFRS.

The findings however contradicted Gyimah (2021); Jimoh (2017); Mutiso and Kamau (2013); Onalo, Lizam &Kaseri (2014); Rao and Warsame (2014); Sanni and Adereti (2018); Uwuigbe, Uyoyoghene , Jafaru, Uwuigbe; Yaboah and Yeboah (2015); Zureigat (2010 in Gyimah, 2021) that established a significant positive relationship between the adoption and quality of financial statements.

Two variables – Post- IFRS Earning Yield (POESEY) and Change in Post – IFRS Earning Yield (CPOSTEY) were used by this study to measure earnings quality. The calculations of the two variables were based primarily on share prices. Sanni and Adereti (2018) posited that share prices are affected by a number of factors which have nothing to do with the adoption of IFRS. Those factors identified by Malaolu, Ogbuabor, and Orji (2013) are market forces, inflation, interest rates, firm's specific characteristics and monetary policies among many other factors. Fluctuations in share prices occur when there are many shares in the market with few buyers and are caused by both micro and macro-economic factors. Nigerian Breweries Plc was not an exception as the price of its shares was not stable throughout the research period as shown in Figure 3. The share price was N63.20 in 2003, got to its peak (N167. 90) in 2013 (a year after the adoption) and nosedived to N56.00 in 2020.

Earnings per Share (EPS) are a measure of the financial performance of any business. It is also affected by micro and macro-economic factors and that may not bear with the adoption of IFRS. EPS was used in the calculations of the two variables used to proxy earnings yield by this study and fluctuated throughout the research period as shown in Figure 4. Brewery industry has been facing some challenges peculiar to its operating environment in the last couple of year (Thisdaylive, 2016). These include depressed economy that put undue pressure on consumers, insecurity, fluctuations on foreign exchange, poor infrastructure that affect distribution network. Added to these are the high production costs. The total revenue of the company increased by 21.9% in 2012 (IFRS Adoption year) while Profit After Tax reduced by 1.02%. Debt funding increased astronomically to N7.714 in 2015 from N1.604 billion in 2011. All these affect EPS and Share prices, the two variables used to calculate the proxies used to measure earnings quality.

Nigerian Breweries Plc is 55.95% owned by Heineken Group of Netherlands, which must have ensured quality financial statements prior to the adoption of IFRS. Hence the finding of this report that established non improvement in earnings quality of the financial statements of the company after the adoption is in line with a priori expectation as the company was expected to have produced high quality financial reports even before the adoption of the standards.

VI. CONCLUSION AND RECOMMENDATIONS

1. Conclusion

The conclusion from this study is that the adoption of IFRS has not led to any significant improvement in the earnings quality of Nigerian Breweries Plc. This is not due to the adoption of the standards alone but due to a lot of macro – economic factors that may have nothing to do with the adoption.

Again, Nigerian Breweries Plc is 55.95% owned by Heineken Group of Netherlands and was expected to have been producing quality financial reports before the adoption of IFRS.

2. Recommendations

Based on the findings of this research work, the study recommends the following:

1. Government should address those challenges confronting the manufacturing companies generally and those affecting the Brewery industry in particular because of the importance of the industry to the Nigerian economy.
2. IFRS allows for the use of discretion. Management should therefore select those policies that will further improve the earnings quality of the company.

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