

An Address

by

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PROTOCOL

PREAMBLE

1. Let me begin this address by expressing my profound appreciation to the Executive Officers and Members of the Professional Accountancy Students' Society (PASS), Yaba College of Technology Chapter, for inviting me as guest speaker to this very important seminar. I warmly congratulate your Society for this strategic initiative to hold a seminar designed to beam searchlight on a very contemporary accounting issue. My Institute is delighted to be part of this and would continue to support the activities of your Society. As the leaders of tomorrow, the future of the Accountancy Profession clearly depends on brilliant boys and girls like you and without any doubt, and from what I have seen here today, you have the potentials to take the profession to the next level. Once again, congratulations.
2. I have been requested to speak on the topic, ***“IFRS-Changing landscape in Financial Reporting in Nigeria”*** which is a subset of the seminar theme: *International Financial Reporting Standards (IFRS) and the new generation accountants*. In order to properly explain to you the changes in Nigeria's financial reporting framework, it is expedient to inform you of where we are coming from and how got to where we are.
3. As you are probably aware, the accounting standards with which financial statements were prepared in Nigeria up till December 31, 2011 was the Statement of Accounting Standards(SASs) issued by the Nigerian Accounting Standards Board (NASB). It is instructive to mention that the NASB was created by ICAN in 1982 and ran the organization for ten years before handing it over the body to the government in 1992. The NASB issued about 36 SASs before it was replaced by the Financial Reporting Council (FRC) of Nigeria which was established by Act

of Parliament no. 6 of 2011 in line with global best practices. Unlike the NASB, the FRC has powers to issue accounting, auditing and actuarial standards, corporate governance codes, monitor and enforce compliance to set standards.

4. As a country desiring rapid economic development, the nation needs to attract foreign investors by putting in place regulatory and operational practices that will encourage them to come and invest in Nigeria. Part of the incentives was the improvement in the quality of financial reporting by companies operating in Nigeria. According to these investors, the financial statements prepared by companies in Nigeria on the basis of SAS were not comparable to what obtained in other advanced jurisdictions. To be able to compare these figures, therefore great cost is often incurred in the process in addition to the time the conversion processes also take.
5. In an effort to comply with local legislation and regulatory practices, many nations including Nigeria had been adapting International Accounting Standards (IAS) to meet their peculiar circumstances at great cost without commensurate benefits. For instance, although huge sums of money were committed to the adaptation of IAS to local standards, the level of reliability by foreign investors on these local standards was still low thereby impacting negatively on the nation's ability to attract foreign direct investment (FDI). It was to strategically address these issues that the government, following the recommendations of the Roadmap Committee, decided to adopt the International Financial Reporting Standards with effect from January 1, 2012.

What are IFRS?

6. Prior to 2001, the International Accounting Standards Committee (IASC), a standing committee of the International Federation of Accountants (IFAC), had the responsibility to issue and subsequently review, International Accounting Standards (IAS). Upon its inception in April 2001, the fourteen-member, UK-

based International Accounting Standards Board (IASB) adopted the body of International Accounting Standards (IASs) issued by its predecessor, International Accounting Standards Committee (IASC). The accounting standards developed by the Board are now (from 2001) called International Financial Reporting Standards (IFRS).

7. In the main, IFRS are defined to include:

- *All International Financial Reporting Standards so far issued by IFRS Foundation*
- *All subsisting International Accounting Standards (IAS) previously issued by IASB and its predecessor, IASC*
- *All subsisting Statements of Interpretations Committee (SIC)*
- *All International Financial Reporting Interpretations Committee (IFRIC) now called IFRS Interpretations Committee*

IFRS provide standards that are not jurisdiction-specific and are based on well articulated principles. Accordingly, they provide guidance to companies on how to interpret the standards to fit specific circumstances.

8. Already embraced by over 122 countries of the world, IFRS encompass standards which unambiguously define the treatment of various accounting issues and have started to significantly impact the process, quality and reliability of financial statements globally. As a capital market-oriented system of financial reporting, the main goal of IFRS is to sustain the confidence of the investing public in the financials of corporate entities such that they can make efficient investment decisions. Indeed, the goal of IASB involves developing, “in the public interest, a single set of high quality, understandable and enforceable global accounting standards that require high quality, transparent and comparable information in financial statements and other financial reporting and to help participants in the world’s capital markets and other users make economic decisions”. The absence

of a single financial reporting and accounting standards impacts on the international financial markets where investors had the challenge of additional translation of financial statements for consolidation purposes. As the effect of globalisation continues to impact the financial and capital markets, all nations are welcoming the prospects that the major financial and accounting reporting barriers are being removed by the deployment of IFRS as their local financial reporting standards.

Nigeria's Adoption of IFRS

9. It is heartening therefore to note that, as a worthy member of the global business community, Nigeria, in line with the recommendations of the Roadmap Committee on Transition from SAS to IFRS, has embraced a phased-implementation of IFRS as the framework for financial reporting in the country. Accordingly, with effect from January 1, 2012, all entities listed on the Nigerian Stock Exchange and other public interest entities will be required to prepare and present their financial reports based on IFRS. Also, all significant public interest entities will adopt IFRS by January 1, 2013 while Small and Medium Enterprises (SMEs) will key into the initiative by January 1, 2014. By implication, all SMEs will statutorily be required to issue IFRS-based financial statements for the year ending December 31, 2014. All entities that do not meet the IFRS criteria for SMEs, shall prepare and issue their reports using SMEs Guidelines on Accounting (i.e., Tier 3 or Micro-GAAP) issued by the Geneva-based United Nations Conference on Trade and Development (UNCTAD). This strategy will no doubt enhance Nigeria's perception by foreign investors, reduce its risk profile as well as provide a reliable comparable basis such that the country remains one of the best investment destinations on the African continent.
10. Thus, the wholesale adoption of IFRS implies full convergence of the nation's subsisting Statements of Accounting Standard (SAS) or Nigerian Generally

Accepted Accounting Practices (GAAP) with IFRS. In other words, the IFRS have fully replaced SAS as a basis for financial reporting in Nigeria. This assertion is reinforced by Sections 7(1a), 8(1a) and 8(1h) of the recently enacted Financial Reporting Council of Nigeria Act No. 6 of 2011. In fact, Section 335(1) of the Companies and Allied Matters Act (CAMA), 1990 (as amended) which specifies mandatory compliance to standards issued by the NASB has been repealed and replaced by the provisions of the aforesaid FRC Act. Thus, the FRC now holds the responsibilities of developing accounting and financial reporting standards for entities both in the public and private sectors of the Nigeria economy; develop and liaise with relevant professional bodies on auditing and ethical standards; develop actuarial standards; develop appropriate conceptual framework to guide the setting of relevant valuation standards including the explicit objectives and characteristics of such standards; and develop principles and practices for corporate governance in Nigeria

Implementation Challenges

11. However, we are not oblivious of the fact that there might be implementation and compliance challenges particularly in the areas of adequacy of technical skills and legislative encumbrances. In order to strategically address the possible dearth of technical skills to manage the challenges associated with this new financial reporting framework, the Institute has embarked on capacity building initiatives which would cover all aspects of IFRS including how to handle transition management and governance issues.

12. The Institute is currently running an intensive IFRS training for members under its Members' Continuing Professional Education (MCPE) programme and an IFRS certification programme under its Faculties for persons desirous of becoming experts/specialists in IFRS. The training covers all fields including Information Technology, Tax and sector specific issues which regulatory bodies (CBN, NDIC,

SEC, NAICOM) are also trying to address through various mutually reinforcing capacity building initiatives.

13. It will also interest you to know that the Institute is already working on the initiative to spread the knowledge of IFRS to all ICAN accredited tertiary institutions by ensuring that their curriculum contains adequate dose of the emerging body of knowledge. The Institute recently sponsored more than 10 of its members in academia to a Train-the-Trainers workshop in The Gambia that was organised by the World Bank. Our goal is to ensure that candidates are IFRS proficient before qualifying as chartered accountants. Thus, everybody involved in the financial reporting chain, old or young, will be reached with the new knowledge.

YES, WE CAN

14. Expectedly, there has been a lot of apprehension about the ability of Nigeria and its entities to effectively and successfully implement IFRS as basis for financial reporting. **Yes, we can!** Although this fear is justifiable, I will like to say that it is just a reflection of people's unwillingness to change. Yet change is the only constant thing in life. On our part as a professional institute, we have been embarking on sensitisation of stakeholders to apprise them of the new and indeed, better financial reporting framework. Unlike the rules-based SAS, the principles-based IFRS are driven by the need for greater disclosure and transparency. Their adoption will ultimately raise the quality of financial reporting in Nigeria, encourage foreign investors to come and invest in the country with positive impact on employment and wealth creation.

CONCLUSION

15. Ladies and gentlemen, let me end this address by thanking you once again for inviting me. I implore you all to explore the opportunities provided by this

seminar to interact with the resource persons selected to make presentations here and seek clarification on grey areas.

16. Thank you all and God bless.

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President

Institute of Chartered Accountants of Nigeria (ICAN)

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