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IFRS 4 Disclosure and Firm Performance of Insurance Companies in Nigeria

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Authors' contributions

This work was carried out in collaboration between both authors. Author HAS designed the study, wrote the protocol, managed the literature and empirical reviews and wrote the first draft of the manuscript. Author ABS performed the statistical analysis, interpretation of the results and approved the final manuscript.

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ABSTRACT

IFRS 4 is an International Accounting Standard Board providing guideline for the accounting of insurance contract. This paper therefore, examined the compliance of IFRS 4 and performance of quoted Insurance Companies in Nigeria. The study further investigate the extent of compliance with disclosure requirements of IFRS 4 and determined the relationship between ROA, liquidity, ROE, leverage and firm size with compliance of IFRS4 disclosure. Quantitative grading system was used to investigate the extent of compliance. Multiple regression analysis was further used to find out the relationship between ROA, liquidity, ROE, leverage and firm size with compliance of IFRS 4 disclosures. The study found that the sampled companies complied at 90% which suggest a strong compliance. ROA, ROE, and Liquidity have a positive significant relationship with compliance with a p-values of 0.0324<0.05, 0.01<0.05, and 0.0247<0.05 respectively. The study also found that leverage is negative but has a significant relationship with compliance. Therefore, the study recommends that, the Inspectorate unit which is the monitoring and enforcement mechanisms need to be improved upon. Although, the level of compliance is good, but mandatory disclosures are meant to be fully complied with 100%.

Keywords: Compliance of IFRS4 disclosure; return on assets; returns on equity; leverage; liquidity.

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1. INTRODUCTION

Published annual reports are required to provide various users - shareholders, employees, suppliers, creditors, financial analysts, stockbrokers, management, and government agencies – with timely and reliable information useful for making prudent, effective and efficient decisions. The extent and quality of disclosure within these published reports vary from company to company and also from country to country. Literature reveals that the level of reliable and adequate information by listed companies in developing countries left behind compared to developed ones and government regulatory forces are less effective in driving the enforcement of the existing accounting standards [1].

International Financial Reporting Standard (IFRS) are standard and interpretations adopted by the International Accounting Standard Board (IASB, 2012). They consist of International Accounting Standard (IAS) and International Financial Reporting Standard Interpretations (IFRSI). In July 2011, Nigeria took the decision to adopt IFRS as its reporting standard, backed by Financial Reporting Council of Nigeria (FRCN) Act 2012 and the Nigeria Accounting Standard Board (NASB) Act 2003.

Accounting Standards are statements issued by an established professional accounting bodies, normally the professional accountants who prescribes the basic principles and practices expected to be followed by accounting practitioners in financial reporting. Therefore, they are meant to ensure the uncompromising requirement that, financial statements should contain correct and required information capable of producing the true and fair financial position of the reporting entities. They are the chosen and preferred methods of treating financial items in preparing final accounts. It is a clear definite directive as to how financial statements should be presented, what they should contain and what items to make up the financial statement. Prescription of basic principles and practices arose because of different accounting methods, which a firm may adopt in preparing financial statements. The application of these different methods produces different result and statement there by making comparison difficult. The need to address these problems of differences in accounting methods called for the introduction of International Financial Reporting Standards (IFRS).

Numerous efforts have been made to harmonize Accounting Standards around the world. Most countries in the world have adopted the International Financial Reporting Standards to enhance the transparency and comparability of financial information produced by them. This makes the IFRS adoption mandatory for listed companies in most of the countries [2].

Corporate image can be measured and enhanced by the quality and quantity as well as timeliness of information it discloses in its financial report. Compliance with relevant financial reporting standards guarantees accurate, relevant and reliable disclosures, which are seen as means of enhancing corporate image, reducing cost of capital, and magnifying market value of the reporting entity's shares. High-quality accounting information facilitates the acquisition of short- and long- term fund and also enables management to properly account for the resources put in their care. Thus, it acts as a significant spur to the growth and development of money and capital markets, which are fundamental to the smooth running of any economy.

Consequently, rather than complying with the requirements of the standards to produce reliable financial statements, companies violated these standards and deviated to dubious accounting practices, such as income smoothening, recognition of unearned incomes, window dressing, etc. which are departures from accounting standards [3], and therefore lead to non- or partial compliance with accounting standards. The consequences of violating the accounting standards resulted in accounting scandals which involve the use of complex methods for misusing or misdirecting funds, overstating revenues, understating expenses, overstating the value of corporate assets or under reporting the existence of liabilities. Accounting scandals mostly arise when financial reporting standards are violated. Series of corporate scandals such as NuganHand Bank, Bank of Credit and Commerce International, Cendant, Freddie Mac, and Parmalat are cases that are related to non-compliance with accounting standards. In addition, suspension of the Chairman, the CEO and other directors of Stanbic IBTC by the Financial Reporting Council of Nigeria (FRCN), and a staff of its external auditors for rendering a misleading financial statements in the years 2013 and 2014; due to significant noncompliance with requirements of IFRS, the collapse and liquidation of banking

sector in 1997 and the falsification of financial statement in Cadbury Nigeria plc in 2006, are some of the problems resulting from noncompliance with disclosure requirements of IFRS. Therefore the objective of this paper is to:

Investigate the extent of compliance with disclosure requirements of IFRS 4 by Insurance Companies in Nigeria. Determine the relationship between compliance and the firm performance on ROA, liquidity, ROE, leverage. Based on these objectives the following hypotheses were developed:

- H_{01}: There is no significant relationship between ROA and Compliance disclosure of IFRS 4.
- H_{02}: There is no significant relationship between liquidity and Compliance disclosure of IFRS 4.
- H_{03}: There is no significant relationship between ROE and Compliance disclosure of IFRS 4.
- H_{04}: There is no significant relationship between leverage and Compliance disclosure of IFRS 4.

1.1 Literature Review and Conceptual Framework

1.1.1 Concept of accounting information

Accounting Information System (AIS) is the collection, storage and processing of financial and accounting data that are used by decision makers. An accounting information system is generally a computer-based method for tracking accounting activity in conjunction with information technology resources. The resulting statistical reports can be used internally by management or externally by other interested parties including investors, creditors and tax authorities. Accounting information can also be referred to as information on financial or economic activities of an organization which is identified, measured, and communicated to users to enable them make an informed judgment about the business or organization (ASSC, 1975).

1.1.2 Qualities of accounting information

Accounting information possesses the following key characteristics [4]. Understandability: Accounting information must be expressed with clarity in such a way that its users will be able to understand it effectively. Even when the users do not have the accounting knowledge, the accounting information should be clear in such a way that the accounting information should be understandable to them. Relevancy: Accounting information should be able to make difference in decision and this can only be possible if it is relevant. For accounting information to be relevant, it has to be timely otherwise it loses its capacity to influence decisions.

Reliability: for accounting information to be reliable, it has to be error and bias free, and then it can be relied upon. For this to be possible, the information must be verifiable. Comparability: Comparability can only be possible when different companies use the same accounting principles. Because when companies use different accounting principles, comparability cannot be achieved. As such, the methods used must be disclosed to help users in deciding whether accounting information is comparable or not. Consistency: this means that accounting information can only be quantitative if the same method of treating similar items is adopted and also accounting policies are applied.

1.1.3 Accounting information disclosure

Disclosure of accounting information is mostly a financial accounting issue as it relates to the provisions of value relevant accounting information to various users of accounting information. Study of Botosan and Plumlee [5] shows that there exists a relationship between accounting information disclosure and economic effect. A justification to assertion is on the increase of stock liquidity, the reduction of capital costs and the increase of firm monitoring. This study pointed out that regulated accounting information disclosure facilitates sound corporate government mechanism, stork market development and enhances international capital mobility. Therefore, disclosure is one of the major areas as it involves the whole accounting information system.

1.1.4 Advantages of IFRS 4 to both the organization and economy at large

The first objective of this standard is the worldwide harmonization of accounting information to make the documents submitted accessible to all concerned parties. An easy comparison with companies rating. Greater transparency in terms of information and better communication. The standard provide for additional control on each insurance contract including by-products which needs to be isolated

and evaluated at their fair value. With the standard, the insurer becomes more sensitive to risk, which provides reinsurance with greater capacity. It provides high quality, internationally recognized which make the information transparent, accountable and efficient to financial market around the world. It enables investors and other market participants make informed decisions Dumontier P., and Raffornier B. [6].

1.1.5 Development of accounting standards (National and International)

The practice of Accountancy worldwide is guided by sets of guidelines and rules. The rules and guidelines are compiled into accounting standards (Izedonmi & Ola, 2001). They are statements of principle that discuss the accounting treatment and disclosure of a particular item or group of items. There are two sets of standards governing the accounting practice in Nigeria, the national accounting standards and the international accounting standards. The national accounting standards, known as Statements of Accounting Standards (SASs) are issued by the Nigerian Accounting Standard Board (NASB). Ferrer R.C., and Ferrer G.J. [7] revealed that the international accounting standard formerly known as International Accounting Standards (IASs) but now known as International Financial Reporting Standards (IFRSs) are issued by the International Accounting Standard Board.

1.2 Empirical Review

The issue of compliance is as old as the accounting standards themselves. Al-Shammari [8] argued that compliance studies date back to 1960s, where series of studies examines how compliance to disclosure requirements was affected by factors such as regulations, managerial incentives and company attributes. Financial literature has documented that of the foregoing factors, company attributes have shown higher tendencies to affect the extent of compliance to disclosure requirement. Reporting Council of Nigeria should learn from the mistakes of its predecessor and ensure effective monitoring of firms in order to enforce strict compliance with disclosure requirements of IFRS.

Siyanbola, Musa, and Wula [9] examined the level of compliance with disclosure requirements of IAS 16 by listed agricultural firms in Nigeria. The study adopted the use of compliance index and 2-way ANOVA to test the hypotheses. The study found out that; at present, Nigerian companies are far from achieving the disclosure requirements of IFRS, going by the poor level of compliance with International Accounting Standards (IAS) 16. The study recommended among others that the newly established Financial Reporting Council of Nigeria should learn from the mistakes of its predecessor and ensure effective monitoring of firms in order to enforce strict compliance with disclosure requirements of IFRS.

Volkan and Oguzhan [10] investigated the extent of compliance with IFRS by listed companies in Turkey. The study employed self-disclosure compliance index and multivariate regression to examine the degree of compliance and relationship between the level of compliance and five firms' attributes: leverage, audit firm size, profitability, firm size and firm age respectively. The study reported a 79% compliance level. Also, the extent of disclosure is associated with company leverage, and audit firm size, while Profitability, company size, and company age were not significant in explaining the level of disclosure compliance with IFRS. However, leverage was significant but in the opposite direction. The study suggested that national monitoring and enforcement mechanisms in Turkey need to be improved.

Mehul and Varadraj [11] examined compliance level of Indian manufacturing and service sectors companies with respect to accounting standards and company attributes affecting the level of compliance. The level of compliance was determined by calculating compliance index consisting of disclosures required by accounting standards in Indian. Company attributes were size; age, profitability, leverage, audit firm etc. are considered as the independent variable. The results showed that average compliance level has been higher for manufacturing companies (73%), compared to service companies (69%). Also, size, foreign listing, audit firm are significantly associated with the level of compliance in manufacturing companies, whereas, only size is significantly associated with the level of compliance in the case of service companies.

Ebrahim [12] conducted a study on IFRS compliance and audit quality in developing countries, the case of income tax accounting in Egypt. The study examines compliance and enforcement of the International Financial Reporting Standard (IFRS) in developing countries and the effect of independent audit

quality as a monitoring mechanism for compliance with IFRS recognition and disclosure requirements. The listed companies in the Egyptian stock exchange 2007 were used as the sample size. Findings shows evidence of non-compliance with the IFRS requirement for income tax accounting and that compliance with recognition and disclosure requirement is significantly related to being audited by an audit with international affiliation.

Ibiamke and Ateboh [13], examined the impact of International Financial Reporting Standards (IFRS) adoption by Nigerian listed firms on key financial ratios used by investors and also attempted to establish if there exists any relationship between the key financial rations of Nigerian listed firm and IFRS adoption. The study employed an innovative design known as “same firm-year” research design which was facilitated by the use of secondary data obtained from the annual reports of the sampled companies listed on the Nigerian stock exchange. Gray index was used to find the impact of IFRS adoption on financial ratios while least square regression was used to test the statistical significance relationship. They study found that ROA, ROE and CR has a significant correlation with compliance. The study recommends that, analysts should adopt a cautious approach when examining financial ratios from the financial statements of the companies.

Budaraj and Sarea [14] examined the association between five firms" specific characteristics and the level of compliance with International Accounting Standards (IAS 18) by listed firms in Bahrain Bourse. A self-constructed compliance checklist was developed and the compliance index was derived to represent the level of compliance to IAS 18 disclosure requirements among publically traded firms in Bahrain Bourse for the year 2013. The study reported an aggregate mean compliance of 63% to IAS 18 disclosure requirements. A significant positive relation was found between the level of IAS 18 disclosure and a company’s size and auditor type, and insignificant relationship between the level of disclosure and a company’s profit or age.

Umobong and Ibanichuka [15] examined IFRS adoption and firm’s financial performance using Secondary data obtained from Nigeria stock exchange for the period 2006 to 2014 and tries to ascertain whether IFRS adoption reduces financial result manipulations by comparing financial results pre and post IFRS of food, beverage and pharmaceuticals firms. Independent sample t-test and ANOVA were carried out on data to compare pre and post IFRS adoption. Findings indicate no significant difference of mean of Return on assets, Return on Equity and Earnings per share in the two periods implying that IFRS adoption does not impact on reported performance Based on these findings, they conclude that IFRS failed to prevent bloated earning.

Ferrer [16] investigated financial performance, liquidity, financial leverage and the extent of their compliance with IFRS3 business combination. The study used panel analysis to regress each of the variables against IFRS 3. Findings suggest that the IFRS 3 disclosure index of merger and acquisition exhibited a significant positive relation with current ratio. The study also found that asset turnover ratio and debt to equity ratio are insignificant to IFRS 3 disclosure.

Ofoegbu and Odoemelam (2018) investigated disclosure practices under IFRS on the performance of firms listed on the Nigerian Stock Exchange for a period of six years, from 2012 to 2017. Data were pooled from 384 firm-year observations across 64 sampled companies listed in the Nigeria Stock Exchange (NSE). They developed disclosure index of both IFRSs mandatory and voluntary by applying content analysis and multiple regression techniques and analyzed the association of disclosure and performance of the firms expressed return on capital employed (ROCE) as a performance index. The study also examined the relationship between markets based.

Performance, company attributes, and overall disclosure. The result indicates that the extent of overall disclosure does not associate with the financial performance of the listed Nigerian firms. The result suggests that share price, size, and audit firm size significantly and positively related to the overall disclosure of firms. While there was a negative association between leverage, company age and overall disclosure index Charitou, Floropoulos, Karamanu, and Loizides [17] answered a study question whether the decision to disclose is related to the firm’s financial performance. The study provided evidence firstly that better-governed firms and those with weaker financial performance tend to disclose more. Also, that disclosure is associated with higher levels of market liquidity.

Oduk [18] investigated the IAS2 compliance on firm performance by Food and Beverages Companies in Nigeria. A self- constructed compliance checklist was developed in accordance with IAS 2 disclosure requirements. The study reported compliance of 72% by the companies and that roe and firm size are significantly related with compliance while liquidity is not significant in explaining the relationship between compliance and IAS 2.

Wafaa [19] investigated on how effective are the accounting standards in affecting financial performance. The focus of the review was on three streams: first reasons and evidence of differences between countries in accounting practices; second, theories justifying the transition from local Generally Accepted Accounting Principles (GAAP) to IFRS; third, the effect of accounting standard on firm financial performance. These impacts, however, usually vary between countries, depending on the pre-transition differences between local GAAP and IFRS.The more the difference, the more volatile the financial performance measures, particularly the profitability ratios. The findings have implications for other jurisdictions, particularly developing countries, where IFRS adoption is already underway. In addition, managers, investors, practioners and standard setters can use this review to identify the factors that have been found to influence firm performance, especially in a globalized economy that is increasingly cross-listed.

1.2.1 Theoretical framework

This paper found agency and stakeholders theories relevant in explaining why corporate entities disclose accounting information.

1.2.2 The agency theory

This theory was developed in order to address problems that resulted from an agency relationship between principals (shareholders) and their agents (managers) due to separation of ownership and control. Conflict of interest between shareholders and managers manifests either as a risk aversion problem, a dividend retention problem or a horizon problem. Thus, the agency theory argued that managers" behavior (as agents) must be aligned to shareholders interest (the principals), which often gives rise to agency costs. To minimize these costs, managers disclose more information in financial statements, which must be audited to enhance their reliability. Al-Shammari [8] argued that agency costs vary with the extent of separation between ownership and control.

1.2.3 The stakeholder theory

This theory was developed to address the shortcomings of the agency theory. The agency theory was criticized for prioritizing the interest of shareholders above the general interest of other stakeholders, such as employees, the government and the society in general [20]. This theory argued that the firm is a social person and therefore is responsible and accountable not only to the shareholders but to numerous other stakeholders. According to this theory, firms disclose more information to meet the information needs of various stakeholders.

2. METHODOLOGY

The study adapted a panel research design, as the study took the population of the study as the sample size. Secondary data is used for the study which is obtained from the financial reports of the sampled companies for a period of nine years (2012-2020). The population of the study comprised all the 23 Insurance Companies quoted on the Nigeria Stock Exchange (NSE). Census method is used to determine the sample size through purposive sampling technique. The sample size is selected based on a criterion that only companies whose nine years financial statement ranging from 2012-2020 is available from the sample size. Multiple regression is used to determine the relationship between compliance and the dependent variables.

The study also adapted a Qualitative Grading System (QGS) using the un-weighted disclosure index to assess the level of compliance by the sampled companies. Qualitative grading system is the tool for grading compliance which allows uniform structure to be developed for all the requirements involved. The requirements of IFRS4 are used in assessing the level of compliance by quoted Insurance companies in Nigeria. The study compared the thirteen requirements of IFRS4 with the financial statements of the companies and ranked them appropriately. However any of the requirement disclosed by the company in its annual account and report attract between 1-10 points. If however a firm is able to score 10 points into thirteen places then it is graded as having made an “A” or has excellently complied with the standard. If on the other hand a firm score zero,

it will be graded as having an extreme poor compliance with the standard.

However, the overall level of compliance is determined by dividing the total compliance score of the sample companies with the total relevant requirement of the sample companies. The overall level of compliance is determined using the formula below:

$$PCj = \frac{\Sigma i{=}1X}{RJ}$$

Where

Pcj = is the degree of compliance
X1 =is the total compliance score by the sample companies
Rj = is the total relevant/applicable requirement of the sample companies.
The Qualitative Grading System is presented below

2.1 Measurement of Variables

ROA=Net income/ Total asset
ROE= Net income/ Total equity
Current Ratio= Current asset/ Current Liability
Debt to Equity Ratio= Total liability/Shareholders equity
Firm Size= Log of Total asset

Model Specification:

The model used for the study is adapted from the work of Budaraj and Sarea [14] which was given thus:

Cindex = β1 + β2CSize + β3CAge + β4CProfit + β5CLevrg + β6CAudit + Ɛi

The model was modified to suit the variables

CI = β0 + β1ROA + β2Liquidity + β3ROE+β4Leverage+B5Size+ Ɛi

Where:

CI = Compliance Index
β0 = Intercept
ROA = Return on Asset
Liquidity = Current ratio
ROE = Return on Equity
Leverage = Debt to equity ratio
Firm Size= Log of Total asset
B1, β2, -... β5 are parameters being estimated
Ei= Random error

3. RESULTS AND DISCUSSION

To determine the degree of compliance with IFRS 4 requirements by the sampled companies we apply the un-weighted disclosure index formula as stated in chapter three above.

$$PCj = \frac{\Sigma i = 1X}{Rj}$$

Where;

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CI = β0 + β1ROA + β2Liquidity + β3ROE+β4Leverage+B5Size+ Ɛi

Where:

CI = Compliance Index
β0 = Intercept
ROA = Return on Asset
Liquidity = Current ratio
ROE = Return on Equity
Leverage = Debt to equity ratio
Firm Size= Log of Total asset
B1, β2, -... β5 are parameters being estimated
Ei= Random error

3.3 Results and Discussion of Findings

Table 4.1 shows the IFRS4 Statistical disclosure of Compliance Index of 15 Samples quoted Insurance Companies for a period of nine years 2012-2020.

Table 1. Qualitative grading system criteria

S/N	Letter Grade	Percentage	Form	General Remark
1	A	80-100%	Strongly complied	Excellent
2	B	60-79%	Semi strongly complied	Good
3	C	40-59%	Weakly complied	Poor
4	D	0-39%	Non-compliance	Extremely Poor

Source: [21].

Table 2. IFRS4 Statistical disclosure of compliance Index of 15 samples quoted insurance companies for a period of nine years 2012-2020

Sampled Companies	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	R11	R12	R13	Compliance Score
C1	10	10	10	10	0	10	10	10	10	0	10	0	10	100
C2	10	10	10	0	10	10	10	10	10	10	0	10	10	110
C3	10	10	10	0	0	10	10	10	0	10	10	10	10	100
C4	10	10	10	0	0	10	10	10	10	10	10	10	10	110
C5	10	10	10	10	10	10	10	10	10	10	0	10	10	120
C6	10	10	10	10	0	10	10	10	10	10	10	10	10	120
C7	10	10	10	10	10	10	10	10	10	10	10	10	10	130
C8	10	10	10	10	10	10	10	10	10	10	10	10	10	130
C9	10	10	10	10	10	10	10	10	0	10	10	10	10	120
C10	10	0	10	10	10	10	10	10	10	0	10	10	10	110
C11	10	10	10	0	10	10	10	10	10	10	10	10	10	120
C12	10	10	10	10	10	10	10	10	10	10	10	10	0	120
C13	10	10	10	10	10	10	10	10	10	10	10	10	10	130
C14	10	10	10	10	0	10	10	0	10	10	10	10	10	110
C15	10	10	10	0	10	10	10	10	10	10	10	10	10	120

Author's computation 2021

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S/N	Letter Grade	Percentage	Form	General Remark
1	A	80-100%	Strongly complied	Excellent
2	B	60-79%	Semi strongly complied	Good
3	C	40-59%	Weakly complied	Poor
4	D	0-39%	Non-compliance	Extremely Poor

Source: Kantudu, [21].

Table 4.1. IFRS 4 disclosure of IFRS compliance index

Sampled Companies	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	R11	R12	R13	Compliance Score
C1	10	10	10	10	0	10	10	10	10	0	10	0	10	100
C2	10	10	10	0	10	10	10	10	10	10	0	10	10	110
C3	10	10	10	0	0	10	10	10	0	10	10	10	10	100
C4	10	10	10	0	0	10	10	10	10	10	10	10	10	110
C5	10	10	10	10	10	10	10	10	10	10	0	10	10	120
C6	10	10	10	10	0	10	10	10	10	10	10	10	10	120
C7	10	10	10	10	10	10	10	10	10	10	10	10	10	130
C8	10	10	10	10	10	10	10	10	10	10	10	10	10	130
C9	10	10	10	10	10	10	10	10	0	10	10	10	10	120
C10	10	0	10	10	10	10	10	10	10	0	10	10	10	110
C11	10	10	10	0	10	10	10	10	10	10	10	10	10	120
C12	10	10	10	10	10	10	10	10	10	10	10	10	0	120
C13	10	10	10	10	10	10	10	10	10	10	10	10	10	130
C14	10	10	10	10	0	10	10	0	10	10	10	10	10	110
C15	10	10	10	0	10	10	10	10	10	10	10	10	10	120

Author's computation 2021

To determine the degree of compliance with IFRS 4 requirements by the sampled companies we apply the un-weighted disclosure index formula as stated in chapter three above.

$$PCj = \frac{\Sigma i = 1X}{Rj}$$

Where;

PCj = is the degree of compliance
Xi = is the total compliance score by the sampled companies =1770
Rj = is the total relevant/applicable requirement for the companies = Number of sampled firms (15) x Number of points attracted by each requirement (10) x total number of disclosure item (13) = 1950
Therefore; the degree of the compliance by quoted Insurance Company is
1770/1950x100=90% which suggest a strong compliance.

3.4 Regression Result

Table 4.2 shows the regression results of the sample companies.

The results presented in Table 4.2 above has an R2 of 0.90 which suggests 90% explanatory ability of the dependent variables (ROE, LIQUIDITY, ROE, LEVERAGE and FIRMSIZE) of the model for the systematic variations in the independent variable (CI) with an adjusted value of 0.87. The F-stat value of 23.02 and the associated P-value of 0.00 is less than 0.05; there is a significant linear relationship between the dependent and independent variables.

Return on Asset (ROA) has a positive coefficient of 2.1983 and significant at 5% of p value of 0.0324<0.05. This implies that an increase in ROA of a company will bring increase in the level of compliance with IFRS4. The null hypotheses which stated no significant relationship between ROA and compliance with disclosure requirement of IFRS 4 should be rejected. Liquidity has a positive coefficient of 2.8940 and significant at 5% P-value 0.0247<0.05. This means that an increase in liquidity of a company would bring about increase in the level of compliance with IFRS 4. The null hypotheses which stated no significant relationship between liquidity and compliance with disclosure requirement of IFRS 4 should be rejected.

Leverage has a negative coefficient of -0.9033 but significant at 10% with a P-value 0.0514<0.1. This result implies that increase in debts to equity ratio will bring a reduction in the level of compliance with disclosure requirements of IFRS 4. Therefore the null hypotheses which stated no significant relationship between leverage and compliance with disclosure requirements of IFRS 4 should be rejected.

ROE has a significant positive coefficient of 2.9124 and significant at 5% P value 0.01<0.05. This implies that as company's become more profitable, the level of compliance with disclosure requirements of IFRS 4 also increases. The null hypotheses which stated no significant relationship between ROE and compliance with disclosure requirements of IFRS 4 should be rejected.

This study found a significant relationship between ROA and ROE and level of Compliance with IFRS 4 which is in line with the findings of Ibiamke and Ateboh [13] who also found out that there is a significant relationship between ROA and ROE with level of Compliance. And contradict the findings of Omobbong and Ibinichka (2016) who found insignificant relationship between ROA and ROE with IFRS 4 disclosure.

Table 4.2. Regression Result

Variable	Coefficient	Std- Error	t- Statistic	Prob.
C	92.75445	11.42738	7.285241	0.0000
ROA	2.198261	0.341788	2.512432	0.0324*
LIQUIDITY	2.894045	1.228897	2.297207	0.0247*
ROE	2.902367	1.092087	2.665689	0.0100*
LEVERAGE	-0.903326	0.448890	-1.990217	0.0514**
FIRMSIZE	-0.202368	1.133088	-0.179260	0.8410
R-Squared	0.908577			
Adj R- Squared	0.870282			
f- Statistic	23.02235			
Prob (f-statistic)	0.000000			
Durbin Watson Stat	2.317228			

*Source: Author's computation, 2020 *Significant at 5% ** Significant at 10%*

The study found an insignificant relationship between Leverage and compliance with disclosure requirement of IFRS4 which goes in line with the findings of Ferrer [16] and also Ofeogbu and Odeomelam (2018) who both found insignificant relationship between Leverage and level of Compliance and contradict the findings of Volkan and Oguzhan [10] who found significant relationship with IFRS 4 disclosure. The study found a significant relationship between Liquidity and compliance with IFRS 4 disclosure requirements, which goes in line with the findings of Ferrer [16] and Charitou et al. [17] who also found a significant relationship in their studies but contradict the findings of uduk [18].

4. CONCLUSION

The study examined the level of compliance with IFRS 4 disclosure requirements by quoted Insurance Companies in Nigeria for a period of nine years 2012-2020. Five independent variables (ROA, leverage, ROE, Liquidity, and size) were evaluated to know how they influence Compliance of IFRS 4 disclosure requirement. A self-constructed checklist using IFRS 4 disclosure requirements was developed as adapted from Kantudu [21] which was used to determine the extent to which Insurance Companies complied with IFRS 4 disclosure requirement and it found out that Insurance Companies complied at 90%. Multiple regression analysis was used to examine how the independent variables affect compliance. The results show that there is a significant positive relationship between ROA, Liquidity, ROE, and compliance, and a significant but negative relationship with leverage. Company size was found not statistically significant on compliance with disclosure requirements of IFRS 4.

5. RECOMMENDATIONS

The study recommends the company to increase its sales revenue and profitability .This can be achieved by increasing sales or reducing cost. Therefore the extra cash generated can be used to pay off existing debt, thereby improving the position of the company financial leverage. Regulatory bodies should not have the presumption that only big companies have the tendency to fully comply with disclosure requirements of IFRS, as it is found in this study that size of a company does not facilitate disclosure compliance. Therefore more effort needs to be put in place by them, to ensure that companies comply 100%with IFRS disclosure requirement. The Inspectorate unit which is incherge of monitoring and enforcement mechanisms need to be improved upon. Although, the level of compliance is excellent, but mandatory disclosures are meant to be fully complied with at 100%. An increase in ROA will bring increase in the level of compliance with IFRS 4 by the company.

The study therefore recommends that the company should maintain the good state of its ROA either by increasing its net income or use its asset to increase its sales. The study also recommend the company to increase its profit margin, lower taxes and improve asset turn over in order to maintain its good position of ROE. As this will enhance the company's ability to always comply with IFRS 4. The company should maintain its liquidity by reducing its overhead; maximize productivity and profits with process automation as it's among the factors that have a significant relationship with compliance.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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