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Measuring The Quality Of Financial Reporting: The Perception Of Professional Accountants In Nigeria

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Abstract: ***The aim of this paper was to assess the awareness and the perception professional accountants in Nigeria on measuring the quality of financial reports, based on the qualitative characteristics model. A survey research method was adopted and we make use of structured questionnaire to generate data for this study. A review of relevant literature reveals many methods of measuring the quality of financial reporting, most of which only provide indirect methods and proxies in assessing the quality of financial reporting. Although the qualitative characteristics, as espoused by the International Accounting Standards Board (IASB), provides a direct measure for the assessing the quality of financial reporting, many researchers in Nigeria still adopt indirect models in quality financial reporting research. 150 copies of questionnaire were distributed to respondents within three regions of the country, out of which 92 valid copies were received. The data were analysed using tables, percentages, and other non-parametric models such as mean and standard deviation. The findings indicate that professional accountants in Nigeria are not very familiar with the qualitative characteristic model of assessing the quality of financial reporting, compared to their knowledge of accrual/earnings management model. They however perceive financial reports of Nigerian firms as being of fairly high quality, in terms of their relevance (93%), faithful representation (83%), understandability (70%) and comparability (75%). Timeliness is least with 49% score. Findings also indicate that, relevance and faithful representation are perceived as the most important financial characteristics for measuring the quality of financial reporting. Among the non-financial attributes, notes to the accounts and narratives are perceived as the most important measure of the quality of financial reporting. We therefore recommend more training and seminar on IFRS and the IASB financial reporting framework for accounting practitioners in Nigeria.***

Keywords: Qualitative financial reporting, qualitative characteristics, perception, Nigerian accountants

I. INTRODUCTION

The concept of quality financial reporting (QFR) has commanded considerable research interest around the world. However, neither researchers nor practitioners or regulators have been able to provide a clear definition of what constitutes quality financial reporting and how 'quality' should be measured (Pomeroy and Thomton, 2008). Rather than define "quality of financial reporting," prior literature has focused on factors which tend to inhibit the attainment of high quality financial reporting; such as earnings management, financial restatements, and fraud. These researchers tend to use the presence of these factors as evidence of low QFR. Compliance of financial reporting with accounting and auditing standards has also been used as proxy for assessing the quality of financial reporting (Song & Windram, 2004).

The apparent lack of consensus on what constitutes 'quality' in financial reporting has lead to streams of criteria for the measurement of QFR. For instance accrual methods, which are based on the earnings management concept, has been the dominant model used by most researchers to proxy for QFR. This model was given prominence by the seminal work of Jones (1991). Other methods include value relevance model (Choi, Collins & Johnson, 1997; Barth, Beaver & Landsman, 2001; Nicholas & Wahlen, 2004); the model which measures specific elements in annual reports (Beretta & Bozzolan, 2004; Hirst, Hopkins & Wahlen, 2004); and qualitative characteristics model, based on the IASB framework.

The various accounting standard-setting bodies and regulators across the globe stress the importance of high quality financial reporting. For instance, both the USA's Financial Accounting Standards Board and the UK's International Accounting Standards Board, in their separate frameworks, emphasis the need for quality financial reporting. In Nigeria, under the Companies and Allied Matters (CAMA, 1990 and 2004), every company registered under the Act is required to produce financial reports for every financial year. The Act also requires that this annual financial reports should be subjected to audit by an external independent auditor. The essence of the audit function is to assure the users of the financial information that the financial statements do not contain material misstatements capable of rendering the financial reports unreliable (Messier and Boh, 2002; Ismail and Iskandar, 2003).

The purpose of these requirements, in essence, is to ensure that shareholders and other stakeholders are provided with reliable information needed to guide their investment and other economic decisions. To be useful for economic decision making therefore, it is expected that financial reports are of high quality. Beest, Braam & Boelens (2009) noted that, providing high quality financial reporting information is important because it will positively influence capital providers and other stakeholders in making investment, credit, and similar resource allocation decisions and thus enhance the overall market efficiency.

The quest for high quality financial reporting has led to continuous search for methods of measuring QFR. Prior studies have analyzed the advantages and disadvantages of the various methods of measuring the quality of financial reporting. Except the qualitative characteristic model, all other models have been criticized for providing an indirect proxy for measuring QFR. Although the qualitative characteristic model provides a direct measure of QFR and aligned strongly with the international financial reporting standards (IFRS), many researchers in recent times still prefer to use the indirect method, especially discretionally accrual (earnings management) to proxy for QFR. This perhaps could be attributable to lack of awareness of this new model and the ability to operationalise the qualitative characteristics to measure variables in financial reports.

The main objective of this paper therefore is to assess the awareness and the perception of professional accountants in Nigeria on this new method of measuring the QFR. This paper contributes to the existing body of knowledge on the measurement of QFR and creates awareness, especially among professional accountants in Nigeria, on how the qualitative characteristics could be operationalised to provide a direct measure of QFR.

The remainder of the paper is organized as follows: Following this introductory section, section two presents a review of related literature. This includes the concept of financial reporting, measuring quality in financial reports, IFRS and measurement of QFR, operationalisation of the qualitative characteristics. The research design and methodology is presented in section three, while in section four, the empirical findings of the study are presented and discussed. The paper ends in section five with conclusion and recommendations.

II. REVIEW OF RELATED LITERATURE

A. THE CONCEPT OF FINANCIAL REPORTING

The primary objective of financial reporting is to provide information concerning economic entity, primarily financial in nature, useful for economic decision making (FASB, 1999; IASB, 2008; Beest, et al., 2009). Financial reports provide information about the management's stewardship; the entity's assets, liabilities, equity, income and expenses (including gains and losses), contributions by and distributions to owners as well as cash flows (Beest, et al., 2009). This information is usually in the form of annual financial statements such as the statement of financial position; the income statement or statement of comprehensive income; statement of cash flows and statement of changes in equity as well as notes to the accounts (IASB, 2008, 2010). To enhance reliability and confidence in the minds of the users, these reports are subjected to scrutiny by external auditors. Thus, audited financial reports are useful instruments and a guide for decision making by the various categories of users (such as investors, creditors, suppliers, government agencies and regulators).

Financial reporting serves as a major means of communication between the organization and the various stakeholder groups (users of financial information). Therefore, financial reporting is an important element within the corporate governance framework. Audited financial reports provide a basis for comparison of firms within or across time periods (Hodge, 2001) and thus help investors and other users to make informed economic decisions (Razman and Iskandar, 2003). Thus, these reports are expected to provide some assurances that the financial statements are of good quality and reliable. However, the widespread manifestation of corporate fraud and fraudulent financial reporting in recent times have necessitated enquiries into the integrity and reliability of the financial reporting processes, the responsibilities of those involved in providing assurances to financial reporting (such as auditors and audit committees). The truthfulness and reliability of financial statements depends on the monitoring mechanism of that organization.

B. THE QUALITY OF FINANCIAL REPORTING

The various accounting standard-setting bodies and regulators (both local and international), stress the importance of high quality financial reporting. For instance, both the USA's Financial Accounting Standards Board and the UK's International Accounting Standards Board, in their separate frameworks, emphasis the need for quality financial reporting. In Nigeria, under the Companies and Allied Matters (CAMA, 1990 and 2004), every company registered under the Act is required to produce financial reports for every financial year. The Act also requires that this annual financial reports should be subjected to audit by an external independent auditor. Thus, by adding the audit function the users of the financial information are provided with reasonable assurance that the financial statements do not contain material misstatements capable of rendering the financial reports unreliable (Messier and Boh, 2002; Ismail and Iskandar, 2003). Further, the listing requirements of the Nigeria Stock Exchange (NSE) demand the listed companies to produce their annual audited accounts not later than four (4) months after the end of their financial year and their annual reports no later than six (6) months after financial year end.

The purpose of these requirements is to ensure that shareholders and other stakeholders are well informed and provided with information needed to guide their investment and other economic decisions. To be useful for economic decision making therefore, it is expected that financial reports are of high quality. Beest, et al. (2009) noted that, providing high quality financial reporting information is important because it will positively influence capital providers and other stakeholders in making investment, credit, and similar resource allocation decisions and thus enhance the overall market efficiency.

As stated earlier, because of its role in communicating the results of operational performances of an organization to the general public and the ability to influence the decisions of the users, financial reports are expected to be of high quality. Such reports should disclose accurate and reliable information.. Thus, when financial reports do not reflect the true position of the transactions and events of the organisation during the period (proxy for poor quality financial reporting), the decision of the users of such reports could as well be uninformed and misleading. This will also deprive regulators and other users of the accurate information for assessing the health status of the entity.

C. MEASURING THE QUALITY OF FINANCIAL REPORTS

Measuring the quality of financial reports of business entities has been a major challenge among accounting practitioners, academics and researchers. Beest et al (2009) argued that, because of its context-specificity, an empirical assessment of financial reporting quality inevitably includes preferences among a myriad of constituents; and since different user groups have dissimilar preferences, perceived quality will deviate among these constituents. This position is supported by Dechow and Dichev, 2002; Schipper and Vincent, 2003; Botosan, 2004; Daske and Gebhardt, 2006.

They argued further that the users within a user group may also perceive the usefulness of similar information differently, given its context. As a result of this context and user-specificity therefore, measuring quality directly seems problematic and unrealistic (Botosan, 2004). Consequently, many researchers (such as Schippers & Vincent, 2003; Cohen et al., 2004; Barth et al., 2008) adopt an indirect approach in measuring the quality of financial reporting. This (indirect) approach focuses on the attributes that are believed to influence quality of financial reports, such as earnings management, financial restatements, and timeliness (Beest et al., 2009).

Jonas and Blanchet (2000) attempted to classify the approaches widely used in assessing the quality of financial reporting into two perspectives. The first perspective is based on the needs of users, while the second focused on the notion of shareholder/investor protection. Under the users' needs perspective, financial reporting quality is determined relative to the usefulness of the financial information to the users of the information. This approach aligned with the Trueblood Committee report on the *Objectives of Financial Statements*, which formed the basis for SFAC 1, issued by the FASB. SFAC 1 – Objectives of financial reporting by business enterprises – starts off by making the point that financial reporting includes not only financial statements, but also incorporates other means of communicating financial and non-financial information. The statement went on to specify the information needs of users. It stated that "financial reporting should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit and similar decisions" (Statement of Financial Accounting Concept 1). The FASB Framework explains the qualitative characteristics that make financial reporting information useful to users. These are the reliability, relevance, and comparability of the information.

The second perspective of financial reporting quality, which deals with the notion of shareholder/investor protection, defines quality financial reporting as "…full and transparent financial information that is not designed to obfuscate or mislead users" (Jonas and Blanchet 2000).

There is a clear distinction between these two perspectives of financial reporting quality. The user needs perspective is mainly concerned with providing relevant information to users for making decisions, whereas the shareholder/investor protection perspective aims to ensure the information provided to users is sufficient for their needs, transparent and complete. Measurement of financial reporting quality in this study, therefore, will take cognizance of these two perspectives.

D. METHODS OF MEASURING THE QUALITY OF FINANCIAL REPORTS

To assess the quality of financial reporting, various measurement models have been used in prior researches. Some of these include: (i) accrual models (Jones, 1991; Dechow et al, 1995); (ii) value relevance model (Choi, et al, 1997; Barth et al. 2001; Nicholas & Wahlen, 2004); (iii) specific elements in annual reports (Beretta & Bozzolan, 2004; Hirst et al., 2004); (iv) qualitative characteristics model (Jones and Blanchet, 2000; Schipper & Vincent, 2003; Barth et al, 2006; Van der Meulen et al, 2007; Beest, et al, 2009).

Accrual model examines the level of earnings management as a proxy for earnings quality. It measures the extent of earnings management under current rules and legislation. The model assumes that managers use discretionary accruals, i.e. accruals over which the manager can exert some control, to manage earnings (Healy & Wahlen, 1999; Dechow *et al*., 1995). Earnings management is assumed

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to negatively influence the quality of financial reporting by reducing its decision usefulness (e.g. Brown, 1999; Van Tendeloo & Vanstraelen, 2005). The main advantages of using discretionary accruals to measure earnings management is that it can be calculated based on the information in the annual report. In addition, when using regression models it is possible to examine the effect of company characteristics on the extent of earnings management (Healy & Wahlen 1999; Dechow *et al*. 1995). Moreover, this type of research is replicable. The main difficulty when using accrual models, however, is how to distinguish between discretionary and non-discretionary accruals (Healy & Wahlen, 1999). Although the model provides an indirect measure for financial reporting quality, its major advantage is the relative ease in data collection and measurement.

Value relevance model, on the other hand, examines the relationship between stock returns and earnings figures in order to measure the relevance and reliability of financial reporting information. The model measures the quality of financial reporting information by focusing on the associations between accounting figures and stock-market reactions (Barth *et al*., 2001; Choi *et al*., 1997; Nichols & Wahlen, 2004). The stock price is assumed to represent the market value of the firm, while accounting figures represent firm value based on accounting procedures. When both concepts are (strongly) correlated, (i.e. changes in accounting information correspond to changes in market value of the firm), it is assumed that earnings information provides relevant and reliable information (Nichols & Wahlen, 2004). This method is also used to examine earnings persistence, predictive ability, and variability, as elements of earnings quality (Schipper & Vincent, 2003; Francis *et al.*, 2004). However, this model does not distinguish between relevance and reliability, i.e. does not explicitly show whether or not tradeoffs have been made when constructing accounting figures. In addition, the stock market may not be completely efficient.

The third realm of assessment tools is those which measure the quality of specific elements in annual financial reports as a benchmark for the overall financial reporting quality. It evaluates the influence of presenting specific information in the annual report on the decisions made by the users of such information. For instance, Gearemynck and Willekens (2003) examine the relationship between the auditor's report and decision usefulness of financial reporting information, while Beretta and Bozzolan (2004) focus on the quality of internal control and risk disclosure information to determine the quality of the financial report. Similarly, while Cohen et al. (2004) highlight the relationship between corporate governance mechanisms and financial reporting quality, Hirst et al. (2004) put emphasis on the use of fair value accounting as a measure of financial reporting quality. Although research that focuses on a specific element in the annual report provides a direct measure of financial reporting quality, it has a partial focus, and thus does not provide a comprehensive overview of total financial reporting quality (Beest et al., 2009).

The fourth and most recent assessment model is the qualitative characteristics model. This model examines the level of decision usefulness of financial reporting information by operationalising the qualitative characteristics of financial reports. This model assesses the quality of different dimensions of information simultaneously, to determine the decision usefulness of financial reporting information. Jonas and Blanchet (2000) was the first study to use this model in assessing the quality of financial reporting. They develop questions that were germane to the separate qualitative characteristics of financial reporting as stipulated by the FASB (1980) and IASB (1989). This model was adopted by McDaniel et al. (2002); Lee et al. (2002) and Beest et al. (2009). However, while McDaniel et al. (2002) and Lee et al. (2002) operationalised the qualitative characteristics based on FASB (1980) and IASB (1989), Beest et al. (2009) operationalisation was based on the IASB Exposure Draft (ED) of 2008. This model provides a direct measure of financial reporting quality and covers all aspects of financial reports, including both financial and non-financial information.

E. MEASURING THE QUALITY OF FINANCIAL REPORTS IN TERMS OF QUALITATIVE CHARACTERISTICS

Prior studies on financial reporting quality, using qualitative characteristics, have indicated that these characteristics can be operationalised (Jonas and Blanchet, 2000; McDaniel et al., 2002; Beest et al., 2009). Jonas and Blanchet (2000) for instance, operationalised these characteristics based on the FASB (1980) framework; while McDaniel et al. (2002) and Lee et al. (2002) based theirs on the 1989 framework of the IASB. Beest et al. (2009) on the other hand, based their qualitative characteristics on the Exposure Draft (ED) of the IASB (2008).

These frameworks list the qualitative characteristics of financial reports to include: relevance, faithful representation, understandability, comparability, and timeliness. Beest et al. (2009) categorized these characteristics into two, namely: fundamental and enhancing qualitative characteristics. Relevance and faithful representation, according to Beest et al. (2009), constitute the fundamental qualitative characteristics, while understandability, comparability, verifiability and timeliness are regarded as enhancing qualitative characteristics. Beest et al. (2009) argued that the fundamental qualitative characteristics are most important and determine the content of financial reporting information. The enhancing qualitative characteristics on the other hand, can improve decision usefulness when the fundamental qualitative characteristics are established. However, they cannot determine financial reporting quality on their own (IASB, 1008; cited in Beest et al., 2009).

F. OPERATIONALISATION OF THE QUALITATIVE CHARACTERISTICS

The IASB (2008) defines quality financial reporting in terms of the fundamental and enhancing qualitative characteristics. Therefore, prior studies have operationalised the qualitative characteristics in line with this categorization. Relevance and faithful representation are categorized as the fundamental qualitative characteristics of financial reporting information. The enhancing qualitative characteristics on the

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other hand include understandability, comparability, verifiability and timeliness). The enhancing qualitative characteristics improve decision usefulness of financial report when the fundamental qualitative characteristics have been established. They cannot determine financial reporting quality on their own (IASB, 2008).

RELEVANCE

IASB (2008) defines relevance as the capability of making a difference in the decisions made by users in their capacity as capital providers. Relevance is usually operationalized in terms of predictive and confirmatory value (McDaniel et al., 2002; Beest et al. 2009).

PREDICTIVE VALUE OF RELEVANT FINANCIAL INFORMATION

Many researchers described predictive value of financial information as the ability of past earnings to predict future earnings (Schipper & Vincent, 2003; Francis *et al*., 2004). Predictive value generally refers to information on the firm's ability to generate future cash flows. According to IASB (2008) information about an economic phenomenon has predictive value if it has value as an input to predictive processes used by capital providers to form their own expectations about the future. Predictive value is considered as an important indicator of relevance in terms of decision usefulness. The basic measures of predictive value, according to Beest et al., (2009) are: 1) the extent to which annual reports provide forward-looking statements; 2) whether the annual reports disclose information in terms of business opportunities and risks; and 3) whether the company uses fair value.

The forward-looking statement usually describes management's expectations for future years of the company. For capital providers and other users of the annual reports this information is relevant since management has access to private information to produce a forecast that is not available to other stakeholders (Bartov & Mohanram, 2004).

A relevant financial report should include both financial and non-financial information. Such information should be able to provide insight into business opportunities, risk as well as possible future scenario for the company (Jonas and Blanchet, 2000). Prior studies record that in comparison to historical cost, fair value presents a better predictive value of financial reporting information than historical cost (Barth *et al*., 2001; McDaniel *et al*. 2002; Schipper & Vincent, 2003; Schipper, 2003; Hirst *et al*., 2004). Maines and Wahlen (2006) argue that fair value accounting provides more relevant information than historical cost because it represents the current value of assets, instead of the purchase price. In addition, fair value is the accounting measure espoused by both the IASB and the FASB; and both frameworks consider fair value as one of most important methods to increase relevance (Barth *et al*., 2001).

CONFIRMATIVE VALUE OF RELEVANT FINANCIAL INFORMATION

In addition to predictive value, confirmatory value contributes to the relevance of financial information. According to IASB (2008) information has confirmatory value if it confirms or changes past (or present) expectations based on previous evaluations. Jonas and Blanchet (2000) argue that if the information in the annual report provides feedback to the users of the annual report about previous transactions or events, this will help them to confirm or change their expectations. Information relating to the confirmatory value are usually contained in the 'management, discussion and analysis' section of the annual reports (Jonas & Blanchet, 2000).

FAITHFUL REPRESENTATION

Faithful representation is the second fundamental qualitative characteristic espoused in the IASB (2008) framework. According to IASB (2008), to faithfully represent economic phenomena which the information purports to represent, annual reports must be complete, neutral, and free from material error. IASB (2008), states that economic phenomena represented in the annual report are "economic resources and obligations and the transactions and other events and circumstances that change them. Faithful representation is usually measured in terms of neutrality, completeness, freedom from material error, and verifiability Jonas & Blanchet, 2000; Sloan, 2001; Rezaee, 2003; Gaeremynck & Willekens, 2003; Cohen et al., 2004).

Botosan (2004) argues that it is difficult to measure faithful representation directly by only assessing the annual report, since information about the actual economic phenomenon is necessary to assure faithful representation. However, Maines and Wahlen (2006), maintain that estimates and assumptions that closely correspond to the underlying economic constructs and the standards pursue can enhance faithful representation.

The proxies commonly used to measure faithful representation include: 1) freedom from bias; 2) neutrality; 3) unqualified audit report; and 4) corporate governance statement (Beest et al. (2009). To be free from bias, financial reports should clearly explain assumptions and estimates made in the preparation of the financial statements, as well as the choice of accounting principles. A financial report is assumed to be neutral if it highlights both the positive and negative events in a balanced way (IASB, 2008; Beest *et al*., 2009).

UNDERSTANDABILITY

The first enhancing qualitative characteristic, as stated by IASB (2008) is understandability. According to IASB (2008), understandability will increase when information is classified, characterized, and presented clearly and concisely, and thus enables users to comprehend their meaning. Understandability is usually measured using five items which include: 1) how well-organised the information in the annual reports is presented; 2) disclosure of information in notes to the account; 3) presentation of certain information in tables and graphs; and

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4) whether the financial statements are devoid of technical jargons and 5) the inclusion of a glossary of unfamiliar terminologies.

COMPARABILITY

A second enhancing qualitative characteristic is comparability. IASB (2008) defines comparability as the quality of information that enables users to identify similarities in and differences between two sets of economic phenomena. This suggests that similar situations should be presented the same, while different situations should be presented differently. Comparability is often measured using six items, which together measure consistency in the use of the same accounting policies and procedures and comparability across companies within the industry. Specifically, these items are: 1) notes to changes in accounting policies explaining the implications of the change; 2) notes to revisions in accounting estimates and judgments explaining the implications of the revision; 3) the extent to which the company adjust previous accounting period's figures, for the effect of the implementation of a change in accounting policy or revisions in accounting estimates; 4) the extent to which the company provide a comparison of the results of current accounting period with previous accounting periods; 5) the extent to which the information in the annual report is comparable to information provided by other organizations within the industry; and 6) the extent to which the company presents financial index numbers and ratios in the annual report (Beest et al., 2009).

TIMELINESS

The last enhancing qualitative characteristic discussed in the IASB (2010) conceptual framework is timeliness. The framework defines timeliness as having information available to decision makers before it loses its capacity to influence decisions (IASB, 2010). In specific terms, timeliness relates to the decision usefulness of financial reports. It refers to the time it takes to reveal the information in annual reports. It is usually measured in terms of the number of days it took for the auditor to sign the account after book-year end.

III. METHODOLOGY

The study adopts a survey research approach. Questionnaire was used as the instrument for data collection. A total of three hundred copies of questionnaire were distributed to professional accountants across the three geo-political zones of the country. A sample of one state was selected from the list of six states in each of the three zones (5 states from the south east zone). Purposive sampling method was used in selecting the three states, namely: Lagos state, for the south-west; Abia State, for the south-east; and Akwa Ibom State, for the south-south region.

The questionnaire was structured into two main sections and eight sub-sections. Section A provides the respondent's background information and includes gender, age, educational and professional qualifications, nature of employment, designation and work experience. Section B, the main section of the questionnaire, was aimed at gathering respondents' opinion regarding their perceptions on the measurement of the quality of financial reporting. This section consists of 21 questions/statements on issues relating to measuring the quality of financial reporting. The questions/statements were designed in a Likert scale format, most of which were on a four-point scale.

The questionnaire was reviewed by three senior academics in the Department of Accounting in the Faculty of Business Administration, University of Uyo; and two professional accountant in public practice. Their comments and contributions were incorporated into the final copy of the questionnaire; hence the content of the instrument was considered very valid for the study. The instrument was also subjected to reliability test, and a Cronbach alpha of 0.874 was obtained. This indicates the reliability of the instrument.

IV. DATA ANALYSIS AND DISCUSSION OF FINDINGS

A. DEMOGRAPHIC PROFILE OF THE RESPONDENTS

	Demographic Profile (N=92)	Frequency	Percent (%)
	Gender Male	69	75.0
	Female	23	25.0
	Total	**92**	**100.0**
	Educational Qualification OND/NCE	6	6.5
	B.Sc/HND	43	46.7
	M.Sc/MBA	41	44.6
	PhD	2	2.2
	Total	**92**	**100.0**
	Professional Qualification FCA	35	38.0
	ACA	46	50.0
	FCNA	4	4.3
	CNA	7	7.6
	Total	**92**	**100.0**
	Age of respondents 31-40yrs	36	39.1
	41-50yrs	40	43.5
	50yrs and above	16	17.4
	Total	**92**	**100.0**
	Nature of Employment In practice	62	67.4

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	In Paid Employment	30	32.6
	Total	**92**	**100.0**
	Designation Audit Partner	42	45.7
	Financial Controller	4	4.3
	Audit Manager	8	8.7
	Accountant	20	21.7
	Others	18	19.6
	Total	**92**	**100.0**
	Working Experience 1-5yrs	10	10.9
	6-10yrs	21	22.8
	11-15yrs	49	53.3
	16-20yrs	9	9.8
	over 20yrs	3	3.3
	Total	**92**	**100.0**
	Geographical Spread of Respondents South-South	38	41.3
	South-East	26	28.3
	South-West	28	30.4
	Total	**92**	**100.0**

Source: Field survey (2015)

Table 1: Background Information of the Respondents

The demographic profile of the respondents indicates that 75% of the respondents were male, while 25% were female. Forty four (44%) of the respondents were within the age bracket of 41 to 50; while 39% were between age 30 to 40 years. This indicates that a greater percentage of the respondents belong to the active age bracket. In terms of educational qualification, 47% of the respondents possess first degree (B. Sc) or the Higher National Diploma (HND) and another 47% were holders of post-graduate degrees, out of which 45% holds M.Sc or MBA. With regards to professional qualification, 88% of the respondents are members of the Institute of Chartered Accountants of Nigeria (ICAN), out of which 38% are fellows of the Institute. Of the 12% members of the Association of National Accountants of Nigeria (ANAN), 4% are fellows while about 8% are associate members. The implication of this is that the respondents are of a high academic and professional competence to understand the subject matter and respond appropriately to the questions in the questionnaire. Furthermore, the age distribution confirms that about 83% of the respondents are in the active age bracket of 31 to 50years. People in this age group are expected to be more interested in financial reporting and issues relating to enhancing the quality of financial reports.

The distribution of respondents in terms of nature of employment is in favour of practicing accountants with 67%, while the remaining 33% of the respondents are in paid employment. Correspondingly, 55% of the respondents are audit partners/audit managers, while 26% are financial controllers/accountants. It is an uncontestable fact that accountants in practice are more concerned and faced with the challenges of the quality of financial reporting than those in pain employment. This is because when the bubble bursts, they feel the heat more than anyone else. The length of the respondents' working experience also lends credence to the quality of responses for this study. Table 1 shows that over 66% of the respondents have worked for more than 10years. Finally, the geographical spread of the respondent among the three geographical zones covered in this study reveals that 41% of the respondents are from the south-south region, while south-west and south-east record 31% and 28% respectively.

Characteristic	Response	Frequency	Percent	Mean	Std Dev
Accrual /Earnings Management Methods	No	9	9.8	.9022	.29871
	Yes	83	90.2		
	Total	92	100.0		
Value Relevance Method	No	69	75.0	.2500	.43539
	Yes	23	25.0		
	Total	92	100.0		
Method for specific elements in the financial report	No	78	84.8	.1522	.36116
	Yes	14	15.2		
	Total	92	100.0		
Qualitative Characteristics Method	No	48	52.2	.4783	.50226
	Yes	44	47.8		
	Total	92	100.0		

Source: Field survey (2015)

Table 2: Familiarity with the Methods of Measuring Financial Reporting Quality

Familiarity of the respondents with the methods of measuring financial reporting quality was also examined. Results indicate that over 90% of the respondents are familiar with accrual/earnings management method and 52% with qualitative characteristics method. On the other hand, 85% of the respondents are not familiar with the method which identifies specific elements in the financial reports and 75% are also not familiar with the value relevance method. These high figures confirm the dominance of accrual/earnings management method and also the assertion that most accountants are not very familiar with other methods of measuring the quality of financial reporting.

Attribute	**Response**	Frequency	Percent (%)	Mean	Std Dev`
Relevance	Not very important	1	1.1	3.9130	.31976
	Important	6	6.5		
	Very important	85	92.4		
	Total	**92**	**100.0**		
Faithful Representation	Not very important	0	0	3.8587	.35024
	Important	13	14.1		
	Very important	79	85.9		
	Total	**92**	**100.0**		

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Understandability	Not very important	2	2.2	3.2609	.48877
	Important	64	69.6		
	very important	26	28.3		
	Total	**92**	**100.0**		
Comparability	Not very important	5	5.4	3.1413	.48225
	Important	69	75.0		
	Very important	18	19.6		
	Total	**92**	**100.0**		
Timeliness	Not very important	19	20.7	3.0978	.71190
	Important	45	48.9		
	Very important	28	30.4		
	Total	**92**	**100.0**		

Source: Field survey (2015)

Table 3: The Importance of Financial and Non-financial Characteristics on the Quality of Financial Reporting

The importance of the financial and non-financial characteristics in the measurement of quality financial reporting was also examined. The results in Table 3 show that about 93% of the respondents acknowledge relevance as being very important in measuring the QFR and 86% acknowledged faithful representation. Other attributes, namely; understandability, comparability and timeliness record the scores of 70%, 75% and 49% respectively. Interestingly, 21% of the respondents regard timeliness as not very important measure of the quality of financial reporting; while about 6% and 2% regard comparability and understandability respectively as not being very important. This result aligns with the argument that both relevance and faithful representation and the fundamental characteristics of financial reporting, while understandability, comparability and timeliness enhances the quality of financial reporting.

Attribute	Response	Frequency	Percent (%)	Mean	Std Dev`
Notes to the Accounts	Not very important	2	2.2	3.9022	.47021
	Important	3	3.3		
	Very important	87	94.6		
	Total	**92**	**100.0**		
Attribute	**Response**	Frequency	Percent (%)	Mean	Std Dev`
	Not very important	8	8.7	3.4891	.68732
	Important	30	32.6		
	Very important	54	58.7		
	Total	**92**	**100.0**		
Pictures and Diagrams	Not very important	32	34.8	2.6304	.52868
	Important	60	65.2		
	Very important	0	0.0		
	Total	**92**	**100.0**		
Graphs	Not very important	40	43.5	2.5652	.57996
	Important	50	54.3		
	Very important	2	2.2		
	Total	**92**	**100.0**		
Glossary and Explanation of Jargons	Not very important	67	72.9	2.2935	.58438
	Important	21	22.8		
	Very important	4	4.3		
	Total	**92**	**100.0**		

Source: Field survey (2015)

Table 4: The Importance of Non-financial Characteristics on the Quality of Financial Reporting

With regards to the the non-financial characteristics, Table 4 shows that 95% of the respondents acknowledge notes to the accounts as being very important; followed by 59% for narratives. The respondents acknowledged that pictures and diagrams are important (65%), but not very important (35%). Glossary and explanation of unfamiliar terms was acknowledged as not being very important.

Statement	Response	Frequency	Percent (%)	Mean	Std Dev`
Relevance: Financial reports of Nigerian firms show information that are relevant to users	Strongly Disagree	2	2.2	3.3587	.62162
	Disagree	1	1.1		
	Agree	51	55.4		
	Strongly Agree	38	41.3		
	Total	**92**	**100.0**		
Faithful representation:					
Financial reports of Nigerian firms show information that faithfully represent the transactions and events of the company and are verifiable.	Strongly Disagree	1	1.1	2.9783	.64584
	Disagree	17	18.5		
	Agree	57	62.0		
	Strongly Agree	17	18.5		
	Total	**92**	**100.0**		
Understandability					
Financial reports of Nigerian firms show information that are understandable by the users.	Strongly Disagree	0	0.0	3.0652	.38671
	Disagree	4	4.3		
	Agree	78	84.8		
	Strongly Agree	10	10.9		
	Total	**92**	**100.0**		
Comparability					
Financial reports of Nigerian firms show information that are comparable with firms within the industry	Strongly Disagree	1	1.1	2.7826	.60812
	Disagree	26	28.3		
	Agree	57	62.0		
	Strongly Agree	8	8.7		
	Total	92	100.0		
Timeliness					
Financial reports of Nigerian firms are produced and published on a timely Basis	Strongly Disagree	6	6.5	2.3152	.66182
	Disagree	55	59.8		
	Agree	27	29.3		
	Strongly Agree	4	4.3		
	Total	92	100.0		

Source: Field survey (2015)

Table 5: Perceptions on the Quality of Financial Reporting in Nigerian Firms

The general perception of the stakeholders on the quality of financial reporting in Nigerian firms was also examined. Table 5 indicates that 97% of the respondents are in agreement that financial reports of Nigerian firms show information that are relevant to users of the financial statements. Out of this, 41% strongly agree to this statement. Also, 62% of the respondents agree that financial reports of Nigerian firms financial reports of Nigerian firms show information that faithfully represent the transactions and events of the company and are verifiably. 19% of the respondents strongly agree to this statement. In terms of understandability, 85% of the respondents agree that financial reports of Nigerian firms show information that are understandable to users of the financial statements; while 11% of them strongly agree to this. The statement that financial reports of Nigerian firms show information that are comparable with others within the industry is agreed to by 62% of the respondents; while 60% of them disagreed to the statement that financial reports of Nigerian firms are produced and published on a timely manner.

V. CONCLUSION

The aim of this study was to assess the awareness and the perception of professional accountants in Nigeria on the measurement of the quality of financial reporting, based on the qualitative characteristic model. We adopted a survey research method and make use of a 48-item structured questionnaire to elicit data from respondents. A review of relevant literature revealed many methods used in prior studies to assess the quality of financial reporting, some of which include: accrual method (earnings management), value relevance method, and specific elements in financial reports. These methods provide an indirect measure of 'quality' in financial reporting, with attendant limitations and problems. The literature also revealed that the qualitative attributes, as espoused by the IASB in its framework for financial reporting provides a direct measure of financial reporting quality and thus enhances the decision usefulness of financial information. It became apparent from the reviewed literature that although Nigeria adopted the IFRS reporting system in 2011, the extent to which accountants in the country are familiar with this financial reporting model and their perception on the financial reporting system has not been sufficiently investigated.

Motivated by this revelation, we set out to contribute towards filling this gap in knowledge, using the practitioners (accountants) as the population of study. From the analysis of data obtained for this study, findings indicate that accountants in Nigeria are not very familiar with the qualitative characteristic model of assessing the quality of financial reporting, compared to their knowledge of accrual/earnings management model. They however perceive the quality of financial reports of Nigerian firms as being of fairly high quality, in terms of their relevance, faithful representation, understandability and comparability. Their perception on the timeliness of financial reports of Nigerian firms is however in the negative. Findings also indicate that, relevance and faithful representation are the most important financial characteristics for measuring the quality of financial reporting. Among the non-financial attributes, notes to the accounts and narratives are perceived as the most important in measuring the quality of financial reporting.

From the foregoing it is apparent that many practicing accountants in Nigeria are yet unfamiliar with this new method of measuring the quality of financial reporting. We therefore recommend more training and seminar on IFRS and the IASB financial reporting framework for practicing accountants in Nigeria. Although this study has made a modest contribution to the body of knowledge in this area and also adds to the existing literature in measuring the quality of financial reporting, it is not without some limitations. The key limitation of this study is the sample size, in addition to those associated with the use of questionnaire. Future research may consider a larger sample, covering the six geo-political regions of the country. Finally, future research may also consider how the qualitative characteristics are actually operationalised; which was not covered in the current study.

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