KASU Journal of Accounting Research and Practice (KAJARAP)

Volume 10, Number 1, June, 2025 ISSN: 2360-8889
http://journals.kasu.edu.ng/index.php/Accounting/issue/view/1

IMPACT OF FIRM SPECIFIC CHARACTERISTICS ON COMPLIANCE WITH DISCLOSURE OF IAS 36 AMONGST LISTED DEPOSIT MONEY BANKS IN NIGERIA

Idris Tahir Mahmud[1], Dr. Nuraddeen Usman Miko[2], Dr Murtala Abdullahi[3]

[1]Department of Accounting, Federal University, Dutsin Ma, Katsina State,

[2,3]Department of Accounting, Kaduna State University, Kaduna

Corresponding authors' email/Mobile: idristahirm@gmail.com/+2348035171526[1], murtalaabdullahi70@gmail.com/+2348069179552[3]

Abstract

This study was conducted to assess the impact of firm specific characteristics on compliance with disclosure of International Accounting Standard 36 (asset impairment) amongst deposit money banks in Nigeria from 2016 to 2023. Compliance with IAS is the dependent variable while firm characteristics is the independent variable proxied by profitability, Leverage, Liquidity and Firm Size. The population of the study consisted of all the fourteen listed deposit money banks listed on the floor of the Nigeria Exchange Group as at 31st December 2023. Judgmental sampling technique was used to arrive at a sample of eleven banks. Secondary source of data was used and the data were obtained from the annual reports of the sampled banks. Correlation research design was employed for the study. Ordinary Least Squares (OLS) multiple regression was used as a tool for data analysis. The results from the regression analysis showed that profitability, leverage and liquidity have a positive and significant impact on compliance with IAS 36 disclosure amongst listed deposit money banks in Nigeria while firm size shows a negative and insignificant relationship with compliance on IAS 36 disclosure amongst listed deposit money banks in Nigeria. The study concluded that profitability, leverage and liquidity are determinants of compliance with IAS 36 disclosure. Therefore, the study recommended that managers of listed deposit money banks in Nigeria should ensure that they maintain a good profitability level and use less leverage in financing their activities. Furthermore, the study recommended that management of listed deposit money banks in Nigeria should maintain good liquidity that will create a cushion against unanticipated solvency challenges in order to improve their compliance with IAS 36 disclosures.

Keywords: assets impairment, disclosure, firm specific characteristics, listed deposit money banks

1. Introduction

The International Accounting Standards Board (IASB) creates International Accounting Standards (IAS) for global application by firms. Its goal is to sustain uniformity of reporting requirements. Accounting standards are set of superior accounting guidelines that are applicable to financial reporting by firms all around the world. Impairment of assets is one area of difficulty in the application of IAS. An asset impairment occurs where the value of an asset is recorded below its recorded cost. The standard on asset impairment provides how firms account for tangible and other intangible assets. It requires firms to subject their assets to annual impairment tests (IAS 36). This is to ensure that the assets are carried at no more than their recoverable amount.

The standard also defines how recoverable amount is calculated. Therefore, the recognition of impairment improves the usefulness of financial statement information by reporting losses in a timely manner. Firm's characteristics play a vital role in ensuring objectivity and accountability in financial reporting through influencing board decision by virtue of its characteristics. The characteristics of the firms can be major determinants of how the management plays its role. These firm's characteristics comprising of profitability, leverage, liquidity and firm size may influence compliance with the disclosure requirement of the standard. Firm's characteristics help to ensure compliance with the disclosure requirement of the standard. Firms with strong firm's characteristics have more potential of compliance with IAS and provide adequate information (Cohen et al., 2014).

Profitability measures the performance of a company and the performance of a firm influences the level of compliance with disclosure requirements. When an asset is impaired, the company must recognize an impairment loss in its income statement which reduces profitability for the period. Compliance with impairment may be sensitive to profitability due to the fact that a more profitable firm guarantees high compliance with accounting impairment standards (Fernandes et al., 2016). As a result of that, a firm with high profit ensures the disclosure of more information. Therefore, profitability may influence compliance with the disclosure requirement of IAS 36.

Leverage is the utilization of external financing sources such as debt to improve a firm's return on capital. Highly leveraged firms may face heightened challenges in adhering to accounting standards due to financial constraints or managerial motivations (Korošec et al., 2016). Impairment losses directly reduce net income which may worsen key financial ratios such as debt-to-equity and interest coverage and potentially violates loan covenants or increase the cost of capital. Consequently, highly leveraged firms may have incentives to manipulate impairment testing outcomes or delay the recognition of impairments, leading to concerns about non-compliance (Abdul-Majid, 2017).

A company's liquidity is crucial to its survival and primarily affects the firm's level of risk, changes in the sales dynamic, and the growth and reduction of financial costs (Zygmunt, 2013). In addition to being crucial for a company's growth, liquidity is one of the key internal elements that determines a company's position in the market and guarantees that it complies with legal requirements. Therefore, it is regarded as a crucial component of the company's disclosure level.

Firm size describes the optimal rate and degree of growth for a company. A company's size affects both its performance and its level of IAS 36 compliance. This is due to the fact that impairment recognition affects an asset's recognised value inside a corporation. Studies such as Devalle et al. (2017), Eriksson and Fjellvind (2016), Nawaiseh (2015), and Massoudi (2014) have shown a relationship between firm specific characteristics and compliance with the disclosure requirement of IAS 36, with varying results indicating poor compliance primarily in developed nations such as China, France, Sweden, United Kingdom, United States of America and Turkey. Tsoy (2012) asserts that supervisors' opportunistic attitude was the cause of the non-compliance. Because managers must use their discretion while implementing, impairment of assets is an intriguing research topic. The requirement to recognise an impairment loss would depend on managers' discretion.

IAS 36 is a practical nightmare as most companies in Nigeria are confronted with challenges ranging from lack of robust systems or processes to enable an effective evaluation of the changes in the economic environment or industry to identifying indicators of impairment as well as to generating reasonable forecast based on previous information for computation of value in use (PricewaterhouseCoopers, 2015). Furthermore, the accounting practice regarding the unverifiable estimates in the valuation of asset impairment in Nigeria has been deduced not to have conform to the requirements of IAS 36 thereby making financial reporting to have suffered institutional weakness and non-compliance in regulations, rules and standards enforcement (Olaleye et al., 2014).

Based on the studies reviewed regarding firm characteristics and compliance with IAS 36 disclosure requirements, only Olugbenga et al. (2014) examined IAS 36 compliance in Nigeria as far as the researcher is aware. Developed nations were the primary locations of these scant studies. Literature gap exist as there are scant extant local literatures on the subject matter. Local studies that have considered the subject matter such as Olugbenga et al (2014) conducted their study in 2012. As a result, this study strives to fill that gap by focusing on firm's characteristics as the determinants of compliance with IAS 36 on impairment of assets. Therefore, this study aims to examine the impact of firm's specific characteristics on compliance with disclosure of IAS 36 (Impairment of Assets) amongst listed deposit money banks in Nigeria. The study will add to the existing literature by investigating the impact of firm's characteristics on compliance with IAS 36 (Impairment of Assets) in the Nigerian listed deposit money banks.

The objective of this study is to examine the impact of firm specific characteristics on the compliance with disclosure of IAS 36 amongst listed deposit money banks in Nigeria**.** To achieve the study's objective the following hypothesis were developed:

H01: Profitability has no significant impact on compliance with disclosure of IAS 36 amongst listed deposit money banks in Nigeria.

H02: Leverage has no significant impact on compliance with disclosure of IAS 36 amongst listed deposit money banks in Nigeria.

H03: Liquidity has no significant impact on compliance with disclosure of IAS 36 amongst listed deposit money banks in Nigeria.

H04: Firm size has no significant impact on compliance with disclosure of IAS 36 amongst listed deposit money banks in Nigeria.

The study covers a period of eight (8) years spanning from year 2016 to 2023. The time frame for this study was selected because of the regulations that were made within the banking industry in Nigeria thereby resulting to large amount of impairment in the financial statement during the period of the study. Therefore, the study benefits various stakeholders such as shareholders, financial analysts, regulators and other stakeholders.

2. Literature Review

Conceptual Review

This section presents the conceptualization of the dependent variable (IAS 36 disclosure) and the independent variables (profitability, liquidity, leverage and firm size).

Compliance with IAS 36

The core principle of IAS 36 (impairment of asset) is that an asset must not be carried in the financial statements at more than the highest amount to be recovered through its use or sale. If the carrying amount exceeds the recoverable amount, the asset is described as impaired. The entity must reduce the carrying amount of the asset to its recoverable amount, and recognise an impairment loss. IAS 36 also applies to groups of assets that do not generate cash flows individually (known as cash-generating units)

Firm Characteristics

The factors that comparatively influence a firm's decisions both internally and externally are known as firm characteristics (Shehu, 2012). These are controllable factors that have the power to influence and provoke disclosures, financing, investment, and dividend decisions made by the company. The majority of them are financial in nature and firm specific. Prior empirical review such as Devalle et al. (2017), Eriksson and Fjellvind (2016); Nawaiseh (2015), and Massoudi (2014) evaluated relationship between a firm's compliance with IAS 36 and various firm characteristics including leverage, liquidity, firm size, and firm age.

Profitability

According to Jegers (1987), the multifaceted nature of the concept of firm performance makes it a contentious topic in the finance industry. Performance was defined by Venkatraman and Ramanujam (1986) as the strategy's time test. According to these interpretations, a company's performance can be characterised as the result of its business strategy or as an evaluation of how successfully it has accomplished its strategic goals. It is the extent to which a company achieves its financial goals. Business performance is a personal gauge of how successfully a company can turn its assets from its main line of business into income. It can also be used to measure firm's overall financial health over a given period of time and also to compare the performance of similar firms across the same industry or to compare different industries or sectors in a given economy.

Leverage

The use of debt in a company's capital structure is known as leverage, and it can also refer to the degree to which a company is financing its operations with borrowed funds (Rehman, 2013). Achchuthan and Jasinthan (2012) stated that leverage can magnify a firm's potential gains and losses. The tradeoff between debt and equity (Jensen & Meckling, 1976), the limited liability effect of debt (Brander & Lewis, 1986), and the disciplining effect of debt (Grossman & Hart, 1983) indicate a positive relationship between debt and equity. Profit efficiency is linked to a lower debt-to-equity ratio and vice versa, claim Berger and Di Patti (2006). However, Azhagainh and Gavoury (2011) contend that agency costs and external debt may cause the relationship between leverage and performance to reverse.

Liquidity

Sanghani (2014), conceptualize liquidity as a company's capacity to pay its debts with cash within a given time frame. According to Prasanna (2006), liquidity refers to an organization's capacity to recognise the monetary value of all of its assets. It speaks about turning assets into cash throughout regular business activities and maintaining a steady stream of cash flow for ongoing operations. An important aspect of a company entity's activities is its liquidity. Maintaining a company's liquidity in day-to-day operations is essential to working capital management since it allows the business to fulfil its obligations and keep activities flowing smoothly (Eljelly, 2004). Bhunia (2011) states that because liquidity is closely related to a company's daily activities, it is highly significant to both internal and external observers.

Firm Size

Firm size describes the optimal rate and scope of a business's expansion. As per the agency theory, the magnitude of a company plays a crucial role in determining the required increase in capital that arises from the demands and desires of its owners. This is because, as the shareholder theory put it, they have an obligation to maximize their wealth (Cooke, 1996). It is true that the size of the business affects the amount of financing; as a result, costs rise in tandem with growth. Big businesses must therefore raise more capital in order to function, and they do so by listing on stock exchanges. However, in exchange for this advantage, the corporations must divulge more information.

Empirical Review

Malko (2024) explores the influence of International Accounting Standard 36 (Asset's impairment) on the quality of financial statements of companies in the United Kingdom by examining timeliness of impairments through studying the association between conservatism and various firm characteristics, such as return on assets (ROA), non-operating accruals (NOA), business investment cycle, volatility, corporate governance, firm's age, and credit rating. Zhao et al. (2023) look into whether businesses in China have improved the effect of goodwill impairment on performance by using STATA15 to examine the effects of goodwill impairment on company performance under the moderating influence of period-end profit loss and profit slip for a sample of non-financial listed Chinese A-share companies from 2007 to 2021.

Akbaba et al. (2023) investigate potential factors that influence the quality of disclosure connected to goodwill in Turkey. The study calculated a disclosure index using a panel dataset of Turkish non-financial companies that were listed between 2014 and 2018. The findings demonstrate a positive relationship between disclosure quality and reported goodwill amount, and a negative relationship between size, ownership structure, and debt level as firm-specific variables and goodwill impairment testing disclosure quality. The findings also show that boilerplate goodwill-related declarations are common among Turkish public businesses and that auditor size enhances the quality of disclosures.

Engberg and Schenberg (2020) analyze goodwill impairment factors in Sweden. The objective of the study is to analyze how impairment factors affect discretionary goodwill impairment decisions in Swedish Large Cap and Mid Cap firms. The explanatory variables are CEO Change, Big Bath, Income Smoothing and Leverage, with the dependent variable as goodwill impairment. The scope of the study was Swedish Large Cap and Mid Cap firms during the period of seven years from (2006-2012). The study analyzed its data using the logistic regression to investigate what indicators causes firms to make goodwill impairments. The study also did a regression analysis to examines what influences the amount of goodwill impaired using a censored tobit regression. The result expresses that leverage (debt covenant) have a negative significant effect on the occurrence of goodwill impairment which means that when debt increases, goodwill impairment is less likely to happen. The shortcoming of this study is that the scope is out modeled.

Just et al. (2023) in their study discuss the issue of value relevance and goodwill position accounting. The US corporations in the study sample span the years 1998 through 2018. The findings demonstrate the realization of growth potential through merger and acquisition, and they also indicate that changes in goodwill have a major negative impact on future operating performance. Additionally, utilizing moderation analysis, the results show that goodwill and variations in operating performance interact, with the negative correlations substantially diminishing when firms were able to develop greater potential through the deal.

Patsis et al. (2023), focused on presenting a methodology from a technical approach on these issues, whilst at the same time remaining compatible with the principles of both accounting and finance. Real-life data from existing companies have been used not only for the valuation of the same following their transformation into cash-generated units, but also for non-current assets by controlling both the impairment and the depreciation process. We use cash flow generation models through the business plan process and apply certainty and uncertainty techniques such as sensitivity analysis and Monte Carlo simulation. After having reviewed the estimations and bearing in mind the structure of the model, we have concluded that specific parameters are affecting the fair value measurement on non-current assets. The value of this article is to develop a methodology that can be easily applied to different companies and is compatible with the spirit and provisions of both the international accounting standards as well as those of financial accounting.

Wang and Hu (2023) examine from a corporate governance perspective, how earnings management motives affect goodwill impairment in Chinese manufacturing listed businesses between 2016 and 2020. The study looks at both external and internal governance systems using panel data models and regression analysis. It also looks at the aggregate shareholding percentage of the top ten shareholders. The results show that size significantly affects disability. Effective internal and external governance measures can assist minimize earnings management incentives, and both big bath and earnings smoothing goals can impact organization’s decisions to recognize goodwill impairment.

Joshua et. al (2023) investigates the effects of assets impairment disclosure on the real earnings management practices of the listed consumers’ goods companies in Nigeria. The population of the study comprises the 28 listed consumer goods companies on the Nigeria Stock Exchange and the census technique of sampling was adopted in which the population is the sample size. Data were extracted from the financial report of the companies under consideration and analysed using the panel least square of regression analysis with the aid of E-views statistical tool. The study found a positive but insignificant effect of assets impairment disclosure on the real earnings management and Firms’ size and Firms’ age indicated a negative and insignificant effect with while ROA indicated a positive and statistically significant effect. The study recommended that accounting standards should be reviewed and updated so as to give a lesser opportunity for income smoothing and thereby enhance quality financial reporting system.

Theoretical framework

Agency Theory

Jensen and Meckling (1976) developed the agency theory, which explains the agency relationship between those who manage the business and its owners, particularly in regards to accounting information. The management are required to divulge information about the company's operations since they are the shareholders' agents. According to the theory, managers will act opportunistically to enhance their own interests rather than maximising those of the shareholders. As a result, there will be conflict between the managers and the shareholders, or principal and agents, which will raise the agency cost.

According to Jensen and Meckling (1976), corporate disclosure is a tool that management can employ to lessen agency problems.

Managers of profitable firms are more likely to use accounting choices that reduce reported profits. In this hypothesis, profit is used as a represent for unwanted political attention as too high profits could lead to regulators attention. Watts and Zimmermann (1990), point to regulation, the costs of producing information, compensation plans, the degree of indebtedness, and the profitability associated with the size of the companies, as factors that influence these practices. The public visibility of companies can soon encourage decreased earnings to reduce political costs (Watts and Zimmerman, 1978).

Firm size or large firms are also generally followed by more analysts, and attract larger public attention, which might be an incentive to manipulate numbers, or to act opportunistically (Zang, 2008). Godfrey and Koh (2009) opined that there is an affirmative correlation or relationship between asset impairment and profitability as well as size. Since profitable and larger firms want to avoid the unwanted attention associated with high reported earnings, thus lower their earnings by the use of asset impairments (Godfrey & Koh, 2009).

Agency problem is also reduced through regulations because a full disclosure of private information is obligatory on the managers (Healy & Palepu, 2001). Al-Razeen & Karbhari (2004) have, however, argued the full disclosure is not sure even when there are regulations. The divergence between shareholders and managers' interests can be explained by lack of full disclosure (Lev & Penman, 1990). Furthermore, the rationale behind corporate reporting regulations is to help investors have access to the minimum amount of information which they need to make their business decisions (Al-Razeen & Karbhari, 2004).

3. Methodology

Correlational research design is adopted for the study and this allows for testing of relationship among variables and making prediction regarding these relationships. The population of the study comprised all the fourteen deposit money banks listed on the Nigerian Exchange Group as at 31st December, 2023. Purposive sampling technique was used to determine the sample size. Data were extracted from Published Audited Annual Reports of selected firms from 2016 to 2023. The study employed quantitative data analysis in accordance with correlational research design to accomplish its goal. All of the variables in the model will have their parameters estimated using the multiple panel regression technique of data analysis. This is due to the nature of the relationship that the study aims to investigate and the need to evaluate the research hypotheses through data analysis.

The study employs the regression technique to investigate the correlation between the features of the organization and its compliance with IAS 36 in Nigerian listed deposit money banks. Post estimation tests were conducted to establish validity and reliability of the regression results to ensure that they give unbiased estimations. The study conducted various robustness tests to enhance the Statistical reliability and validity of the statistical inferences that will be drawn from the findings. These tests include multicollinearity, heteroscedasticity and Hausman specification test.

Variable Measurement

The measurement of the dependent and independent variables is provided in the table below.

Table 1

Variable Measurements

Variables	Variable Type	Acronym	Measurement	Source
Asset Impairment (Disclosure index)	Dependent Variable	DINDX	Number of items disclosed by a bank/ Total number of items expected to be disclosed by the bank	Khairi et al. (2012)
Profitability	Independent Variable	PROF	Return on Assets Profit/Total assets	Malko (2024)
Leverage	Independent Variable	LEV	Total debt/total assets	Demir and Bahadir (2014)
Liquidity	Independent Variable	LIQ	Current assets/current liabilities	Andrew (2015)
Firm Size	Independent Variable	FSZ	Natural log of total assets	(Alhjaj et al. 2015)

Source: Author's compilation, 2025

Model Specification

$DINDX = \alpha + \beta_1 PRO_{it} + \beta_2 LEV_{it} + \beta_3 LIQ_{it} + \beta_4 FSZ_{it} + \varepsilon$

Where: DINDX= Compliance index; PROF = Profitability; LEV = Leverage; LIQ = Liquidity

FSZ = Firm Size; *a* = Constant; $\beta_1 - \beta_2$= Coefficient of the parameter estimate; ε = Error term

4. Results and Discussion

In this section, the result obtained from various test conducted on the data collected were presented, analysed and interpreted.

Descriptive Statistics

Table 2 shows the descriptive statistics table reveals information on the mean, standard deviation, maximum and minimum for each of the dependent and independent variables.

Table 2

Descriptive Statistics

Variable	Mean	Standard Deviation	Minimum	Maximum	Obs.
DINDX	0.6357	0.1283	0.4010	0.9794	88
PRO	1.1755	1.2466	0.01	4.76	88
LEV	0.5173	0.1461	0.3125	0.7983	88
LIQ	0.1149	0.7565	0.0258	0.3469	88
FSZ	0.4908	0.1681	0.0428	0.8210	88

Source: Output from STATA 13

From table 2 above, the mean value of disclosure index (DINDX) is 0.63 which indicates 63% average level of compliance with IAS disclosures amongst listed deposit money banks. The table further indicates minimum and maximum values of disclosure index as 0.40 and 0.97 respectively. This implies that from the sampled banks, the bank with the lowest level of compliance is 40% and the bank with the highest level of compliance is 97% and a standard deviation of 0.13 which signifies that the variables are not widely dispersed in the level of compliance among the sampled banks over the period of the study. Table 2 also indicates that profitability has a mean value of 0.63, this means that on the average, the sampled banks profitability is 63% during the period of the study. The minimum and maximum values of profitability are 0.01 and 4.67 respectively signifies that from the sampled banks, the bank with the lowest return on asset is 0.01 and the bank with the highest return on asset 4.67. There is no much dispersion from the mean as revealed by the standard deviation with a value of 1.24.

Table 2 also shows that leverage has a mean value of 0.51 which means that on the average, the sampled banks financed about 51% of their total assets with debt during the period under review. The minimum and maximum values of leverage are 0.31 and 0.79 respectively. This means that the bank with the lowest debt to asset ratio amongst the sampled banks is 0.31 and the bank with the highest is 0.79. The standard deviation value of 0.14 when compared with the mean value of 0.51 shows no much dispersion from the mean.

Table 2 further shows that liquidity has a mean value of 0.11 which signifies the average total current assets of the sampled banks. The result also shows that liquidity has a minimum value of 0.025 and a maximum value of 0.35. This means that from the sampled banks, the bank with the lowest current asset ratio is 0.025 and the bank with the highest is 0.35. The standard deviation of 0.75 has low dispersion from the mean. Furthermore, firm size has a mean value of 0.49 with a minimum and maximum value of 0.042 and 0.82 respectively, the standard deviation value of 0.16 when compared with the mean value of 0.49 shows low dispersion from the mean.

Table 3

Correlation Matrix of Dependent and Independent Variables

	DINDX	PRO	LEV	LIQ	FSZ
DINDX	1.0000				
PRO	0.2563	1.0000			
LEV	-0.0010	0.0381	1.0000		
LIQ	0.0331	0.0317	-0.2944	1.0000	
FSZ	-0.0272	0.0912	0.0768	-0.3004	1.0000

Source: Output from STATA 13

The result of the correlation matrix in table 3 shows that the overall relationship between the dependent variable and the independent variable. The relationship between the disclosure compliance, profitability and liquidity is positive while the relationship between the disclosure compliance, leverage and firm size is negative. The result as revealed from the Table shows the absence of multicollinearity among the variables as the relationship between the variables did not exceed the threshold of 0.8 as suggested by Hair et al. (2010). However, to determine the existence of multicollinearity, the variance inflation factor (VIF) was conducted.

Table 4

VIF Values

Variables	VIF	Tolerance Value
LIQ	1.20	0.833110
FSZ	1.10	0.907867
LEV	1.10	0.910869
PRO	1.01	0.994606
Mean VIF	**1.10**	

Source: Output from STATA 13

The result of the VIF in table 4 shows that there is no multicollinearity problem. This is because the VIF values for all the variables are less than 8. Based on the result of Breusch Pagan's test, it can be concluded that there is presence of heteroskedasticity as the chi square is 8.38 with a p- value of which is 0.0038, implying there is absence of heteroskedasticity. Hence, the data used for the analysis is reliable. The Hausman specification test result had a p-value of 0.0000 indicating that the variance between entities is considered not unpredictable, as a result of this the fixed effect model's output was deemed suitable. In order to address the presence of heteroskedasticity the panels corrected standard errors (PCSEs) regression was the best fit of the model.

Table 5:

Regression result

Variables	Coefficient	Z	p-value
PRO	4.57	8.53	0.000
LEV	-8.36	-3.23	0.001
LIQ	18.98	2.72	0.006
FSZ	-2.08	-1.18	0.239
CONS	4.80	1..90	0.058

***Source:* Output from STATA 13**

H_{01}: Profitability and Compliance with IAS 36 Disclosure on Asset Impairment

The hypothesis states that “profitability have no significant effect on compliance with IAS 36 disclosure of listed deposit money banks in Nigeria”. The result reveal that profitability has a positive and significant effect on compliance with IAS 36 disclosure as indicated by the coefficient value of 4.57 and p-value of 0.000. On this premise the earlier null hypothesis formulated is rejected which states that profitability has no significant effect on compliance with IAS 36 disclosure of listed deposit money banks in Nigeria. This result is consistent with the findings of Mohd-Saleh and Omar (2014), Stumpel (2012) and contrary to the study of Panacha and Wilklund (2015).

H_{02}: Leverage and Compliance with IAS 36 Disclosure on Asset Impairment

The hypothesis states that “leverage have no significant effect on compliance with IAS 36 disclosure of listed deposit money banks in Nigeria”. The result shows that leverage has a coefficient of -8.36 and a p-value of 0.001, this implies that leverage has a negative and significant effect on compliance with IAS 36 disclosure. On this basis the null hypothesis is rejected which states that leverage has no significant effect on compliance with IAS 36 disclosure of listed deposit money banks in Nigeria. This study is in line with the prior study of Beatty and Webber (2006) and Brand (2016) and contrary to the findings of Eichner (2016).

H_{03}: Liquidity and Compliance with IAS 36 Disclosure on Asset Impairment

The hypothesis states that “liquidity have no significant effect on compliance with IAS 36 disclosure of listed deposit money banks in Nigeria”. Liquidity has a positive and significant effect on compliance with IAS 36 disclosure, as indicated by the coefficient value of 18.98 and a p-value of 0.006. Therefore, this study rejects the null hypothesis which states that liquidity has no significant effect on compliance with IAS 36 disclosure of listed deposit money banks in Nigeria. The result is in line with Vallius (2016) but contrary to Qin et al. (2020).

H_{04}: Firm Size and Compliance with IAS 36 Disclosure on Asset Impairment

The hypothesis states that “firm size have no significant effect on compliance with IAS 36 disclosure of listed deposit money banks in Nigeria”. The regression result reveals that firm size has a coefficient of -2.08 and a p-value of 0.239. The result implies that firm size has a negative and insignificant effect on compliance with IAS 36 disclosure. On this basis we fail to reject the null hypothesis of the study which states that firm size has no significant effect on compliance with IAS 36 disclosure of listed deposit money banks in

Nigeria. The result is in line with Bepari et al. (2014) but contrary to Godfrey and Koh (2009).

5. Conclusion and Recommendations

Based on the regression result the study concludes that profitability of the listed deposit money banks in Nigeria have an effect on compliance with IAS 36. Hence, it is concluded that the rate at which banks generate returns from the use of its asset have an effect on compliance with IAS 36. In addition, the result shows that leverage have an effect on compliance with IAS 36 of listed deposit money banks in Nigeria. Hence, the study concludes that banks with high leverage value are more focused on settling their obligation and as such, they have lower likelihood not to comply with IAS 36.

Furthermore, the study provides evidence that liquidity of the listed of listed deposit money banks in Nigeria is one of the determinants that have an effect on IAS 36. Thus, the study concludes that liquidity is a determinant of IAS 36 of listed deposit money banks in Nigeria. In line with the findings and conclusions of the study, the following recommendations are proffered. The study recommends that managers of listed deposit money banks in Nigeria should ensure that they maintain a good profitability level this can be achieved by ensuring that shareholders' funds are utilized effectively as these result to the compliance of IAS 36.

The study recommends that management of listed deposit money banks in Nigeria should use less leverage in financing their activities as this enable them to cut down financing cost and increase their residual income and consequently the outcome is an increase in the compliance with IAS 36. The study recommends that in order to effectively safeguard the interest of the shareholders, management should maintain good liquidity, this creates a cushion against unanticipated solvency challenges and this have positive impact on the compliance of IAS 36.

References

Alhjaj, E. R., Laili, N. H. B., Bin Khairi, K. F., & Abu Siam, Y. I. S. (2015). The role of companies' characteristics in influencing the malaysian companies' compliance under the frs 136 requirements: Goodwill case. *Nternational Journal of Business, Economics and Law*, *7*(1), 36–42.

Al-Razeen, A., & Karbhari, Y. (2004). Interaction between compulsory and voluntary disclosure
in Saudi Arabian corporate annual reports. *Managerial Auditing Journal, 19*(3), 351-360.

Beatty, A., & Weber, J. (2006). Accounting discretion in fair value estimates: an examination of SFAS 142 goodwill impairments. *Journal of Accounting Research 44*(2), 257–288

Beatty, A., & Weber, J. (2006). Accounting discretion in fair value estimates: an examination of SFAS 142 goodwill impairments. *Journal of Accounting Research 44*(2), 257–288

Bepari, M. K., Rahman, S. F., & Mollik, A. T. (2014). Firms' compliance with the disclosure requirements of IFRS for goodwill impairment testing: Effect of the global financial crisis and other firm characteristics. *Journal of Accounting and Organizational Change*, *10*(1), 116-149.

Brand, M. (2016). The Influence of goodwill impairment: The factor behind the tool. Comparative research in the EU. Master thesis Radboud University Nijmejen school of management.

Cohen, J. R., Hoitash, U., Krishnamoorthy, G., & Wright, A. M. (2014). The effect of audit committee industry expertise on monitoring the financial reporting process. *The Accounting Review*, *89*(1), 243–273.

Demir, V., & Bahadir, O. (2014). An investigation of compliance with international financial reporting standards by listed companies in Turkey. *Accounting and Management Information Systems*, *13*(1), 4–34.

Devalle, A., Rizzato, F., & Pisoni, P. (2017). Impairment of goodwill , IAS 36 and determinants of mandatory disclosure in Italian listed companies. *African Journal of Business Management Full*, *11*(17), 456–463. https://doi.org/10.5897/AJBM2017.8369

Dichev, I. & D. Skinner. (2002). Large Sample Evidence on the Debt Covenant Hypothesis. *Journal of Accounting Research* 40, 1091-1123.

Eichner, K. (2016) Explaining goodwill write-off decisions under IAS 36 for capital market-implied triggering events. Ph.D. Dissertation University. St. Gallen, School of Management, Economics, Law, Social Sciences and International Affairs Germany.

Engberg, K., & Schenberg, J. (2020). Goodwill impairment factors in Sweden–a study of large cap and mid cap firms in 2006-2012. Master Thesis in Business Administration submitted to Jönköping International Business School, Jönköping University.

Eriksson, N., & Fjellvind, J. (2016). The influence of company characteristics on companies' compliance level: Compliance with IAS 36, paragraph 134. Umeå School of Business and Economics.

Eriksson, N., & Fjellvind, J. (2016). The influence of company characteristics on companies' compliance level: Compliance with IAS 36, paragraph 134. Umeå School of Business and Economics.

Fernandes, J.S., Goncalves, C., Guerreiro, C. & Revene, L.N, (2016). Impairment losses: Causes and impacts. *Review of Business management*. ISSN 1806-4892.

Godfrey, J. M., & Koh, P. S. (2009). Goodwill impairment as a reflection of investment opportunities. *Accounting & Finance, 49*(1), 117-140.

Godfrey, J. M., & Koh, P. S. (2009). Goodwill impairment as a reflection of investment opportunities. *Accounting & Finance, 49*(1), 117-140.

Hassine, N.M., and Jilani, F. (2017). Determinants of goodwill impairment losses under IAS 36: The French case. *International Journal of Accounting and Financial Reporting*. 7(1)

Hassine, N.M., and Jilani, F. (2017). Earnings management behavior with respect to goodwill impairment losses under IAS 36: French case. *International Journal of Academic Research in Accounting, Finance and Management Science*. 7 (2)

Healy, P. M., & Palepu, K. G. (2001). Information asymmetry, corporate disclosure, and the capitalmarkets: A review of the empirical disclosure literature. Journal of accounting and economics, 31(1-3), 405-440.

International Accounting Standard 36 *Impairment of Assets*. Issued by international accounting standards board (iasb). Retrieved from: http://www.iasplus.com

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, *3*(4), 305–360.

Just, R., Honold, D., & Meckl, R. (2023). Value relevance of goodwill accounting–how a forward-looking valuation approach guides goodwill recoverability. *Cogent Business & Management*, *10*(3), 2262213.

Katri, K. (2018). Earnings management through goodwill impairment: empirical analysis of Finnish listed companies in 2005-2017. *Maisterivaiheen opinnäytetyöt, 1*(b), 1-81

Khairi, F. K., Laili, N. H., & Tran, M. D. (2012). Impairment Testing : A disclosure index disclosure quality of goodwill. *Journal of Economics and Development*, *14*(1), 5–30.

Korošec, B., Jerman, M., & Tominc, P. (2016). The impairment test of goodwill: An empirical analysis of incentives for earnings management in Italian publicly traded companies, *Economic Research-Ekonomska Istraživanja,* 29(1),162-176.

Lev, B., & Penman, S. H. (1990). Voluntary forecast disclosure, nondisclosure, and stock prices. *Journal of Accounting Research,* 49-76.

Li, Z., Shroff, P., Venkataraman, R., and Zhang, I. (2011). Causes and consequences of goodwill impairment losses. *Review of Accounting Studies*, *16*(4), 745–778.

Malko, S. (2024). The impact of IAS 36 on the quality of financial statements for UK companies: A multi-dimensional analysis of impairment of assets. PhD thesis University of Westminster Finance and Accounting

Massoudi, D. (2008). A european compliance study of international accounting standard 36 impairment of assets. University of Western Australia.

Mohd-Saleh, N., & Omar, N. (2014). CEO duality, family-control and goodwill impairment *Asian Journal of Business and Accounting, 7*(1), 143-179.

Nawaiseh, M. E. (2015). Impairment analysis of non-current assets under dcf based-test in the Jordanian industrial shareholding companies. *British Journal of Economics, Management & Trade*, *7*(1), 10–22. https://doi.org/10.9734/BJEMT/2015/12880

Olaleye M. O., Agboola, J. O., Solomon A. Z & Oyerogba, E.O. (2014). Financial reporting and compliance of impairment of non-current assets in the Nigerian banks. *European Journal of Accounting Auditing and Finance Research*, 2(2), 18-35.

Olugbenga, O. M., Olusola, A. J., Adeoluwa, S., & Oluwagbemiga, O. E. (2014). financial reporting and compliance of impairment of non-current asets in the Nigerian banks. *European Journal of Accounting Auditing and Finance Research*, *2*(2), 18–35. Retrieved from http//www.ea-journals.org

Panacha, N. & Wiklund, V. (2015). The association between the goodwill impairments, and the external and internal economic indicator. Master thesis. Karlstad Business School Sweden.

Patsis, P., Liapis, A., & Christos, G. (2023). A consistent implementation of IFRS 13 and IAS 36 for Non-current Assets. *KnE Social Sciences*, 271-297.

PWCNigeria. (2015). IFRS Newsletter Q3. www.pwc.com/ng.

Qin, X., Huang, G., Shen, H., & Fu, M. (2020). COVID-19 pandemic and firm-level cash holding—moderating effect of goodwill and goodwill impairment. *Emerging Markets Finance and Trade*, *56*(10), 2243-2258.

Shehu, U. H. (2012). Firm characteristics and Financial Reporting Quality of Quoted Manufacturing Firms in Nigeria. Ahmadu Bello University, Zaria.

Stumpel, M. (2012). Goodwill impairments after the implementation of IFRS 3 A Tool for earnings management. ProQuest dissertations and theses. Tilburg University.

Sweeney, A. P. (1994). Debt-covenant violation and managers accounting responses. Journal of Accounting and Economics, 17, 281-308.

Tsoy, A. (2012). Compliance with the accounting for goodwill in transitional economies: a case of Russia and Kazakhstan. Auckland University of Technology in.

Uma, M., & Santhosh, G. (2019). A study on analysing the current asset and current liabilities of pvt ltd. *IJRAR-International Journal of Research and Analytical Reviews (IJRAR)*, *6*(2), 125-128.

Vallius, S. (2016). Goodwill impairments and the value relevance of goodwill of the small listed companies in Finland.

Verriest, A., Gaeremynck, A., & Thornton, D. B. (2013). The impact of corporate governance on IFRS adoption choices. *European accounting review*, *22*(1), 39-77.

Wang, C., & Hu, T. (2023). An empirical analysis of corporate governance and earnings management motives influencing goodwill impairment in Chinese manufacturing firms. *Acadlore Trans. Appl Math. Stat*, *1*(2), 51-65.

Watts, R. L., & Zimmerman, J.L. (1978). Towards a positive theory of the determination of accounting standards. *The Accounting Review, 53*(1), 112-134.

Watts, R.L., & Zimmerman, J.L. (1990). Positive accounting theory: A ten-year perspective. *The Accounting Review, 65*(1), 131-156.

Zang, Y. (2008). Discretionary behavior with respect to the adoption of SFAS 142 and the behavior of security prices. *Review of Accounting and Finance, 7*(1), 38-68.

Zhao, X., Tham, J., & Mu, Q. (2023). Goodwill impairment, surplus management and company performance: Empirical evidence from Chinese a-shares. *International Journal of Applied Economics, Finance and Accounting*, *16*(2), 345-354.