DETERMINANTS OF COMPLIANCE WITH REQUIREMENTS OF INTERNATIONAL ACCOUNTING STANDARD (IAS) 41 BY LISTED AGRICULTURAL COMPANIES IN NIGERIA

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ABSTRACT

This study examines the determinants of compliance with requirements of International Accounting Standard (IAS) 41 by 5 listed agricultural companies in Nigeria during the period 2012 to 2022. The determinants examined were firm size, firm age, profitability, liquidity, leverage, and auditor type. The study adopted correlational research design. The data was obtained from published annual report and accounts of the listed agricultural companies. The data was analyzed using the robust Ordinary Least Squares (OLS) for panel data set. The results revealed a compliance level of 68.9% by the agricultural companies with IAS 41. Further, firm age, firm size, profitability, and leverage were found to be significant determinants of compliance with IAS 41 by listed agricultural companies in Nigeria. However, liquidity, and auditor type were found to be insignificant determinants of compliance with IAS 41. Based on the findings, it was recommended, that the Financial Reporting Council of Nigeria (FRCN) and other regulatory bodies like the Securities and Exchange Commission (SEC) who have responsibility for monitoring and enforcing compliance with accounting standards by reporting entities should be aware of those firm-specific factors that influence compliance while intensifying compliance monitoring, and adoption of stricter penalties on noncompliant listed agricultural companies. The study contributes to the wider debate on factors influencing compliance with specific industry financial reporting requirements by reporting entities in the IFRS reporting regime.

Keywords: *Auditor type, Firm age, Firm size, IAS 41, Profitability, Leverage, Liquidity,*

Introduction

The level of compliance with financial reporting requirements including accounting standards, statutes, and professional pronouncements has drawn considerable attention in the recent times. This is because of the direct link between level of compliance with reporting requirements and financial reporting quality. Higher level of compliance with reporting requirements is associated with higher financial reporting quality which in turn affects the quality of information available for users' decision-making. The need to harmonies financial reporting practice for enhanced comparability globally, and improve financial reporting quality particularly of emerging economies lead to the introduction of the International Financial Reporting Standards (IFRSs).

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The IFRSs cover varying subject matters on accounting by reporting entities. It basically provides guidelines on the recognition, treatment and reporting on items in the financial statements by reporting entities. One of the IFRS in issue is the International Accounting Standards (IAS) 41 "Agriculture". The IAS 41 provides reporting framework that covers biological assets, agricultural produce and government grants to promote agricultural activities. The standard prescribes the accounting treatment and disclosures related to agricultural activity. It is therefore a specilised accounting standard applicable to only companies involved in agricultrual business. IAS 41 was adopted by the International Accounting Standards Board (IASB) in April 2001 but revised in December 2003 with an effective date of 1st January 2004. In Nigeria, the standard became mandatory for reporting entities 1st January 2012 following the country's adoption of IFRS IAS (2021).

Mbir et al., (2020) argued that poor IFRS enforcement limits compliance with the standards. Emerging economies like Nigeria are known for weak accounting standards enforcement environment. Nnorom (2013) indicated that most of the listed agricultural companies in Nigeria did not prepare IFRS compliant financial reports in 2012 as required. An assessment compliance test conducted by the FRCN in 2013 revealed that most of the reporting entities prepared financial reports that were not compliant with IFRS. Nwopoku (2013) specifically documented that the incidence of non-compliance was more pronounced in the agricultural sector as none of the of companies in the sector complied with the IAS 41 requirements. This was in sharp contrast to agricultural companies in a country like Malawi where Ndala (2018) reported high compliance with the standard following adoption.

These revelations are a thing of concern and calls for not only an investigation of the level of compliance with IAS 41 but also the factors that influences reporting entities compliance with the standard after more than a decade of adoption. Several studies have been conducted on IFRS compliance by reporting entities but these studies were largely focused on companies in other sectors than the agricultural sector companies. Though a few studies including Bagudo and Shuaibu (2021) had examined the determinants of compliance with IAS 41 by listed agricultural companies in Nigeria, the variables explore in the study and the current are different. For instance, while Bagudo and Shuaibu (2021) focused on biological assets intensity, firm size, leverage liquidity, and firm age, the current study introduces auditor type, and profitability which are firm-level attributes documented in the accounting literature to significantly influence financial reporting practice and quality. Moreso, the current study extends the study period beyond 2019 to 2022 thereby provides more rigorous and updated analysis.

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Therefore, this study examines the firm-level attributes of firm size, firm age, profitability, liquidity, leverage, and auditor type as determinants of compliance with IAS 41 by listed agricultural companies in Nigeria during the period 2012 to 2022. Accordingly, the study hypothesizes that:

Ho: Firm size, firm age, profitability, liquidity, leverage, and auditor type are not significant determinants of compliance with IAS 41 by listed agricultural companies in Nigeria.

This study is significant as it contributes to theoretical understanding of those firm-specific factors that influence compliance with sector or industry-specific accounting standards in an emerging economy. It provides a useful insight to accounting standards compliance monitoring bodies like the FRCN and Securities and Exchange Commission (SEC) in their compliance surveillance function.

The paper is divided into five main sections. Following the introduction is literature review, methodology, results and discussion, and conclusion and recommendations.

Literature Review

Financial reporting by reporting entities is a highly regulated act. This is because without these regulations, preparers would manipulate or report in ways that promote either their interest or those of other stakeholders to the detriment of others. The development and issuance of accounting standards by accounting standards setting bodies is meant not only to provide a framework for recognition, measurement and treatment of accounting items in the financial statements but importantly to ensure that all stakeholders derive the maximal benefit from the information disclosed in the financial statements (IAS 2021)

Accounting standards are general or specific industry or sector focused. Accounting standards with a general focus are applicable to all reporting entities while specific standards are evolved to cater for the special reporting needs of an industry or sector. The IAS 41 is an example of an industry or sector specific standard. It is developed by the IASB to provide for the reporting needs of agricultural companies. Though agricultural companies prepare their financial statements in compliance with other accounting standards, IAS 41 provides a framework for reporting on biological assets, agricultural produce and government grants aimed to promote agricultural activities (IAS 2021).

According to Ndala (2018), IAS 41 provides a comprehensive guidelines for measurement of biological assets including the growing period, rate of growth, age, degree of degeneration or damage resulting from pests and diseases, harvesting and other related matters that cause decrease or increase in the value of such assets. The standard provides that biological assets and agricultural produce are to be measured at fair value. In particular,

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biological assets are to be measured at fair value while agricultural produce at fair value less estimated cost of sale at the point of harvest.

Biological assets and agricultural produce are valued at initial recognition and at the end of each year. The standard requires that biological assets and agricultural produce are to be recognised by a reporting entity on the condition that the reporting entity has control in the asset, or the future economic benefit will flow to the entity, and the fair value or cost of the asset can be reliably measured. With respect to biological asset, the standard provides several basis of determining the fair value for reporting purposes. Reporting entities are to measure biological asset at fair value less estimated cost to sell both at initial recognition and at end of every reporting period. IAS 41 further provides that gains and losses arising from the measurement of biological asset is to be included as net profit or loss in the period of occurance.

It is worth noting that prior to the introduction of IAS 41 and adoption in Nigeria in 2012, there was no specific accounting standards that serve as framework on accounting for agriculture. Thus, the country's adoption of the standard presented a new reporting regime that agricultural companies were to comply with. Studies on IAS 41 compliance by reporting entities in Nigeria and elsewhere shows varying levels of compliance. For instance, Ndala (2018) based on a qualitative study using questionnaire adminstered on 32 respondents made up of senior personnel of the accounts deperatment and senior internal audit managers of two agriculatural companies in Malawi reported that these companies were to a large extent compliant with the requirements of IAS 41 in terms of recognition and measurement of biological assets. Baigrie and Coetsee (2016) examined sixteen agricultural companies compliance with IAS 41 in South Africa focusing on component compliance analysis based on three themes of recognition and measurement, compliance with compulsory disclosure requirements, and voluntary disclosures as recommended by the standard. Overall, the study found that a majority of the companies adopt fair value to measure biological assets both at initial recognition and subsequent reporting dates, were compliant with compulsory disclsoure, and voluntary recommended disclosure requirements by the standard.

Emperical Review

Ibrahim and Kurfi (2019) found an average compliance score of 76.02% with IAS 41 by four agricultural companies in Nigeria during the period 2013 to 2017. The study developed 21 requirements that were used as a checklist to guage compliance by the sampled agricultural companies. This study however dis not explore the factors driving compliance with the requirements of the standard which the current study do. In another Nigerian study, Bagudo and Shuaibu (2021) focusing on five listed agricultural companies based on data from 2012 to 2019 found a 69% compliance level with IAS 41.

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The accounting literature has shown that reporting entities compliance with accounting and other regulatory requirements is influence by certain factors including regulatory and enforcement environment, firm-level, industry or sector-specific factors, and corporate governance charectersitics (Bagudo and Shuaibu, 2021; Fernandes & Lourenco, 2018). The current study focuses on firm-level factors of firm size, firm age, profitability, liquidity, leverage, and auditor type.

Firm size is concerned with how large or small a company is either in terms of either assets size or sales volume or number of branches, or number of personnel and other criteria. However, Demsetz and Lehn (2009) posits that total assets is a more appropriate measure of firm size. Larger firms are stated to be brought more under political scrutiny and have resources to produce the highest quality of financial reports. Such firms also make greater disclosures to reduce the level of information asymmetry. All these contribute to greater compliance with accounting reporting requirements including accounting standards. Indracahya and Faisol (2017) specifically argued that larger companies due to their economic importance face greater demand from stakeholders including the government to provide more quality financial reports thus making them to comply more with relevant accounting standards. Studies by Bagudo and Shuaibu (2021) found a positive and significant association between firm size and compliance with IAS 41 while Tsegba, Semberfan and Tyokoso (2017) reveal a positive but not significant association between firm size and compliance with IFRS.

Firm age is about the number of years pass since a company is either established or listed on the stock exchange (Ilaboya & Ohiokha, 2016)**.** According to Almasarwah (2015), the age of a company influences many of its affairs including compliance with accounting standards. It is shown that older firms have a reputation to protect therefore are more inclined to comply with relevant accounting standards than younger companies. Older companies also have well established accounting system with more experience staff compare to younger companies that supports higher levels of compliance with reporting standards. From another perspective, unlike younger companies whom may be at a competitive disadvantage by making greater disclosures, older companies are already market leaders when can afford to disclose more information hence achieve higher compliance level (Iyafekhe & Osemwegie-Ero, 2023). Contrary to the proposition that older companies are more compliant with accounting standards, Bagudo and Shuaibu (2021) found a negative but insignificant relationship between firm age and compliance with IAS 41 by listed agricultural companies in Nigeria. However, Iyafekhe and Osemwegie-Ero (2023) in their study of 56 financial service companies in Nigeria found firm age as a positively significant determinant of compliance with IFRS.

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Profitability relates to the performance of a company. The available literature suggest that profitable companies are not only motivated by the drive to announce their good performance but show that they are leaders. To prove leadership, influences their orientation to comply more with relevant financial reporting frameworks such as accounting standards. Such companies also in a bid to disclose their social responsibility tend to be more compliant with disclosure requirements (Iyafekhe & Osemwegie-Ero,2023). Empirical evidence by Aliu (2019) shows profitability is a significant determinant of compliance with international financial reporting standards in Nigeria. Also, Tsegba, Semberfan and Tyokoso (2017) reveal profitability as a positive and significant determinant factor of compliance with IFRS. However, Iyafekhe and Osemwegie-Ero (2023) show that profitability is negatively but significantly associated with compliance with IFRS in Nigeria.

According to Bwacha and Xi (2018) liquidity relates to a company's financial resources to pay its debts obligations as at when due. Similarly, Jacob and Taslim (2017) explain liquidity as a company's ability to fulfill its debt obligation at maturity. Liquidity is an important criterion that lenders consider before extending debts to a company. Lenders before extending facility must be satisfied that the company has the capability to repay and will operate as a going concern. Iyafekhe & Osemwegie-Ero (2023) document that companies that are highly liquid have nothing to hide, therefore, do engage in greater disclosure and in the process are more compliant with reporting requirements. Iyafekhe and Osemwegie-Ero (2023) found that liquidity has positive but not significant influence on IFRS compliance by financial service companies in Nigeria.

Leverage is the level of gearing of a company. Azouzi and Jarboui (2017) stated that leverage is a firm level attribute that influences the level that firms comply with extant laws including accounting standards. Islam, Ali and Ahmad (2011) argued that companies financed by greater debt tend to adhere more strictly with relevant accounting standards in order to prove efficiency of management and ethical uprightness to lenders and shareholders. Iyafekhe and Osemwegie-Ero (2023) document empirical evidence that greater disclosure reduces perceived risk therefore reduces cost of capital. This suggests that highly levered companies in compliance with debt requirements which may include reporting requirements by lenders, disclose more information hence are more compliant with disclosure requirements. Empirical evidence from Iyafekhe and Osemwegie-Ero (2023) show that leverage negatively and significantly drives compliance level with IFRS by financial service companies in Nigeria. However, Tsegba et al., (2017) found a negative but not significant association between leverage and compliance with IFRS.

Auditor type is about the type of auditor that is engaged to perform audit function in a company. Auditors are classified in the literature based on type into the Big-4 and non-Big 4 auditors. It has severally been argued that the large audit firms significantly determine the disclosure practices of the companies they audit. According to

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Watts and Zimmerman (1990), auditors play a major role in limiting opportunistic behavior by management that may result in creative accounting and this will by extension influence companies to comply with the relevant standards. The Big-4 audit firms have the resources to perform higher quality audit thereby higher financial reporting quality compare to non-Big 4 audit firms. The Big-4 are also expose to greater political scrutiny and have a reputation to protect. These factors make the Big-4 audit firms to impress on their client to be more compliant with disclosure requirements. Tsegba, Semberfan and Tyokoso (2017) reported that auditor type is a positive but not significant firm level attribute affecting compliance with IFRS by listed financial companies in Nigeria.

Theoretical Framework

From a theoretical perspective, this study is underpined by the signalling theory. The signalling theory was propounded by Spencer (1973) to explain the labour market. In the context of accounting and financial reporting in particular, the theory proposes that companies chose to discosure more information to the market to show that they are better performers. Laura, Giunta and Danielli (2010) argued that corporate disclosure level is dependent on several factors, one of which is firm level attributes that the current study investigates. Companies generally are motivated to comply with accounting standards either to aviod sanctions or signal ethical behaviour, or superior performnace therefore improve or maintain good image in the eyes of the public. Firm level attributes are an important determinant of level of compliance with reporting requirements and disclosure by companies therefore influences the extent to which companies signal to the market regarding performance or other matrix that affect external parties perception about it.

Methodology

This study was quantitative in nature and aligns with the positivist paradigm. It adopts a correlational research design to examine association between the dependent variable and the independent variables. The study data was extracted from the published annual reports and accounts of the 5 listed agricultural companies on the Nigerian Exchange Group (NGX) as at 31st December 2022 which are Ellah Lakes Plc, FTN cocoa processors Plc, Livestock Feeds Plc, Okomu Oil Palm Plc and Presco Plc. The study period was 2012 to 2022. The dependent variable was compliance with IAS 41 while the independent variables were firm size, firm age, leverage, liquidity and auditor type.

The study developed 11 compliance requirements through a thorough review of the IAS 41 and check compliance in the annual reports and accounts of the sampled companies. A score of "1" was assigned where a company complied with a reporting requirement and "0" otherwise. Since there were 11 items to be complied with by 5 companies over 11 years, overall compliance was gauged as a percentage of number of items

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complied with divided by 605. This approach is consistent with the studies of Tsegba, Semberfan and Tyokoso (2017) and (Iyafekhe & Osemwegie-Ero, 2023). In other words, compliance index was adopted to measure compliance level of the agricultural companies with the requirements of IAS 41.

On the other hand, the independent variables of firm size, firm age, profitability, leverage, liquidity and auditor type were measured as log of total assets, number of years pass since incorporation, return on equity, long term liability divided by total equity, current liabilities divided by current assets, and dummy variable where "1" was assigned for Big-4 and "0" non-Big 4 audit firms respectively.

The relevant model for the study was specified thus:

$$IAS41COM = f(FLA) \quad (1)$$

$$COMINDEX = f(FSZ, FAG, PROF, LEV, LIQ, AUDT) \quad (2)$$

$$COMINDEX_{it}=\beta_0+\beta_1FSZ_{it}+\beta_2FAG_{it}+\beta_3PROF_{it}+\beta_4LEV_{it}+\beta_5LIQ_{it}+\beta_6AUDT_{it}+\varepsilon_{it} \quad (3)$$

Where: IAS41COM = International Accounting Standard 41 Compliance, FLC = Firm Level Attributes, COMINDEX= Compliance Index, FSZ= Firm Size, FAG= Firm Age, PROF = Profitability, LEV= Leverage, LIQ= Liquidity, AUDT= Auditor Type, $\beta_{0=}$ Constant, β_1-β_6= Coefficients, $_i$= Companies, $_t$=time, ε=Error Term. The prior expectation is that FSZ, FAG, PROF, LEV, LIQ, AUDT are significant determinants of compliance with IAS 41.

Results and Discussion

Table 1 presents the descriptive statistics of the study variables.

Table 1: Descriptive Statistics

Variable	Mean	Std. Dev	Min.	Max.	Skewness	Kurtosis
COMINDEX	0.689	0.06361	0.58	0.85	0.0341	-0.9123
FSZ	17.71	0.83481	16.04	19.92	0.7487	0.8345
FAG	36.22	11.0000	17.00	56.00	0.9165	0.1113
PROF	0.320	1.00000	0.18	0.52	0.1963	0.0457
LIQ	1.535	0.59052	1.00	4.47	0.8256	0.9391
LEV	1.843	0.12515	1.31	1.99	0.6491	0.8284
AUDT	0.600	0.49487	0.000	1.00	0.0324	0.4325

Source: Authors computation 2024.

Table 1 shows that the mean compliance index is 0.689 indicating that on average, the agricultural companies were 68.9% compliant with the requirements of IAS 41 during the study period. This level of compliance shows that there is a gap in the compliance behavior of the companies. This is because compliance with

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accounting standards is supposed to be 100%. The minimum and maximum values of compliance with IAS 41 requirements by the listed companies is 0.58 and 0.85 respectively, implying the least level of compliance by a company with the standard during the study period was 58% and the maximum 85%. It could be inferred that in no year during the study period did any of the companies was 100% compliant with the requirements of the standard. The standard deviation of 0.06361 is less than the mean value and is suggestive that there is no serious dispersion in the compliance level among the 5 companies with the standard during the study period. It is important to state that the 68.9% compliance level is less than the 76.02% reported by Ibrahim and Kurfi (2019) and 69% by Bagudo and Shuaibu (2021), suggesting a deteriorating level of compliance by the companies over time.

Firm size has a mean value of 17.71 with a minimum of 16.04 and maximum of 19.92 and a standard deviation of 0.83481. The standard deviation does not show presence of wide dispersion in the total assets among the listed agricultural companies during the study period. Firm age has a mean value of 36.22, implying that the average incorporation years among the companies is 36 years. The oldest company in the sample is 56 years and the youngest is 17 years as indicated by the maximum and minimum values of 56 and 17 respectively. The standard deviation is 11 which is less than the mean value of 26.22 indicating little dispersion in the age of the companies.

Profitability has a mean value of 0.320, indicating that the average return on equity of the companies during the study period was 32% which is high. The minimum and maximum return on equity is 0.18 and 0.52 respectively. The standard deviation of 1.0000 shows no element of wide dispersion in the return on equity of the companies during the study period. The variable liquidity has a mean value of 1.535, implying that ₦1.535 is available to cover every ₦1.00 liability held by companies during the period. The minimum value is 1.00 and maximum is 4.47 while the standard deviation is 0.59052 which is low.

Leverage has a mean value of 1.843, minimum value of 1.31 and maximum value of 1.99 while the standard deviation is 0.12515 which shows no element of wide dispersion in the leverage among the listed agricultural companies during the study period. Finally, auditor type has a mean value of 0.600 indicating that 60% of the companies were audited by the Big-4 audit firms. The minimum value is 0.00 and maximum is 1.00 and the standard deviation is 0.49487 which is lower than the mean value and indicative of no wide dispersion.

Table 2 presents the correlation matrix showing the association that exists between the dependent and independent variables as well as between the independent variables of the study themselves.

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Table 2: Correlation Matrix

Variables	COMINDEX	FSZ	FAG	PROF	LIQ	LEV	AUDT
COMINDEX	1						
FSZ	0.1176	1					
FAG	-0.3105	-0.2048	1				
PROF	0.6208	-0.0249	-0.1009	1			
LIQ	0.0194	0.2499	0.0685	-0.1396	1		
LEV	0.0232	0.1209	-0.2222	-0.0478	0.1666	1	
AUDT	0.1037	0.6236	0.2231	0.1650	-0.2045	0.2583	1

Source: Authors computation 2024.

Table 2 reveals that there is a positive relationship between COMINDEX and firm size (0.1176), PROF (0.6208), LIQ (0.0194), LEV (0.0232) and AUDT (0.1037). This implies that an increase in these variables will lead to an increase in the level of compliance with the disclosure requirements of IAS 41 by the listed agricultural companies in Nigeria. However, FAG has a negative association with COMINDEX meaning increase in firm age will results to decrease in compliance with IAS 41.

The correlation among the independent variables though mixed is not harmful therefore does not indicate any problem of multicollinearity as the highest is that between auditor type and firm size which is 0.6236.

To ensure that the data satisfy the regression assumptions for reliability, a number of tests including normality, multicollinearity, heteroscedasticity test and Hausman specification test were conducted. Based on the skewness and kurtosis values in Table 1, the data is normally distributed. Though the correlation matrix in Table 2 based on the coefficients among the independent variables does not indicates problem of multicollinearity, the Variance Inflation Factor (VIF) was adopted to further confirm multicollinearity in the data set. The VIF test return values in the range of 1.25 to 1.47 with a mean value of 1.35 which is less than the 10.0 rule of thumb hence confirms absence of multicollinearity in the data.

The heteroscedasticity test performed returned a chi-square value of 0.07 and p-value of 0.796. Since the p-value is greater than the 0.05 level of significance, it means that heteroscedasticity is a problem. However, this was address by the use of the robust OLS regression model. To choose between the random effect (RE) and fixed effect (FE) regression, Hausman specification test was performed. The results reveal a p-value of 0.002 which favors the RE model. This led to the conduct of the Lagrange multiplier (ML) test using Breusch-Pagan

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to further chose between the RE and OLS model. The test returned a p-value of 0.5721 which is above the 0.05 level. Hence, the robust OLS model was selected for interpretation of the results.

Table 3: Summary OLS Regression Results

Variables	Coef.	Std. Err	t-values	p-values
FSZ	0.0172	0.0127	1.34	0.000
FAG	0.0014	0.0005	2.75	0.009
PROF	0.4210	0.0836	4.94	0.000
LIQ	0.0162	0.0134	1.22	0.231
LEV	0.0054	0.0375	0.14	0.000
AUDT	-0.0212	-0.0197	-1.08	0.288
CONS	0.3010	0.23048	1.31	0.198
R^2	0.4922			
F-value	5.33			
P-value	0.0003			

SOURCE: STATA Output

Table 3 reveals an R^2 of 0.4922 implying that the independent variables combined explains about 49.22% variation in the level of compliance with IAS 41 by the listed agricultural companies in Nigeria. This further means that about 50.78% of the variation in the compliance level with IAS 41 by the agricultural companies is explained by other factors not included in the study model. The F-statistics value of 5.33 which is associated with a p-value of 0.0003 that is less than the 0.05 level of significance is confirmation that the model is fit and results can be relied upon.

Table 3 reveals that FSZ has a positive coefficient of 0.0172, meaning that a one percent increase in firm size, all things being equal, will lead to about 1.72% increase in compliance with the disclosure requirements of IAS 41. The coefficient of 0.0172 has a p-value of 0.000 which is less than the 0.05 level of significance. Hence, there is enough evidence to conclude that firm size is a significant determinant of compliance with IAS 41 by listed agricultural companies in Nigeria. This finding concurs with the earlier finding by Bagudo and Shuaibu (2021) but contradicts Tsegba, Semberfan and Tyokoso (2017) who reported a positive but not significant relationship. It is implicit from the results that larger companies are more compliant with the disclosure requirements of IAS 41 than smaller companies.

Table 3 indicates that Firm Age (FAG) has a positive coefficient of 0.0014 and p-value of 0.009. The coefficient of 0.0014 signifies that an increase in firm age will lead to increase in compliance with IAS 41 to the same magnitude. On the strength of the p-value of 0.009, it is concluded that firm age is a significant determinant of compliance with IAS 41 by listed agricultural companies in Nigeria. This finding reiterates Iyafekhe and Osemwegie-Ero (2023) but is contrary to Bagudo and Shuaibu (2021). The finding is suggestive

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that at least within the agricultural sector, compliance monitors need pay more attention to compliance with IAS 41 by younger companies than the older companies as the former are more compliant.

With respect to profitability, Table 3 reveals that Profitability (PROF) has a coefficient of 0.4210 and a p-value of 0.000. The coefficient of 0.4210 is positive and suggests that an increase in profitability will lead to the same increase in compliance with IAS 41 disclosure requirements by the listed agricultural companies in Nigeria. Based on the p-value of 0.000 which is below the 0.05 level of significance, it is concluded that profitability is a significant determinant of listed agricultural companies in Nigeria compliance with IAS 41. This finding corroborates Tsegba, Semberfan & Tyokoso (2017) and Aliu (2019) but refutes Iyafekhe and Osemwegie-Ero (2023). It is also implicit that companies that are more profitable are more compliant with the disclosure requirements of IAS 41.

Liquidity is revealed in Table 3 to have a coefficient of 0.0162 and a p-value of 0.231. The coefficient of 0.0162 is positive and suggests that higher liquidity will similarly increase compliance with the disclosure requirements of IAS 41. However, the p-value of 0.231 is above the 0.05 level of significance hence is premise to conclude that liquidity is not a significant determinant of compliance with IAS 41 by listed agricultural companies in Nigeria. This finding agrees with Iyafekhe and Osemwegie-Ero (2023). The finding implies that while greater liquidity is an indication of a company's ability to meet is daily expenses and other obligations, it is not a necessary factor that enhance compliance with accounting standards in the process of financial reporting.

Table 3 indicates that LEV has a coefficient of 0.0054 and p-value of 0.000. The coefficient is not only positive but is also significant at the 0.05 level of significance. There is therefore enough evidence to conclude that leverage is a significant determinant of compliance with IAS 41 by listed agricultural companies in Nigeria. This finding does not support earlier findings by Iyafekhe and Osemwegie-Ero (2023). It also conforms with a prior expectation and the general argument that debt covenant terms by lenders makes companies to disclose more information and, in the process, become more compliant with disclosure requirements.

It is also clear from table 3 that AUDT has a coefficient of -0.0212 and a p-value of 0.288. The coefficient is negative and suggest that engaging the Big 4 auditors will worsen compliance with the disclosure requirements of IAS 41. The p-value of 0.288 is above the 0.05 level of significance and is premise to conclude that auditor type is not a significant determinant of compliance with IAS 41 by listed agricultural companies in Nigeria.

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This finding contradicts Tsegba, Semberfan and Tyokoso (2017) and is suggestive that engagement of the Big 4 does not guarantee higher levels of compliance with disclosure requirements.

Conclusion and Recommendation

This study provides insight into the firm level factors that matter in driving compliance with specific industry accounting standard with a focus on IAS 41 by listed agricultural companies in Nigeria. The empirical evidence shows the listed agricultural companies were moderately compliant with the disclosure requirements of IAS 41, recording a less than 70% compliance. The results also indicate that firm size, firm age, profitability, and leverage are significant determinants of listed agricultural companies' compliance with the disclosure requirements of IAS 41 while liquidity, and auditor type are not. The study therefore concluded that firm level factors alone are not enough to ensure total compliance with the disclosure requirements of IAS 41. Therefore, in order to elicit higher level of compliance which is fundamental to higher financial reporting quality, it is recommended that regulatory bodies particularly the FRCN and SEC should intensify compliance monitoring in the agricultural sector and adopt stricter penalties for non-compliance by companies in the sector.

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