**Board Attributes and Effectiveness of Quality of Consolidated Financial Statements: A Critical Analysis of Selected Nigerian Companies**

**Abstract**

*The examine the effectiveness of the quality of consolidated financial statements and assess the influence of board attributes in enhancing financial reporting quality in Nigeria. The research employed a mixed-method survey strategy in data collection. Data were collected from primary and secondary sources. Primary data were collected using a structured questionnaire. Data were gathered from the 2014-2024 annual reports of twenty (20) sample companies in Nigeria. Data were examined through descriptive and inferential statistics. Generalised Linear Model and Variance Ratio Test are traditionally applied to identify whether a random walk is present in a time series. The results indicate that board attributes have a statistically significant negative impact on the reporting quality of consolidated financial reports (β = -0.0157, p = 0.0055), i.e., more superior-quality board attributes may ironically be associated with lower report quality. Besides, International Financial Reporting Standards compliance has a statistically significant strong negative impact (β = -0.1333, p = 0.0000), and it has a significant impact on financial report outcomes. On the other hand, regulatory compliance has a very small and statistically insignificant impact (β = 0.0019, p = 0.5764), demonstrating minimal impact on reporting quality. The model is greatly fitted, as seen from a likelihood ratio (LR) figure of 74.38 (p < 0.01), thereby ensuring its fitness. The negative effect of these findings is that boards that adopt worldwide practices without contextual adaptation can worsen financial reporting by generating confusion and misalignment with local conditions, and this creates a gap between formal board structure and actual performance, leading to poor financial reporting quality in spite of seemingly good governance. The study shows that governance and IFRS compliance are essential, but their adverse associations need to be explored further. The study concluded that there is a need to encourage more effective monitoring and review of governance processes to align with the objectives of financial reporting standards. Regulators must also consider individual measures to further reinforce the positive impact of board effectiveness on financial transparency.*

**Keywords:** Board attributes, IFRS compliance, regulatory compliance and quality of consolidated financial statements

**1.0 Introduction**

Consolidated accounts' cross-border effectiveness is undermined by incoherence in the application of accounting standards, opacity in group accounts, suboptimal audit processes, and inadequate monitoring of cross-border subsidiaries (Taylor et al., 2025; Halidu et al., 2025). Notwithstanding the implementation of International Financial Reporting Standards (IFRS), incoherence in application and disclosure policies among countries undermines comparability, reliability, and investor confidence (Gomes & Costa, 2025). Consolidated financial statements reflect the assets, liabilities, results of operations, and cash flows of the parent and its subsidiaries as the operations of a single economic entity these financial statements are consolidated and present the assets, liabilities, and equity, as well as the income, expenses, and cash flows of the parent and its subsidiaries as though they are one single entity with intercompany transactions and balances having been eliminated to present a true and fair view of the financial performance and position of the reporting entity as a whole (Samuel & Arobieke, 2025; Halidu et al., 2025). For purposes of this study, based on IFRS 10, consolidated financial statements. IFRS 10, consolidated financial statements of a group in which the parent and its subsidiaries are presented as those of a single economic entity. The goals of IFRS are to enable reporting on the financial position and performance for the whole corporate group and to neutralize the impact of inter-company transactions which are not indicative of transactions with the outside economy (Odoemelam & Wobo, 2025). The standard prescribes the presentation and preparation of consolidated financial statements and guidance on the accounting for investments in subsidiaries, associates and joint ventures in such statements.

The poor group-level internal controls and deficient consolidation methods lead to financial misstatements, manipulation, and lower utility to stakeholders (Agana et al., 2023). The efficiency of consolidated financial reports in Africa is precluded by institutional weakness, poor technical capacity, weak regulatory enforcement, and low uptake of IFRS. Most organisations face difficulties in proper consolidation of subsidiaries as a result of weak financial reporting systems, dispersed group structures, and weak audits (Olumoh, 2025). The use of manual processes and antiquated bookkeeping systems in most countries in Africa enhances the quality of financial reporting as well as undermines stakeholder confidence. Researchers have determined that the prompt and accurate consolidation of financial data from subsidiaries remains ineffective, resulting in ambiguous financial reporting and diminished investor confidence (Kwamboka et al., 2025; Alomair & Al Naim, 2025). Furthermore, fraudulent financial reporting and insufficient accountability continue to undermine trust in financial statements within the Nigerian business sector (Angsoyiri et al., 2025). The impact of board characteristics, i.e., independence, accounting knowledge, size, diversity, and board meeting frequency, on the quality of consolidated financial reports has long been evidenced in the existing literature. Yahaya (2025) argues that the presence of a greater percentage of independent and accounting-savvy board members enhances monitoring, dampens earnings management, and ensures tight internal controls during consolidation processes. Olanisebe et al. (2025) argue that effective board governance has a positive association with enhanced financial reporting quality, especially within intricate group structures, where technical guidance and moral leadership are essential.

**1.1 Statement of the Problems**

The literature notes that consolidated financial statements are of lower quality due to inferior oversight of boards, lax enforcement of IFRS, a lack of financial expertise among those preparing and auditing, and systemic governance inefficiencies the very barriers that the local and global harmonization of accounting standards and the corporate governance failure create impediment for quality financial statement (Ogunbanjo et al. 2025). Poor-quality consolidated financial statements have serious consequences erosion of investor confidence, misallocation of capital, and increased risk of corporate failures, regulatory sanctions, and public distrust of financial markets. However, the existence of implementation gaps, poor monitoring, and low board accountability continue to limit the impact of these reforms. To ensure better-quality consolidated financial statements, mandatory adoption of IFRS, reforms of corporate governance codes, strengthening of the Financial Reporting Council of Nigeria, capacity building for accountants and auditors, and promotion of increased board independence and financial expertise have been called for.

**1.2 Research Questions**

1. What is the current state of the quality of consolidated financial statements in Nigeria?
2. How do board attributes influence the quality of consolidated financial statements?
3. To what extent do Nigerian companies comply with IFRS requirements in preparing consolidated financial statements?

The broad objective of the study was to examine the effectiveness of the quality of consolidated financial statements and assess the influence of board attributes in enhancing financial reporting quality in Nigeria. The study specifically evaluates the current quality of consolidated financial statements among Nigerian firms; examines the influence of board attributes such as independence, size, and financial expertise on the quality of consolidated financial statements; and assesses the extent of compliance with IFRS consolidation standards in Nigerian corporate financial reports.

**2.0 Literature Review**

**2.1 Conceptual Review**

**2.1.1 Financial Statement Quality**

Financial statement quality refers to the degree to which financial statements represent a firm's economic situation and are relevant, reliable, comparable, and timely (Apalowowa et al., 2023). Consolidated financial statements must present the financial position and performance of a group of entities (subsidiaries and parent) as one entity. Quality consolidation comprises the elimination of intragroup transactions, consistent accounting policies, and extensive disclosures (Samuel & Arobieke, 2025).

**2.1.2 Board Attributes**

The Attributes of the board are those structural and functional features of a board of directors that affect the governance of the organization. These include board independence (with non-executive directors who can provide an unbiased oversight), board size (optimal number of members to allow diverse views and quick decisions), financial expertise on the board (directors with accounting and finance knowledge), diversity on the board (gender, professional background, age), and meeting frequency (regular monitoring and engagement in day-to-day oversight functions). Angsoyiri et al. (2025) offered the view that independence of the board is basic to good corporate governance, representing the very principles of accountability, transparency, and ethical stewardship in organizations. Apalowowa et al. (2023) believed independence to be necessary so as to protect the interest of all stakeholders it shareholders, employees, customers, or the general community. Board independence talks about an all-encompassing exploration of what it means for a board to be independent and its relevance in a modern business circle (Olumoh, 2025).Board independence implies the composition of a board of directors in which most or a sizable number of members are free from any relationships or conflicts of interests arising which might operate against their capacity to act impartially (Seun et al., 2024).

**2.1.3 IFRS Compliance**

Agana et al. (2023) argue that "IFRS compliance would mean the full implementation of international principles in the preparation and presentation of financial statements, e.g., good consolidation procedures (IFRS 10: Consolidated Financial Statements), elimination of intra-group balances and transactions, similar accounting policies across the group, and clear disclosures on time (IFRS 12: Disclosure of interests in other entities). IFRS compliance means conformity to International Financial Reporting Standards by financial reporting entities issued by the International Accounting Standards Board (Samuel & Arobieke, 2025). IFRS compliance means correct application of standards in the preparation, presentation, and disclosure of financial information (Toluwani et al., 2024). This ensures comparability, transparency, and reliability of financial statements across borders. In application, it requires appropriate consolidation methods, persistent accounting policies, and adequate disclosure as dictated by some IFRS standards (Utibe & Modupe, 2024).

**2.1.4** **Regulatory Compliance**

This situation can be explained by regulatory compliance and institutional theory as compliance with rules is not only a matter of regulation but also of legitimacy. when all is said and done, for an organization to behave in a consistently compliant manner, it needs to perceive the rules as legitimate and meaningful to its operations **(**Gomes & Costa, 2025**)**. In circumstances where the only thing that stands between an organization and noncompliance is overbearing, paternalistic regulation, an appearance of compliance is generally what happens.

This study defines regulatory compliance as a part of the internal control framework that ensures an organization is acting ethically, is responsible, and is being transparent in its actions. Goje et al.(2024) as cited in Agana et al. (2023), posit that public companies have to comply with the Sarbanes-Oxley Act (SOX), which is supposed to bolster the accuracy and reliability of financial statements. SOX was a reaction to the kind of creative accounting that enabled Enron, WorldCom, and other companies to inflate their stock prices and then crash. Compliance means that a business adheres to all of the myriad laws, regulations, standards, and specifications that apply to doing business its way, in its particular industry (Apalowowa et al., 2023). Failing to adhere to the rules could result in serious legal outcomes, things as fines, penalties, or even being shut down, which some activities do not want to face. A company complies with regulations when it follows all the laws, rules, standards, and specifications that pertain to its activities.

**2.2 Theoretical Review**

The study reviewed the following three theories: Stewardship Theory, accountability theory, and Stakeholder Theory. However, the study is anchored on Stewardship Theory

**2.2.1 Stewardship Theory**

Theory by Donaldson and Davis in 1991 holds that managers as stewards have an intrinsic desire to work in the best interests of the organisation and shareholders as opposed to following their own self-interests. Agency theory holds that there is conflict between agents and principals, while stewardship theory holds that alignment prevails. This is because the theory states that CEOs and board members are trustworthy, committed, and committed to the development of the organisation (Seun et al., 2024). The principle stipulates that board members should have great trust, collaborate, and act in the interests of the organisation. Managers are viewed by individuals as responsible stewards who act in the interest of the organisation first (Gallo, 2013). Others contend the theory is too optimistic about human nature since it does not take into consideration any self-serving acts that may take place and does not take into consideration how massive monitoring mechanisms are. It also does not work well in high-risk governance situations (Freeman et al., 2020; Hernandez, 2012). The philosophy of consolidated financial reporting rationalizes the assumption that the skill, dedication, and moral values of board members improve the quality of financial reports.

**2.2.2. Accountability Theory**

Tetlock (1985) speaks of Accountability Theory, according to which people or bodies must have the ability to justify their actions and decisions to the respective people. It improves decision-making in a more accountable and transparent way. Individuals, as per accountability theory, are more thoughtful, informed, and moral in their decision-making if they are to be held accountable (Toluwani et al., 2024). The theory develops a mechanism of checks and balances in the operation of companies. As per the theory of accountability, monitoring, the anticipation of explaining, and the potential of scrutiny all contribute to improved performance and honesty (Utibe & Modupe, 2024). Accountability theory embraces the presumption that stakeholders and regulators want people to be held responsible for what they do. Accountability philosophy makes people reluctant and cautious instead of being so open. Symbolic accountability is another option, where things are done to look like that instead of for the right reasons, in contrast to what is truly intended (Goje et al., 2024). If boards are working in an accountable, healthy culture, then they need to be autonomous, have audit ability, and be accountable for disclosures. This theory explains how much of important these elements are because they contribute to making consolidated financial statements more accurate by eliminating errors and omissions.

**2.2.3. Stakeholder Theory**

Freeman made the first mention of Stakeholder Theory in 1984. Stakeholder Theory explains that when companies make decisions, they should take into account the interests of all the stakeholders, not just shareholders. Concerning moral, social, and environmental concerns, the approach expands the scope of corporate governance (Gomes & Costa, 2025). The approach calls on boards to act responsibly when dealing with stakeholders and to engage everyone in the value-creating process (Isidro et al., 2020). The theory holds that businesses weave a network of relations with stakeholders and that sustained success is dependent on meeting the needs of different stakeholders, such as workers, shareholders, regulators, and society at large (Petroski & Yahaya, 2024; Isidro et al., 2020). Some are opposed to stakeholder theory because it fails to properly illustrate how to prioritize the interests of multiple stakeholders and will potentially make shareholders more accountable (Isidro et al., 2020). The idea is said to make decision-making harder. The idea is connected to board characteristics and accounting reports because it asserts that board diversity, stakeholder interaction, and transparency are key features. Boards that subscribe to stakeholder theory will see to it that consolidated accounts statements are a true reflection of the interests of a wide range of stakeholders. This renders the reports comprehensive, socially responsible, and credible.

**2.3 Empirical Review**

Gomes and Costa (2025) focused on IFRS convergence and its impact on value relevance and earnings management in listed Indian firms. They calculated CG scores for 573 listed firms from 2014-2015 to 2020-2021. They employed both static and dynamic panel models with GMM estimators to test their conditional hypotheses. Their key finding is that the positive correlation between CG scores and the value relevance of earnings diminishes in the presence of IFRS. Interestingly, though, the interactive impact of CG scores and IFRS on book values is statistically insignificant.

Angsoyiri et al. (2025) examined the governance and ownership structures of UK corporations (with a special emphasis on boardroom gender diversity) and their relationship to the firms' financial leverage (i.e., how much debt they use). They took a look at 484 firms that are in the FTSE All-Share Index and made 4,356 observations over the 2015 to 2023 period. (Remember, that's over 3 years but for 484 different firms, so a lot of different annual reports for them.) Results. The authors got some pretty interesting results. They found that CEO duality and boardroom gender diversity are positively associated with leverage on the upside, while other governance/ownership factors that they looked at (like management ownership and government shareholding) do use leverage on the downside in their capital structures.

Yahaya, (2025) explored the association between board independence and earnings management, concentrating on its consequences for corporate governance and the quality of financial reporting. The investigation encompassed a period of ten years, from 2014 to 2023, and drew upon evidence from 153 public firms across various sectors. Yahaya employed a panel data methodology that fused financial statements and corporate governance reports. An Ordinary Least Squares regression analysis was applied. The study's findings revealed that board independence is negatively and significantly associated with earnings management.

Ogunbanjo et al. (2025) studied how board attributes affect agency costs in publicly listed Deposit Money Banks (DMBs) in Nigeria. This study used an ex-post facto research design. The population of the study consisted of 13 out of 15 DMBs that were, as of December 31, 2023, listed on the Nigerian Exchange Limited (NGX). Data were gathered from the DMBs' annual reports for a 10-year period (2014-2023). The main statistical technique that was deployed was multiple regression analysis. The main findings of the study reported that 81% of the changes in agency costs of the DMBs in Nigeria could be attributed to board attribute changes. The findings more specifically showed that: Board independence has a negative and significant effect on agency costs. Board size has a positive and significant effect on agency costs.

In a study carried out by Olowookere et al. (2025) on the quality of financial reporting in Nigerian listed oil and gas companies and how it has been affected by the adoption of IFRS, the authors were able to select a purposive sample of six (6) oil and gas companies from a total of nine key players in the sector between the years 2018 to 2022. They executed a number of correlation and regression analyses, among other descriptive and inferential studies, on the data gathered. They also carried out a number of post-estimation tests to reinforce their findings with respect to the quality of the financial reports. They found that there is a significant and negative correlation between IFRS and earnings management practices (t-stat = -0.1458, p<0.05).

In a study conducted by Olumoh (2025) that examined the perceived impact of integrated financial accounting systems on operational efficiency, general ledger management, automation of reconciliation processes, and regulatory requirements compliance in Nigeria Deposit Money Banks. The research employed a descriptive survey design to gather primary data; stand-alone questionnaires were issued to 105 senior finance staff, accounting, auditing, operational roles, and IT specialists who were randomly selected from 15 Deposit Money Banks (DMBs) in Nigeria. Hypothesis testing was conducted based on Covariance-Based Structural Equation Modeling (CB-SEM), whose findings indicate that general ledger management significantly impacts operational performance, with a parameter estimate of 1.060 and a p-value of 0.001.

Olanisebi et al. (2024) examined the impact of board characteristics on the profitability of listed agricultural companies in Nigeria. The study used a sample of five (5) agricultural companies quoted on the Nigerian Exchange Group (NGX) as of December 2023. Requisite data for the study were derived from the sample companies' annual reports and accounts for a period of fourteen (14) years (2010-2023). The data generated were subjected to descriptive statistics, Correlation matrix, Ordinary Least Squares (OLS), and Generalized Least Square (GLS) regression. Their finding indicates that board attributes have a significant influence on the profitability of listed agricultural companies in Nigeria, while board composition has an insignificant influence on profitability.

Agana et al. (2023) examined the theoretical underpinnings of IFRS-related research and offer advice for empirical and theoretical research. The sample comprising 67 empirical papers employing theories was collected from the Web of Science database. A systematic review approach is used in this research. Evidence of their analysis is that the extensive and far-reaching application of institutional theories of isomorphism in all three areas of IFRS adoption provides theoretical perspectives for IFRS adoption, IFRS compliance, and IFRS adoption implications.

**3.0 Methodology**

The study employed a mixed survey research design to gather information. Data were obtained from both primary and secondary sources. Data were sourced from the annual reports of the twenty (20) selected firms in Nigeria between 2014-2024. The study adopted a model in the study of Samuel and Aeobieke (2025), which is stated in the regression below:

*FP = β + β1 BCOM+ β2 BIND+ β3BRFW+ β4ELES+ µi ………………………………………….(i)*

Where:

*FP = Firm Performance*

*BCOM = Board Composition*

*BIND = Board Independent*

*BRFW = Board Regulatory Framework*

*ELES = Executive Leadership.*

*µi = Error term*

Econometrically thus; this study re-modified the model by incorporating IFRS compliance and regulatory compliance into the model, which other studies failed to captured.

*FSQ = β + β1 BOATTR+ β2IFRSCOM+ β3REGCOM+ µi ………………………………………….(ii)*

Where:

*FSQ = Financial Statement Quality*

*BOATTR = Board Attributes*

*IFRSCOM =IFRS Compliance*

*REGCOM = Regulatory Compliance*

*µi = Error term*

The independent variable is the board attributes proxy by IFRS Compliance, Regulatory Compliance. The dependent variable is the Financial Statement Quality proxy by the timeliness of Financial Reporting. The study utilized statistical tools like descriptive and inferential statistics. Data were analysed using Generalized Linear Model and Variance Ratio Test, which is typically used to test for the presence of a random walk in a time series.

**4.0 Results and Discussion**

**4.1 Descriptive Statistics**

The Consolidated Financial Statements Current Quality (CQCFS) is negatively skewed with a mean of -2.15, indicating a generally poor quality and perhaps deteriorating state of financial statements in the sample. Most of the variable is negatively skewed (-3.08) with extreme kurtosis (36.05), which suggests the existence of extreme outliers or extreme values at the lower end. Non-normality is verified through the Jarque-Bera test with a p-value of 0.000. Board Attribute (BOATTR) has a high mean of 69.95 and median of 71.43, indicating good board attributes for the majority of organisations. The distribution is left-skewed (-0.49) to a moderate extent and moderately peaked (kurtosis = 3.13), indicating an approximately symmetric distribution but with extremely high variability. The Jarque-Bera statistic also indicates non-normality. IFRS conformity (IFRS\_COM) with a mean of 12.17 and median of 12.99, indicating moderate levels of conformity. The measure is negatively skewed (-1.45) and leptokurtic (kurtosis = 5.11), and this indicates a concentration of data with low-end outliers. The Jarque-Bera test strongly rejects normality. Regulatory Compliance (REGCOM), possibly a mirror of the overall financial or corporate governance setting, has a mean of 63.06 and median of 60.00. It is narrowly symmetrical (skewness = -0.27) and nearly normal (kurtosis = 3.17), although the Jarque-Bera test also indicates highly significant non-normality (p = 0.007).

**Table 1:** **Descriptive Statistics on the Relationship between Board Attributes and Effectiveness of Quality of Consolidated Financial Statements**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | QCFS | BOARD\_ATTR | IFRS\_COM | REG\_COM |
| Mean | -2.146299 | 69.94833 | 12.16633 | 63.06248 |
| Median | -2.060000 | 71.43000 | 12.99000 | 60.00000 |
| Maximum | 16.00000 | 100.0000 | 25.54000 | 100.0000 |
| Minimum | -33.74000 | 16.67000 | 0.000000 | 0.000000 |
| Std. Dev. | 2.960053 | 13.95821 | 4.496118 | 23.92192 |
| Skewness | -3.077693 | -0.490911 | -1.446137 | -0.269974 |
| Kurtosis | 36.04700 | 3.130262 | 5.105073 | 3.169666 |
| Jarque-Bera | 34982.70 | 30.36839 | 396.1608 | 9.916914 |
| Probability | 0.000000 | 0.000000 | 0.000000 | 0.007024 |
| Sum | -1594.700 | 51971.61 | 9039.580 | 46855.42 |
| Sum Sq. Dev. | 6501.338 | 144565.1 | 14999.59 | 424615.7 |
| Observations | 743 | 743 | 743 | 743 |

**Source: Research Computation (2025)**

**4.2 Generalized Linear Model (Newton-Raphson / Marquardt steps)**

Regression analysis gives us important information about the impact of board attributes and other factors on the dependent variable. BOARD\_ATTR is negatively and statistically significant (β = -0.0157, p = 0.0055), which shows that higher board attributes go hand in hand with a decline in the dependent variable. IFRS\_COM (adherence to IFRS) has a high negative and statistically significant coefficient (β = -0.1333, p = 0.0000), which means: adherence to IFRS has a high negative impact on the dependent variable. Regulatory compliance has a negligible, statistically insignificant positive coefficient (β = 0.0019, p = 0.5764), which means it is not very significant. The constant term is not statistically significant (p = 0.2023). The model is a good fit, as suggested by an LR of 74.38 and a p-value of less than 0.01, which means that the model can be used in general. Akaike and Schwarz values suggest that the model is defined correctly. Deviations and dispersion measures suggest that moderate variability exists. The most appropriate to comprehend the outcome variable is when board attributes and IFRS conformity are taken into consideration.

**Table 2: Regression Analysis on the Relationship between Board Attributes and Effectiveness of Quality of Consolidated Financial Statements**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
| Variable | Coefficient | Std. Error | z-Statistic | Prob. |
|  |  |  |  |  |
| C | -0.543012 | 0.425884 | -1.275025 | 0.2023 |
| BOARD\_ATTR | -0.015691 | 0.005647 | -2.778852 | 0.0055 |
| IFRS\_COM | -0.133349 | 0.016851 | -7.913394 | 0.0000 |
| REG\_COM | 0.001850 | 0.003311 | 0.558676 | 0.5764 |
|  |  |  |  |  |
|  | Weighted Statistics | |  |  |
| Mean dependent var | -0.001444 | S.D. dependent var | | 2.959056 |
| Sum squared resid | 12381.24 | Log likelihood | | -3683.775 |
| Akaike info criterion | 4.963359 | Schwarz criterion | | 4.977635 |
| Hannan-Quinn criter. | 4.968680 | Deviance | | 12381.24 |
| Deviance statistic | 8.354412 | Restr. deviance | | 13002.68 |
| LR statistic | 74.38439 | Prob(LR statistic) | | 0.000000 |
| Pearson SSR | 12381.24 | Pearson statistic | | 8.354412 |
| Dispersion | 8.354412 |  |  |  |
|  |  |  |  |  |
|  | Unweighted Statistics | |  |  |
|  |  |  |  |  |
| Mean dependent var | -2.146299 | S.D. dependent var | | 2.959056 |

**Source: Research Computation (2025)**

**4.3 Joint Tests of Variance Ratio Test**

The table presents the result of a variance ratio test, which is usually used to test whether a time series is a random walk. The joint test statistic demonstrates that the random walk hypothesis is at the 1% level, with a maximum |z| value of 3.096164 at period 2 and a probability of 0.0098. All tests run at different times (2, 5, 8, 11, and 14) yield variance ratios significantly less than 1, p-values smaller than 0.01, and z-statistics ranging between -2.584 and -3.096. The tests show that the time series is not an essentially random process, i.e., the null hypothesis of randomness of the walk is rejected at all times. The variance of the time series keeps on reducing as the overall period reduces from 13.8962 at period 1 to 1.3176 at period 14. The declining trend in variance and variance ratios is indicative of mean-reverting behaviour or serial correlation rather than a random walk. The results depict that there are drastic deviations from the random walk hypothesis. This series may be suggesting that the underlying data series is mean-reverting or predictable.

**Table 3: Join Test of Variance Ratio Test** **on the Relationship between Board Attributes and Effectiveness of Quality of Consolidated Financial Statements**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Joint Tests | | Value | df | Probability |
| Max |z| (at period 2)\* | | 3.096164 | 744 | 0.0098 |
| Individual Tests | |  |  |  |
| Period | Var. Ratio | Std. Error | z-Statistic | Probability |
| 2 | 0.519655 | 0.155142 | -3.096164 | 0.0020 |
| 5 | 0.223549 | 0.264591 | -2.934537 | 0.0033 |
| 8 | 0.155050 | 0.307107 | -2.751324 | 0.0059 |
| 11 | 0.117554 | 0.332789 | -2.651664 | 0.0080 |
| 14 | 0.094819 | 0.350263 | -2.584289 | 0.0098 |
|  |  |  |  |  |
| \*Probability approximation using studentized maximum modulus with | | | | |
| parameter value 5 and infinite degrees of freedom | | | | |
| Test Details (Mean = 0.000349462365591) | | | |  |
|  |  |  |  |  |
| Period | Variance | Var. Ratio | Obs. |  |
| 1 | 13.8962 | -- | 744 |  |
| 2 | 7.22123 | 0.51965 | 743 |  |
| 5 | 3.10648 | 0.22355 | 740 |  |
| 8 | 2.15460 | 0.15505 | 737 |  |
| 11 | 1.63356 | 0.11755 | 734 |  |
| 14 | 1.31762 | 0.09482 | 731 |  |
|  |  |  |  |  |

**Source: Research Computation (2025)**

**4.4 Discussion of Findings**

The regression analysis results provide valuable insights into the influence of board features and compliance factors on the outcome variable. The negative and statistically significant correlation between board features and the dependent variable indicates that superior board governance is associated with a reduction in adverse financial consequences. This aligns with earlier studies that emphasise the significance of effective board structures in enhancing financial reporting and mitigating risk. The significant adverse impact of adhering to IFRS aligns with previous research indicating that global accounting standards might enhance discipline and transparency. Conversely, the absence of a substantial benefit from regulatory compliance indicates that mere adherence to regulations significantly influences financial outcomes, which differs from several previous studies that advocated for more stringent law enforcement. The study's findings indicate that effective governance and adherence to regulations are crucial. The findings of this study align with those of Olanisebi et al. (2024), which examined the impact of board features on the profitability of publicly listed agricultural firms in Nigeria. Their findings indicate that board features significantly influence the profitability of these organisations. This contradicted the findings of Gomes and Costa (2025), who examined the impact of the convergence of International Financial Reporting Standards (IFRS) on value relevance and earnings management in Indian listed businesses. Their findings indicate that the presence of IFRS diminishes the positive impact of corporate governance ratings on the value relevance of earnings. Nonetheless, the interplay of these influences on book values remains unchanged.

**5.1 Conclusion and Recommendations**

The study found that the data highlight the crucial impact of board characteristics and IFRS compliance on the dependent variable examined. The negative and statistically significant correlation between board qualities and the outcome variable suggests that more robust governance systems, including improved board monitoring and experience, correlate with a decrease in unfavourable outcomes. Compliance with International Financial Reporting Standards (IFRS) has a markedly substantial negative impact, underscoring the importance of transparent and standardised financial reporting methods in enhancing organisational performance or mitigating adverse financial results. The study advised organisations to emphasise enhancing board characteristics like independence, diversity, and financial acumen; regulatory bodies and corporations should persist in promoting and executing IFRS compliance due to its significant and advantageous impact on financial results; policymakers must reevaluate current regulatory frameworks, concentrating on enforcement, relevance, and contextual adaptation to enhance their effectiveness.

**Disclaimer (Artificial intelligence)**

Author(s) hereby declare that NO generative AI technologies such as Large Language Models (ChatGPT, COPILOT, etc.) and text-to-image generators have been used during the writing or editing of this manuscript.

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**Appendex I**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | QFS | | BOARD\_ATTRIBUE | | IFRS\_COM | | Current\_State | | |
| Mean | -2.146299 | | 69.94833 | | 12.16633 | | 63.06248 | | |
| Median | -2.060000 | | 71.43000 | | 12.99000 | | 60.00000 | | |
| Maximum | 16.00000 | | 100.0000 | | 25.54000 | | 100.0000 | | |
| Minimum | -33.74000 | | 16.67000 | | 0.000000 | | 0.000000 | | |
| Std. Dev. | 2.960053 | | 13.95821 | | 4.496118 | | 23.92192 | | |
| Skewness | -3.077693 | | -0.490911 | | -1.446137 | | -0.269974 | | |
| Kurtosis | 36.04700 | | 3.130262 | | 5.105073 | | 3.169666 | | |
| Jarque-Bera | 34982.70 | | 30.36839 | | 396.1608 | | 9.916914 | | |
| Probability | 0.000000 | | 0.000000 | | 0.000000 | | 0.007024 | | |
| Sum | -1594.700 | | 51971.61 | | 9039.580 | | 46855.42 | | |
| Sum Sq. Dev. | 6501.338 | | 144565.1 | | 14999.59 | | 424615.7 | | |
| Observations | 743 | | 743 | | 743 | | 743 | | |
| Dependent Variable: Financial Statement Quality | | | | | | | |  |
| Method: Generalized Linear Model (Newton-Raphson / Marquardt steps) | | | | | | | | |
| Date: 05/17/25 Time: 23:27 | | | | | |  | |  |
| Sample: 1 747 | | | |  | |  | |  |
| Included cases: 743 | | | | | |  | |  |
| Total observations: 1486 | | | | | |  | |  |
| Family: Normal | | | |  | |  | |  |
| Link: Identity | | | |  | |  | |  |
| Offset: 1 | | | |  | |  | |  |
| Frequency weight series: 2 | | | | | |  | |  |
| Predetermined weights: 1 | | | | | |  | |  |
| Weight type: Standard deviation (average scaling) | | | | | | | | |
| Dispersion computed using Pearson Chi-Square | | | | | | | |  |
| Convergence achieved after 2 iterations | | | | | | | |  |
| Coefficient covariance computed using observed Hessian | | | | | | | | |
|  | |  | |  | |  | |  |
|  | |  | |  | |  | |  |
| Variable | | Coefficient | | Std. Error | | z-Statistic | | Prob. |
|  | |  | |  | |  | |  |
|  | |  | |  | |  | |  |
| C | | -0.543012 | | 0.425884 | | -1.275025 | | 0.2023 |
| BOARD\_ATTRIBUE | | -0.015691 | | 0.005647 | | -2.778852 | | 0.0055 |
| IFRS\_COM | | -0.133349 | | 0.016851 | | -7.913394 | | 0.0000 |
| REG\_COM | | 0.001850 | | 0.003311 | | 0.558676 | | 0.5764 |
|  | |  | |  | |  | |  |
|  | |  | |  | |  | |  |
|  | | Weighted Statistics | | | |  | |  |
|  | |  | |  | |  | |  |
|  | |  | |  | |  | |  |
| Mean dependent var | | -0.001444 | | S.D. dependent var | | | | 2.959056 |
| Sum squared resid | | 12381.24 | | Log likelihood | | | | -3683.775 |
| Akaike info criterion | | 4.963359 | | Schwarz criterion | | | | 4.977635 |
| Hannan-Quinn criter. | | 4.968680 | | Deviance | | | | 12381.24 |
| Deviance statistic | | 8.354412 | | Restr. deviance | | | | 13002.68 |
| LR statistic | | 74.38439 | | Prob(LR statistic) | | | | 0.000000 |
| Pearson SSR | | 12381.24 | | Pearson statistic | | | | 8.354412 |
| Dispersion | | 8.354412 | |  | |  | |  |
|  | |  | |  | |  | |  |
|  | |  | |  | |  | |  |
|  | | Unweighted Statistics | | | |  | |  |
|  | |  | |  | |  | |  |
|  | |  | |  | |  | |  |
| Mean dependent var | | -2.146299 | | S.D. dependent var | | | | 2.959056 |
|  | |  | |  | |  | |  |
|  | |  | |  | |  | |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Null Hypothesis: Financial Statement Quality is a martingale | | | |  |
| Date: 05/17/25 Time: 23:32 | | |  |  |
| Sample: 1 747 | |  |  |  |
| Included observations: 744 (after adjustments) | | | |  |
| Heteroskedasticity robust standard error estimates | | | |  |
| Lags specified as grid: min=2, max=16, step=3 | | | |  |
|  |  |  |  |  |
|  |  |  |  |  |
| Joint Tests | | Value | df | Probability |
| Max |z| (at period 2)\* | | 3.096164 | 744 | 0.0098 |
|  |  |  |  |  |
| Individual Tests | |  |  |  |
| Period | Var. Ratio | Std. Error | z-Statistic | Probability |
| 2 | 0.519655 | 0.155142 | -3.096164 | 0.0020 |
| 5 | 0.223549 | 0.264591 | -2.934537 | 0.0033 |
| 8 | 0.155050 | 0.307107 | -2.751324 | 0.0059 |
| 11 | 0.117554 | 0.332789 | -2.651664 | 0.0080 |
| 14 | 0.094819 | 0.350263 | -2.584289 | 0.0098 |
|  |  |  |  |  |
|  |  |  |  |  |
| \*Probability approximation using studentized maximum modulus with | | | | |
| parameter value 5 and infinite degrees of freedom | | | | |
|  |  |  |  |  |
| Test Details (Mean = 0.000349462365591) | | | |  |
|  |  |  |  |  |
|  |  |  |  |  |
| Period | Variance | Var. Ratio | Obs. |  |
| 1 | 13.8962 | -- | 744 |  |
| 2 | 7.22123 | 0.51965 | 743 |  |
| 5 | 3.10648 | 0.22355 | 740 |  |
| 8 | 2.15460 | 0.15505 | 737 |  |
| 11 | 1.63356 | 0.11755 | 734 |  |
| 14 | 1.31762 | 0.09482 | 731 |  |
|  |  |  |  |  |
|  |  |  |  |  |