

ACCOUNTING STANDARDS AND DISCLOSURE QUALITY IN OIL AND GAS SECTOR

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Abstract

This paper examined the effects of compliance with the disclosure requirements of accounting standards on disclosure quality. The focus was on oil and gas companies listed in the Nigeria Stock Exchange as at 2014. A sample of 10 companies from 2010 to 2014 was adopted.

The Ordinary Least Square (OLS) statistical tool was adopted. The result revealed that IFRS six and SAS 14 had a positive but non-significant relationship with the dependent variable disclosure quality (DISQ) while SAS 17 had a positive and significant relationship with DISQ.

The study recommended that companies should endeavor to comply with standards requirements and also train their accounting personnel on the requisite knowledge required to prepare and present standard compliant financial statements. A more stringent measure on violators of disclosure requirements was recommended to be adopted by the regulatory agencies.

Keywords: *Disclosure Quality, Accounting Standards, IFRS 6, SAS 14, SAS 17, Voluntary Disclosure Theory.*

1.0 Introduction

Financial statement quality can be said to be a function of the quality of information provided or disclosed in the financial statements. The disclosure quality can as well be a function of the requirements of accounting standard's provision in the subject matter. According to Ilaboya (2008, p.178), accounting standards are rules comprising of best of practices issued from time to time by a duly empowered body.

Accounting disclosure is a very paramount factor in financial statement preparation, in any sector. According to Oxford dictionary of accounting (2005), providing or disclosing monetary and non-monetary data, consistently to parties in need of such data as regards the operations of a company. Disclosure requirements are embedded in every accounting standard issued from time to time by the body responsible for standards provision to cater specifically for the uniqueness of the sector in which the standard relates. Disclosure requirements in every standard issued vary from sector to sector because of the peculiarity of the operations of such a sector. For example, the operations in the banking sector differ from those in the manufacturing sector also with the operations of the oil and gas sector. It is also important to acknowledge that some standards exist that cut across board irrespective of the sector in which the organization or company is operating.

In U.S, the Financial Accounting Standard Board (FASB) contributes to U.S Generally Accepted Accounting Principles (GAAP) or accounting standards development while in Nigeria, the Nigerian Accounting Standard Board (NASB) now Financial Reporting Council of Nigeria (FRCN) used to contribute immensely to the development of Nigerian GAAP which was the then Statement of Accounting Standard (SAS) before the adoption of the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs).

It is to be noted that IASs and IFRSs are issued by International Accounting Standard Board (IASB) which was formerly International Accounting Standard Committee (Institute of Chartered Accountants of Nigeria, ICAN, 2014). The accounting standards issued from time to time by this body determine to a large extent what the disclosure quality of the financial statement prepared by organizations adopting these standards will be. Over the years, numerous standards have been issued by IASB, but suffice to say that a few of these standards are actually devoted or assigned to oil and gas companies' usage. Also, "while many researches on disclosures have centered on the private sector while a little number have centered on the public as well as the quasi sector (non-profit organization)" (Oluwagbemiga, 2014). However, little attention has been given to accounting disclosure as it relates to complying with accounting standard in oil and gas sector.

In the light the above, the broad objective of this paper therefore is to ascertain whether compliance with accounting standards affect or determine the disclosure quality in the oil and gas sector; other specific objectives are:

- (1) to examine whether compliance with provisions of IFRS 6 has an impact on disclosure quality;
- (2) to find out whether compliance with SAS 14 provisions will guarantee disclosure quality; and
- (3) to ascertain whether adherence to SAS 17 provisions will improve disclosure quality.

2.0 Literature Review

2.1 Disclosure Quality

Disclosure can be referred to as a purposeful dissemination of both monetary and non-monetary information by companies which can be in an objective form, or subjective form through official or unofficial mediums (Gibbins, Richardson, & Waterhouse, 1990). Corporate disclosure can be divided into two broad categories, mandatory disclosure and voluntary disclosure (Hassan & Marston, 2010; Uyar 2011). Mandatory disclosure is information revealed in the fulfillment of disclosure requirements of statute in the form of laws (e.g Companies and allied matters act CAMA), professional regulations in the form of standards (e.g International Financial Reporting Standards, IFRS) and the listing rules of stock exchanges (e.g Nigeria Stock Exchange). Voluntary disclosure notwithstanding refers to excess information disclosed by companies not mandated by law, they willingly disclose additional information. Hassan and Marston (2010) added that disclosure can differ among companies in terms of timing of financial reporting i.e. providing yearly and quarterly statements; information revealed (e.g objective vs. subjective information); and types of news (e.g, high-quality vs. low-quality disclosure). They stated different methods of measuring disclosure quality.

The relevance of quality disclosure in the presentation of financial statement can never be overemphasized. According to Hope (2003), many practitioners and researchers advocate enhanced firm disclosures. Both international organisations (such as IASB and International Organisation of Securities Commission - IOSCO) and national organization (such as Securities and Exchange Commission - SEC) actively advocate and promote greater disclosure quality and transparency of financial information (Hope, 2003; Oluwagbemiga, 2014). Hope (2003) opined that these groups assert that there are benefits to expanded disclosures. One of such alleged benefit is reduced information asymmetry.

The issue of disclosure quality in accounting palace has been a serious issue of debate. Different writers have proposed different mechanics for measurement of disclosure quality (Chen, Miao & Shevlin, 2013; Hassan & Marston, 2010). According to Chen, et al. (2013), a large number of researches have been carried out on disclosures but there have not been an all-encompassing set of financial information as presented in financial statements. Yet, there is no one generally preferred method. Oluwagbemiga (2014) opined that the concept of disclosure is complex in terms of its direct measurement, leading to different types of measures for disclosure put forward by different researchers.

For the purpose of this paper, disclosure indexes will be adopted for measurement of disclosure quality. This disclosure index is adopted because it has been used by a number of literatures and has been found worthy. For example, Brown and Hillegeist (2003) in their work titled “disclosure quality and information asymmetry” explained that Association for Investment Management and Research (AIMR) (disclosure index checklist) scores was adopted as a proxy for disclosure quality because it offers several advantages over other alternative proxies. This means that AIMR put together a comprehensive list of investor expectation as a measure of disclosure. Also, Khairi, Laili and Tran (2012) in their study titled “disclosure quality of goodwill impairment testing: A disclosure index” stated that they employed weighted index in the analysis because it differentiates the worth and value of each compulsory disclosure.

2.2 Accounting Standards

According to Ilaboya (2008, p.178), accounting standards are rules comprising of best of practices issued from time to time by a duly empowered body. Accounting standards can also be expressed or termed Generally Accepted Accounting Principles (GAAPs). These according to Ibadin and Omoye (2013) are a collection of methods used to process and present public accounting information. According to Oxford dictionary of accounting, standards set out rules and procedures relating to the measurement, valuation and disclosure of accounting transactions. The accounting community has always been in agreement as to the importance of official standards to ensure the reliability and relevance of financial information prepared in every sector of the economy, which in essence includes the oil and gas sector. Financial statement in its true self should comply with the qualitative characteristics which can be summarized to include: relevance, reliability, consistency and comparability (Ilaboya, 2003; Marlins-Kuye, 2010 as cited in Ibadin & Omoye, 2013).

Each nation's accounting guidelines and rules differ due to their specific identities and culture (Hope, 2003), for the reason that there are different regulations and legal framework (For example, there is US GAAP, UK GAAP and Nigerian GAAP). A number of countries have subscribed to International Financial Reporting Standards (IFRSs), occasionally referred to as International Accounting Standards (IASs), and now all guidelines and regulations are holistically referred to as either IFRS or IAS. According to Delloite (2008), GAAP subscribed to by the United States differs from IFRS given the fact that the United States GAAP is rule-based while IFRS is principle-based.

It can be said that a number of the accounting standards issued by accounting bodies especially those issued by IASB have limited provisions for companies in the oil industry. Delloitte (2008) stated that IASB provides limited guidance for the extractive industries in its IFRS 6 (on Exploration for and Evaluation of Mineral Resources) standard. They stated further that the relevant standard to oil and gas companies are: IAS 16 (Property, plant and equipment); IAS 31 (Interest in joint ventures); IAS 36 (Impairment of assets); and IAS 38 (Intangible Assets). In addition to the above standards, because of the peculiarity of oil and gas sector and limited international standard provisions on this area, oil and gas companies in Nigeria are expected to comply with SAS 14 (Accounting in the petroleum industry: Downstream activities) and SAS 17 (Accounting in the petroleum industry: Upstream activities) (ICAN, 2014, p.10), issued by Nigeria Accounting Standard Board (NASB) now Financial Reporting Council of Nigeria (FRCN). This is to cater for industry specific and country specific peculiarities in this sector.

2.2.1 SAS 14 Disclosure Requirements

Agwor (2015) opined that the Nigerian Accounting Standard Board (NASB) now Financial Reporting Council of Nigeria (FRCN) in 1991 constituted a steering committee on oil and gas accounting with a view to producing a statement on accounting practices for petroleum industry. According to him, the committee's recommendations formed the major part of the statement of accounting standard no 14 (SAS 14 - on Accounting in the petroleum Industry: Upstream Activities) released for compliance in 1994. NASB went further to issue another statement of accounting standard for the Downstream Petroleum Industry known as SAS 17 - on Accounting in Petroleum Industry: Downstream Activities. These standards have been the leading accounting standard in Nigeria before the introduction of addition standard titled IFRS 6 by the International accounting Standard Board (IASB).

According to SAS 14, the oil industry is peculiar in the sense that a large proportion of its assets (reserves) are off-balance-sheet. Furthermore, the diversity of treatment between full cost and successful effort demands that some efforts be made at harmonization to enhance comparability. As such, the following disclosures are required:

- (a) total proved developed and undeveloped reserves, for oil and condensates expressed in barrels, and for gas expressed in cubic feet;
- (b) Costs relating to oil and gas exploration for the current, setting out proved and unproved properties, accumulated depreciation, depletion and amortization and share of net capitalized cost of joint venture, distinguishing between onshore and offshore;
- (c) Capitalized cost relating to oil and gas producing activities;
- (d) Details of concessions (OEL, OPL and OML), showing the original and unexpired terms of concession;
- (e) The amount of degradation, depletion and amortization and the average rate used.
- (f) Results of operations from producing activities showing revenue (both third party and intra), production cost, exploration cost, depreciation and amortization and income taxes;
- (g) Standardized measure of oil and gas (SMOG), using 10% discount rate where the account are prepared in US dollars and central bank of Nigeria re-discount rate as at the balance sheet date, where the accounts are prepared in naira;
- (h) Significant non-producing development costs such as off-shore production platform, which have been excluded from the amortization base in determining the unit of production amortization;
- (i) Total cash calls made on the partners for the year and the amount of such cash calls received, indicating clearly the US dollars and naira component;
- (j) Deferred taxes;
- (k) Facilities for society where the company operates;
- (l) Summarized comparative balance sheet and statement for five years, including the current year;
- (m) The prices used for purposes of the ceiling text and the prices at the measurement date and, if the use of the prices at the measurement date would have resulted in a write-off the amount so written off;
- (n) The total estimated liability of the company for restoration and abandonment cost calculated at current year prices.

2.2.2 SAS 17 Disclosure Requirements

In conjunction with SAS 14, SAS 17 also states some provisions companies are required to adhere to in terms of operating in the downstream sector. The downstream sector provides the following disclosure requirements:

- (a) **Refining and Petrochemical Companies**
 - i. Processing fees from third parties;
 - ii. Any amount of turn around maintenance capitalize and/or expenses split into material cost, labour cost and, were capitalized, the rate of amortization;
 - iii. De-bottlenecking, major plant rehabilitation and replacement of major components cost incurred, capitalized or expensed and, were capitalized, the rate of amortization;
 - iv. The cost of research and development;
 - v. Basis of valuation of products and intermediate;
 - vi. For and integrated plant, revenue earned from each class of activities.

(b) **Marketing and Distribution Companies**

- i. Bridging claims and related provisions made; and
- ii. ATK over billing claims and related provisions made.

(c) **Liquefied Natural Gas Companies**

- i. Details of take or pay contract not yet fulfilled and the related deferred revenue or prepayment.

2.2.3 IFRS 6 Disclosure Requirements

International Financial Reporting Standard No. 6 (IFRS 6) is the international reporting standard that covers the treatment or requirement of oil and gas companies. The standard is titled “**exploration for and evaluation of mineral resources**”. The objective of IFRS 6 is identifying reporting requirements for exploring and evaluating mineral resources. Particularly, enhancing present performances in terms of expenditure in exploring and evaluating, imposing exploring and evaluating assets for indication of impairment in accordance with the stipulated standards and identifying and explaining the numbers in a company’s financial reports regarding exploring and evaluating mineral assets and enable users of these financial reports comprehend the sum, time and assurance of potential cash flows from resources acknowledged. The standard prescribed the following disclosure requirement for oil and gas companies. A company will reveal all information in its financial reports from exploring and evaluating mineral assets. In addition, it provided that firms are to conform to the requirements above.

2.3 Theoretical Framework

Voluntary Disclosure Theory

Jensen and Meckling as cited in Oluwagbemiga (2014) disclosed that the concept of voluntary disclosure shore up the notion that management desire to reveal further more information. He supported this idea on the fundamentals of agency cost, postulating that management as agents try as much as possible to reduce this cost as they mostly incur it. It boils down therefore to management reducing cost to boost their returns. Oluwagbemiga (2014) stated further that as explained in this theory that the issue of agency cost arise due to information asymmetry where management as agents possess more information about the economic status of the company than owners and outsiders.

This theory has been adopted in this research because it better explains management having a superior access to financial data about the company, since they are involved in the preparation of the financial reports presented to the shareholders, they can choose or select the portion of the standards that will suit them to apply or disclose, especially when the disclosure is voluntary. The rule, to them might be, “disclosed if it will favour you and not disclose if it will not favour you”.

2.4 Empirical Review

Numerous scholars have contributed to the study of disclosure quality in one way or the other. However, majority of the researches so far conducted are centered on non-oil and gas producing public listed companies while, little or no attention has been given to disclosure quality for firms in the oil and gas companies. To give credence to the statement above, some

of the empirical findings of the researches examined from our literature review are presented below:

An investigation into the level in which Nigerian companies comply with SAS, the study made use of convenience sampling technique in choosing 7 standards i.e. 7, 10, 3, 19, 8, 11 & 18. The study made use of forty-one firms listed and at the time of this research, it was ascertained that the results obtained varied in terms of the provisions of the standards and that some firms complied fully to certain provisions of the standards e.g. determining the worth of assets, while others did not comply fully e.g. when to revalue assets, when risky assets fall due (Ofoegbu & Okoye, 2006).

A study on disclosure carried out by Abdullah (2011) in Malaysia using 225 listed companies in an attempt to ascertain their level of compliance with international financial reporting standards provisions on compulsory disclosures in throughout the year 2008. The result of the study showed that not one of the firms studied complied fully with the compulsory disclosure requirement in spite of the fact that management had attested that the firm had complied fully with the provisions of the standard.

Another study was conducted by Glaum and Street (2003) to ascertain the level of compliance of firms in Germany with international accounting standards as well as US GAAP. 200 organizations were selected as the sample size which includes two hundred firm years financial reports, the result of the study showed that the level of conformity varies between forty-one to one hundred percent. On the average, 83.7% of firms complied but the rate was poor for firms adhering to international accounting standards. The results also showed that the level of information disclosed depends definitely on the pedigree of the audit firm (big 4) the company employs.

Martins and Pais (2014) conducted a study to find out whether there is any relationship between the qualities of the disclosures under the International Financial Reporting Standard (IFRS) 7 which covers financial instruments: disclosures, and the cost of debt of those companies. The study was aimed at ascertaining whether a better quality of financial instruments disclosures decreases the cost of debt. The study adopted a disclosure index checklist to evaluate the quality of the information disclosed. The study was conducted on the most affected countries by the recent sovereign debt crises, which are: Portugal, Ireland, Greece and Spain, for the periods of 2011 and 2012 using 141 observations. The results of the study indicated an existence of an association between the disclosure index based on the IFRS 7 and the cost of debt, which means that increasing the quality of the financial instruments disclosures decreases the cost of the debt and increases the disclosure quality of financial statements.

Khairi, et al. (2012) also conducted a study in Singapore to ascertain the disclosure quality of goodwill impairment testing by obtaining annual reports of 20 sampled Singapore listed firms for 2007. The Singaporean accounting standards preparation draws inference from the IFRSs and IASs. In Singapore, impairment of asset is covered by Singaporean Financial Reporting Standard (FRS) 36 which draws inference from IAS 36-impairment of assets. The study adopted a disclosure index scoring approach measured by dummy variables of 1 for very important, 2 for important and 0 when the company haven't disclosed information mandatory for disclosure. The study employed weighted index in its analysis because according to Khairi et al (2012) it has the ability to distinguish the worth and value of each compulsory disclosure within the preview of FRS 36. The results of the study showed

that 18 out of 20 (90%) firms in Singapore refused to obey the provisions of FRS 36 regarding impairment test of goodwill, particularly assigning goodwill into the cash generating units and vital supposition used to ascertain the amount of cash generating units to be recovered.

Ahmad-Zaluki and Hussin (2009) conducted a study to investigate the impact of governance mechanisms on the quality of financial disclosure in Malaysia. 235 organizations initial public offering on the primary and secondary boards in Malaysia during the period 1999-2006 were selected for the study. The study adopted absolute forecast error as a measure of profit forecast precision to signify disclosure quality. The study applied OLS multiple regression as the statistical technique. The study found that precision profit forecast is affected by the ratio of non-executive directors in audit committee, audit committee size as well as a big 4 auditor. The study then concluded that the results are consistent with the belief that effective corporate governance is associated with higher financial disclosure quality.

Brown and Hillegeist (2003) examined the relationship amid quality disclosure of companies and information asymmetry. OLS regression techniques were used that makes room for the relationship between the two variables. This study made use of an index accumulated by the Association for Investment Management and Research (AIMR) in measuring the quality of information disclosed. Brown and Hillegeist (2003) explained that AIMR (disclosure index checklist) scores were adopted as a proxy for disclosure quality because it offers several advantages over other alternative proxies. The result revealed that companies in general have a negative association between quality disclosure and information asymmetry. Also that disclosure quality is enhanced when informatory asymmetry is reduced and enhance disclosure is increased.

Abdullah and Minhat (2013) conducted a study to investigate company's disclosure quality in financial reports in Malaysia. The result of the study showed that financial statement published by accounting institutions in Malaysia within 2006 to 2012 on the results recognized by financial statements review committee of Malaysian. The study showed that there are insufficiencies in company's financial statements as reported by financial statements review committee. The results indicated the fact that although complying with accounting principles is compulsory, doesn't mean that preparers comply with such provision. Likewise, the study also made it clear that subscribing to international standards (IFRS) does not result in increased quality of financial reports. The study recommended that when it comes to regulations, publishing the names of those caught i.e. organizations, management, auditor, not complying with the compulsory obligation imposed on them might serve as a proper disciplinary action to deter others and enhance the quality of financial information disclosed. It is worthy of note that a number of research work conducted on disclosure quality (whether voluntary or mandatory disclosure) have always focused on non-oil companies. Little or no attention has been devoted to companies in the oil and gas sector of the economy. This research intends to fill this gap in literature.

3.0 Methodology

The population of the study consists of all oil and gas companies listed in the Nigeria Stock Exchange (NSE) as at 2014. A sample of 10 oil companies' financial statement between the periods of 2010 to 2014 was randomly selected from the population owing to data availability. The disclosure quality which is the dependent variable was proxied via adoption of some selected mandatory, voluntary and G4 industry specific disclosure indexes (Global Reporting Initiative, 2013). The disclosure index as a measure of disclosure quality

has been adopted by a number of researches such as in the works of Roseberry (1995), Brown and Hillegeist (2003) and Scaltrito (2015). Brown and Hillegeist (2003) explained in their work titled disclosure quality and information asymmetry that AIMR scores (disclosure index) was adopted as a proxy for disclosure quality because it offers several advantages over other alternative proxies. However, the independent variables were proxied using the disclosure requirements of IFRS 6, IAS 14 and IAS 17 (PAT, 2008). The statistical technique adopted was the Ordinary Least Square (OLS) model.

3.1 Model Specification and Data Analysis

The model specification for this study is stated below.

$$DISQ = f(SAS14 + SAS17 + IFRS6)$$

$$DISQ = \beta_0 + \beta_1 SAS14 + \beta_2 SAS17 + \beta_3 IFRS16 + \mu$$

Where:

β_0 = constant

Parameters: $\beta_1, \beta_2, \beta_3$, represent the co-efficients.

DISQ= Disclosure Quality

SAS 14= Statement of Accounting Standard 14

SAS 17=Statement of Accounting Standard 17

IFRS 16= International Financial Reporting Standard 16

t = Period Covered

μ = Stochastic variable or error term

Apriori sign: $\beta_1 > 0, \beta_2 > 0, \beta_3 > 0$

Operationalization of variables

Variable	Measurement	Sources	Apriori sign
DISQ	1 if disclosed quantitatively, 2 if disclosed qualitatively and 0 if not	Roseberry (1995), Brown and Hillegeist (2003) and Scaltrito (2015)	
IFRS 6	1 if disclosed quantitatively, 2 if disclosed qualitatively and 0 if not	Khairi et al (2012), martins and Pais (2014)	+
IAS 14	1 if disclosed quantitatively, 2 if disclosed qualitatively and 0 if not	Khairi et al (2012), Martins and Pais (2014)	+
IAS 17	1 if disclosed quantitatively, 2 if disclosed qualitatively and 0 if not	Khairi et al (2012), Martins and Pais (2014)	+

4.0 Presentation and Analysis of Data

Haven specified the model and statistical technique to be adopted in this paper in the previous section, this section presents the result from the statistical test carried out and analysis of the result.

4.1 Regression Analysis

Dependent Variable: DISQ

Method: Least Squares

Date: 02/06/17 Time: 08:41

Sample (adjusted): 2 50

Included observations: 49 after adjustments

Convergence achieved after 9 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
IFRS_6	0.013115	0.064579	0.203078	0.8400
SAS_14	0.028728	0.128883	0.222900	0.8246
SAS_17	0.195924	0.082172	2.384304	0.0215
C	0.634003	0.059318	10.68822	0.0000
AR(1)	0.272765	0.142226	1.917829	0.0616
R-squared	0.241462	Mean dependent var	0.686939	
Adjusted R-squared	0.172504	S.D. dependent var	0.091155	
S.E. of regression	0.082921	Akaike info criterion	-2.045417	
Sum squared resid	0.302536	Schwarz criterion	-1.852374	
Log likelihood	55.11272	Hannan-Quinn criter.	-1.972177	
F-statistic	3.501587	Durbin-Watson stat	1.931680	
Prob(F-statistic)	0.014444			
Inverted AR Roots	.27			

Source: Eviews 8.0

The OLS regression analysis result from the above fig. 4.1 shows an R^2 of 0.241462, meaning that the dependent variable, which is disclosure quality (DISQ) was explained by the independent variables (IFRS6, SAS 14 and SAS 17) by 24%, while the remaining 76% were accounted for by the stochastic term. Also, the Durbin-Watson Stat of 1.931, which is approximately 2 reveals the absence of autocorrelation which indicate that the model is not biased.

In terms of relationship, IFRS 6 and SAS 14 show a positive but non-significant relationship with the dependent variable DISQ. Meaning that an increase in the compliance level of IFRS 6 and SAS 14 disclosure requirements will lead to an increase in the disclosure quality and also reduce information asymmetry. Also, SAS 17 shows a positive and significant relationship with the dependent variable DISQ. Meaning that an increase in the compliance level of SAS 17 disclosure requirements will lead to a significant increase in the disclosure quality. The results align with the apriori expectation of positive relationship expectation between the dependent variable and the independent variables although the level of significance varies.

This finding was also derived by Brown and Hillegeist (2003) whose result revealed that companies' general disclosure quality has a negative relationship with information asymmetry, and that disclosure quality is enhanced when informatory asymmetry is reduced and disclosure is increased or adhered. The outcome of the analysis also conforms with the result of Martins and Pais (2014) whose study indicated an existence of an association between the disclosure index based on the IFRS 7 and the cost of debt, which means that increasing adherence to the quality of the financial instruments disclosures decreases the cost of the debt and increases the disclosure quality of financial statements.

4.2 DESCRIPTIVE STATISTICS

	DISQ	IFRS_6	SAS_14	SAS_17
Mean	0.690000	0.280000	0.412200	0.185200
Median	0.690000	0.250000	0.430000	0.110000
Maximum	0.880000	0.880000	0.640000	0.670000
Minimum	0.380000	0.000000	0.210000	0.000000
Std. Dev.	0.092780	0.190595	0.110070	0.163523
Skewness	-1.059952	1.407772	-0.280884	0.899553
Kurtosis	5.715986	4.454141	2.267731	3.267309
Jarque-Bera	24.73037	20.92046	1.774587	6.892152
Probability	0.000004	0.000029	0.411769	0.031870

Source: Researchers compilation (2016)

From the table above (fig 4.2), the mean value of DISQ stood at a value of 0.69 therefore indicating that 69% of sample companies' disclosure are at that range annually. This is also expressed in the minimum and maximum values respectively. The standard deviation value which stood at 9.2% indicates that they are well spread.

The Jarque-Bera statistics which stood at a value of 24.7 indicates that the variable is normally distributed therefore indicating that the possibility of outliers does not exist in this model. A further analysis of the other explanatory variables reveals that they are all normally distributed.

5.0 Conclusion and Recommendation

It can be concluded therefore that full compliance with disclosures requirement of the various accounting standards recommended and issued for adoption in the oil and gas sector was found to improve the disclosure quality although at different levels of significance as showed in the statistical analysis carried out above. The result of this research conforms to the outcome of the research conducted by Brown and Hillegeist (2003) and Martins and Pais (2014). Although several researches conducted have shown that companies do not comply fully (100%) with the disclosure requirements of accounting standards (Addullah, 2011; Glaum & Street, 2003; Ofoegu & Okoye, 2006), this research finding has also added credence to the importance and relevance of full or total compliance with accounting standards, as compliance has been found to affect disclosure quality of firms.

It is therefore the recommendation of this research that every company, especially those in the oil and gas sector, which this research is specifically tailored, should adhere strictly to the disclosure requirements of accounting standards. Also, they are advised to regularly train their accounting personnel, on the requisite knowledge required for

preparation and presentation of financial statements, which are standard compliant. In line with the view of Addullah and Minhat (2013), in terms of regulation, we also recommend that publicizing the names of companies, directors and auditors convicted of non-compliance with the mandatory requirements and standards disclosure requirements should be done on regular basis and the regulatory agencies such as FRCN, Corporate Affairs Commission, and Nigeria Stock Exchange should institute more efficient devices to ensure that the disclosure quality of companies is improved.

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Appendix

Dependent Variable: DISQ
 Method: Least Squares
 Date: 02/06/17 Time: 08:41
 Sample (adjusted): 2 50
 Included observations: 49 after adjustments
 Convergence achieved after 9 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
IFRS_6	0.013115	0.064579	0.203078	0.8400
SAS_14	0.028728	0.128883	0.222900	0.8246
SAS_17	0.195924	0.082172	2.384304	0.0215
C	0.634003	0.059318	10.68822	0.0000
AR(1)	0.272765	0.142226	1.917829	0.0616
R-squared	0.241462	Mean dependent var	0.686939	
Adjusted R-squared	0.172504	S.D. dependent var	0.091155	
S.E. of regression	0.082921	Akaike info criterion	-2.045417	
Sum squared resid	0.302536	Schwarz criterion	-1.852374	
Log likelihood	55.11272	Hannan-Quinn criter.	-1.972177	
F-statistic	3.501587	Durbin-Watson stat	1.931680	
Prob(F-statistic)	0.014444			
Inverted AR Roots	.27			

Source: Eviews 8.0

	DISQ	IFRS_6	SAS_14	SAS_17
Mean	0.690000	0.280000	0.412200	0.185200
Median	0.690000	0.250000	0.430000	0.110000
Maximum	0.880000	0.880000	0.640000	0.670000
Minimum	0.380000	0.000000	0.210000	0.000000
Std. Dev.	0.092780	0.190595	0.110070	0.163523
Skewness	-1.059952	1.407772	-0.280884	0.899553
Kurtosis	5.715986	4.454141	2.267731	3.267309
Jarque-Bera	24.73037	20.92046	1.774587	6.892152
Probability	0.000004	0.000029	0.411769	0.031870
Sum	34.50000	14.00000	20.61000	9.260000
Sum Sq. Dev.	0.421800	1.780000	0.593658	1.310248
Observations	50	50	50	50

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	2.112087	Prob. F(2,42)	0.1337
Obs*R-squared	4.477842	Prob. Chi-Square(2)	0.1066

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.434133	Prob. F(3,45)	0.7296
Obs*R-squared	1.378276	Prob. Chi-Square(3)	0.7106
Scaled explained SS	3.165623	Prob. Chi-Square(3)	0.3668

Disclosure Index (mandatory items)

A. Statement of Financial Position Items (10)

- 1 Share Capital and share premium with their related note
- 2 Retained earnings with the related note
- 3 Other Reserves with the related note
- 4 Income tax liabilities and the related note
- 5 Post- employment benefits and the related note
- 6 Cash and cash equivalents with the related note
- 7 Property and equipment and the related note
- 8 Intangible assets and the related note
- 9 Deferred tax assets and liabilities and the related note
- 10 Other assets and the related note

B Profit or Loss Account/Statement of Comprehensive Income Items (7)

- 1 Personnel expenses and the related note
- 2 Depreciation and amortization and the related note
- 3 Other operating expenses and the related note
- 4 Profit before tax
- 5 Tax expense and the related note
- 6 Profit after tax
- 7 Breakdown of Other comprehensive income

E Board Report (10) – Section 342 of CAMA

- 1 Director's report
- 2 Amount of dividend recommended
- 3 Directors shareholding and interests in contracts
- 4 Shareholding analysis

5	Shareholders with significant holdings
6	Narrative discussion of any changes occurring during the financial year
7	Donations during the financial year
8	Employment, training and advancement of disabled persons; health and safety measures
9	Demographics of workforce
10	Appointment of Auditors

SECTOR SPECIFIC DISCLOSURE ACCORDING TO G4 GUIDELINES (13)

1	Assessment of the significant issues raised by indigenous people of the community actions taken by the company to address the issues.
2	direct economic value and distributed to the government e.g royalties, licence fees, entry fees etc
3	Financial implication and other risk for the organisation's activities due to climate change e.g use of renewable energy sources.
4	workforce development such as employment and training of national/indigenous citizens
5	development and impact of infrastructural development e.g power generation, provision of water etc
6	significant indirect impact on the host communities eg inflation
7	measures to develop local supply chain, including actions taken to improve participation of local suppliers
8	volume and the type of estimated proved reserves and production
9	number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored
10	direct greenhouse gas emissions
11	reduction of greenhouse gas emissions
12	total weight of waste by type and disclosure method
13	total number and volume of significant spills