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THE APPLICATION OF IFRS BETWEEN THE ACCOUNTING PROFESSIONALS IN THE REPUBLIC OF BENIN AND NIGERIA USING THE CONCEPT OF POWER DISTANCE

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ABSTRACT

The incomparability of financial statements around the world is an obstacle to the effective and efficient running of the integrated global financial markets. This study examined cultural difference in the application of the IFRS between the accounting professionals in the Republic of Benin and Nigeria. The study surveyed accounting professionals in the Republic of Benin and Nigeria to obtain their perception of application of IFRS. The population covers accounting professionals that have skills and expertise needed to prepare and present financial statements. The sample size of two hundred (200) respondents, 100 each was randomly selected from accounting professionals in both Republic of Benin and Nigeria. The data collected by structured questionnaires were analyzed using descriptive statistics, while two sample t-Test were employed as statistical tools to test the hypothesis. At 0.05 significant level and 198 degree of freedom, the estimated t-value was 10.97. Thus, there was a significant difference in the application of IFRS between the accounting professionals in the Republic of Benin and Nigeria using the concept of power distance. The research findings implied that the accounting professionals with similar cultural values apply IFRS similarly, while those differ in cultural values apply IFRS differently. The research findings also indicated that the chosen countries' former colonial masters' cultural values influenced the accounting professionals' decision making process. Implications of the study were discussed. Recommendations for future research were provided.

KEYWORDS: Accounting, Professionals, International Financial Reporting Standards, African Countries

INTRODUCTION

In 2001, International Accounting Standards Board (IASB) replaced the IASC, and since then has been responsible for the issuance of the accounting standards for the global constituents. The accounting standards issued by the IASB are known as international financial reporting standards (IFRS). IASB retained the accounting standards issued by its predecessor, the IASC. It is advocated that the adoption of IFRS would produce consistent and comparable quality financial statements across the world. Since IASB has been established in 2001, more than 100 countries have adopted IFRS. The IFRS is published by the London-based International Accounting Standards Board (IASB).The main goal of producing quality financial statements that can be compared and accepted globally is to promote and enhance global financial markets that are becoming more integrated. This would encourage cross-border investments, and thus makes it possible for the investors to invest their money in any parts of the world that protect their investments and give them more returns on their investments.

Researchers have identified accounting and financial reporting system of a country as culture specific. The accounting and financial reporting system of a country would very much reflect the cultural values held in such a country (Askary, 2006; Doupnik & Richter, 2004; Gray, 1988; Marrero & Brinker, 2007; Nobes & Zeff, 2008; Robinson & Venieris, 1996; Zarzeski, 1996). Researchers have also found that application of the accounting rules—IFRS—by the professional accountants in various countries is not free from the societal values held by those accounting professionals (Doupnik & Richter, 2004; Gray, 1988). In other words, the societal values held by the professional accountants in various countries influence their application of the accounting rules. This has led to inconsistencies in the treatment of the same accounting issues and has made it impossible to have comparable financial statements around the world. In addition, it has been a major obstacle for the IASB to achieve its mission of providing quality uniform international accounting standards that can produce comparable financial statements around the world (Choi & Meek, 2008; Fritz & Lammle, 2003). That is, the same accounting issues would be treated differently in those countries even when IFRS is employed in preparing financial statements, due to the influence of national culture.

The countries using IFRS standards have had their culture established before the introduction of the IFRS, and they will still have their culture if the internationalization of the accounting and financial reporting system does not work. Then the issue of the influence of the national culture on the interpretation and application of the provisions of IFRS will remain relevant in the present cross-cultural study in accounting. There are two levels of influence of how cultural factors affect accounting systems: at the level of countries and at the level of groups inside countries (Gustavo,

2011). The cultural influence was popularized by Hofstede (1980). As it is pointed by Hofstede (1980) the national culture of any country can be described according to four dimensions: (a) power distance, (b) individualism, (c) uncertainty avoidance and (d) masculinity. Hofstede (1980) posits that national culture changes slowly. Therefore, understanding and acknowledgment of differences in various countries' cultural values and how these cultural values affect the application of the provisions of the IFRS by accounting professionals worldwide is the most realistic way to enhance the quality of financial statements. Accordingly, this present research examined the cultural difference in the interpretation and application of the IFRS by accounting professionals in two nations, Republic of Benin and Nigeria using the concept of power distance. Power distance is the way the members of a society accept that power in institutions and organizations is distributed unequally (Gustavo, 2011). People in Large Power Distance societies accept a hierarchical order in which everybody has a place which needs no further justification.

Examining the cultural difference in the application of IFRS between accounting professionals in these two countries provides more understanding about the relevancy of national culture in the application of IFRS. The Republic of Benin and Nigeria were chosen for this study because of their colonial ties to France and the U.K. The Republic of Benin was colonized by France, and Nigeria was colonized by the U.K. These colonial masters had great influence on the activities of their colonies during colonization, and this influence continues to surface in the activities of the former colonies after colonization. France and the U.K. have different cultural backgrounds. The U.K. is an equity-based economy with the Anglo-Saxon financial reporting system, while France is a debt-based economy with the Continental financial reporting system. In addition, France and the U.K. differ on the Hofstede's (1980) cultural dimensions. In other words, Hofstede (1980) identified different cultural scores for France and the U.K., respectively. But Hofstede (1980) allocated the same cultural scores to all countries in West Africa, which includes the Republic of Benin and Nigeria. Because of the cultural influence of the colonial masters—France and the U.K.—this study examined the cultural difference in the application of IFRS between the accounting professionals in the Republic of Benin and Nigeria to determine if cultural difference exists in the two chosen countries. (Boerner, 2007; Ding, Jeanjean, & Stolowy, 2004; Nabar & Boonlert-U-Thai, 2007; Radig & Loudermilk, 1998)

STATEMENT OF THE PROBLEM

The adoption of IFRS has not delivered its anticipated results. The inconsistencies in the application of IFRS in the countries that have adopted it, due to the influence of national culture, may prevent the realization of the comparability of financial statements around the world. Despite the fact that more than 100 countries have adopted IFRS and more are deliberating about its adoption, including

the U.S., the issue of cultural influence on the accounting and financial systems around the world is still relevant. Tsakumis et al. (2009) assert that the adoption of IFRS in more than 100 countries does not guaranty its consistent application by professional accountants in those countries. That is, the same accounting issues would be treated differently in those countries even when IFRS is employed in preparing financial statements, due to the influence of national culture. The inconsistencies in the application of the IFRS worldwide would result in different treatments for the same accounting issue in various countries. This would prevent the comparability of financial statements worldwide (Tsakumis et al., 2009). The incomparability of financial statements worldwide is a problem to the participants—creditors, investors, stock exchanges, and others—in the global financial markets and globalization of economy. This is a problem because the incomparability of financial statements worldwide would prevent cross-border investors and other participants in the global financial markets from employing accurate information from such financial statements in making business and other decisions (Tsakumis et al., 2009).The adoption of IFRS is expected to provide a solution to the inconsistencies in the application of accounting rules, yet there remained discrepancies in the quality of information in financial statements or financial information around the world. Given the importance of financial statements in the global financial markets and globalization of economy, one would expect researchers to focus their attention on the influence of national culture on the application of the IFRS, but that has not been the case. Therefore this study filled this gap.

OBJECTIVE OF THE STUDY

The objective of the study was to examine the difference in interpretation and application of IFRS between accounting professionals in the Republic of Benin and Nigeria using the concept of power distance.

RESEARCH QUESTION

Research question for this study is: What is the difference in the interpretation and application of the International Financial Reporting Standards (IFRS) between accounting professionals in the Republic of Benin and Nigeria using the concept of power distance?

HYPOTHESIS

H_0: There is no significant difference in the interpretation application of IFRS between the accounting professionals in the Republic of Benin and Nigeria using the concept of power distance.

LITERATURE REVIEW

The cross-cultural studies in accounting have proven that inconsistencies in the treatment of the same accounting issues around the world have led to incomparability of financial statements. These inconsistencies have been traced to the influence of culture on the application of accounting rules in

various countries (Lere, 2009; Marremo &Brinker, 2007; Nobes & Zeff, 2008; Robinson & Venieris, 1996). Though researchers agree about the relevance of culture on the application of accounting rules in various countries, there is no agreement about the actual differences in various countries financial statements that can be attributed to culture. Some researchers attribute the diversity in financial statements in various countries to other environmental factors such as sources of finance, legal system, and taxation (Choi& Meek, 2008). But given the pervasiveness of culture in all activities and values of a country, including accounting and financial reporting systems, it would be difficult to rule out the importance of culture on the application of accounting rules. In addition, research has shown accounting and financial reporting systems to be culture specific (Gray, 1988; Zarzeski, 1996).'

Zarzeski (1996) employed descriptive statistics and regression model to examine 256 corporate annual reports in seven countries—France, Germany, Hong Kong, Japan, Norway, U.K., and U.S.—in order to determine the effects of culture and market forces on accounting disclosure practices. The findings of her study indicate that disclosure practices of the companies that operate locally are in accordance with the local accounting rules and regulations. On the other hand, disclosure practices of the companies that operate both nationally and internationally deviate from those of the companies that operate locally. She attributed these findings to deviations based on the source of funds. She argues that to conform to the same international standards, companies that operate at the global market would be forced to adopt disclosure practices that differ from the local disclosure practices. She indicates that companies that want to raise funds in the international markets would have to provide more information in their financial statements. She then concludes that culture and market forces both affect accounting disclosure practices.

The studies of Doupnik and Richter (2004), Doupnik and Tsakumis (2004), Tsakumis (2007), Nabar and Boonlert-U-Thai (2007), Fritz and Lammle (2003), Guan,Pourjalali, Sengupta, and Teruya (2005), Ding et al. (2004), Noravesh, Dilami, and Bazaz (2007), Askary, Pounder, and Yazdifar (2008), Cable, Healy, and Li, (2009), Morakul and Wu (2001), Chan, Lin, and Mo (2003), and Fang (2007) have contributed to cross-cultural studies in accounting. Before Hofstede's (1980) study that provides four cultural dimensions—power distance, uncertainty avoidance, individualism, and masculinity—in 40 countries, conducting cross-cultural studies were not an easy task. This was due to the lack of knowledge about how to operationalize cultural variables. But Hofstede's study simplified cross-cultural studies as it gave researchers the tools needed to operationalize cultural variables. These cultural dimensions can be used to examine the differences in cultural values between various countries. Hofstede (1980) conducted a survey of IBM employees' work-related attitudes between

1968 and 1972. This study provides supporting evidence to group 40 countries into four cultural dimensions—power distance, uncertainty avoidance, individualism, and masculinity. The survey was conducted twice, around 1968 and 1972, with a total of over 116,000 questionnaires. Hofstede's cultural dimensions have since then become the most widely used cultural scores in cross-cultural studies.

Gray (1988) extended Hofstede's (1980) study and theorized that national culture influences the individual countries' accounting systems and values. He was apparently the first researcher to do so. He employed Hofstede's cultural variables to develop a framework indicating that cultural values influence national accounting values and, furthermore, that accounting values influence financial reporting. The framework linked Hofstede's cultural dimensions—power distance, uncertainty avoidance, individualism, and masculinity—with Gray's (1988) accounting values—professionalism, uniformity, conservatism, and secrecy.

POWER DISTANCE

Power distance is an indicator of how power is shared within a society, organizations, and institutions. It is a measure of the equality and inequality among the members of a society (Hofstede, 1983). A society position in this cultural dimension depends on its cultural scores. These scores can put a society into a high- or low-power distance. Higher cultural scores would indicate a large power distance while lower cultural scores would indicate smaller power distance. In a large power distance society, managers or superiors are expected to make all business decisions and the subordinates are expected to comply with such decisions. The subordinates depend on their managers to provide solutions to all business-related problems as they feel no obligation whatsoever to participate in the decision-making process (Doupnik & Tsakumis, 2004; Hofstede, 2001). The distribution of power in the organizations and institutions does not permit or give opportunity for the subordinates to participate in the decision-making process. The managers have the final say without obligation to consult their subordinates. Subordinates were not allowed to collect information and make informed business decisions. Distribution of power in this society is seen as having put members of the society in their rightful place. There is a gap between managers and subordinates in this society, when it comes to sharing of power (Hofstede, 1980).

In a small power distance society, managers and subordinates work hand in hand to solve business-related problem. The gap between managers and subordinates in terms of power sharing is minimal. The managers do not expect a significant gap in power sharing between managers and subordinates. This society encourages managers to consult with their subordinates in finding solutions to business-related problems. Both managers and subordinates participate in the decision-

making process (Hofstede, 1980). This society encourages the subordinates to collect information and to make some informed business decisions without fear of retaliation from their managers.

Participatory decision-making process exits in this society. There is also existence of interdependency between managers and subordinates in this society. The subordinates believe they have obligation to participate in the decision-making process. They do not believe they should wait for their managers to provide answers or solutions to all business-related problems. Subordinates can respectfully challenge the decisions of their managers in this society (Hofstede, 1983; Richardson, 2007).

THEORETICAL FRAMEWORK

HOFSTEDE'S CULTURAL THEORY

Hofstede's cultural framework was used as guidance to develop accounting issue scenarios in the research instrument. The scores or responses obtained from accounting professionals in the Republic of Benin and Nigeria on how they would apply provisions of IFRS—contingent liabilities—were used as dependent variables. The Hofstede's (1980) study provides four cultural dimensions—power distance, uncertainty avoidance, individualism, and masculinity—as determinants of national culture for 40 countries. These cultural dimensions provide opportunity for the cross-cultural researchers to examine cultural impact on different activities of various countries. West Africa, including Nigeria and the Republic of Benin, was 77 points on the Hofstede's (1980) cultural dimension of power distance. This categorized West African countries as a large power distance society. West African managers or superiors are expected to make all business decisions and the subordinates are expected to comply with such decisions. Subordinates are not expected to question or complain about decisions made by their managers. The subordinates are expected to depend on their managers to provide solutions to all business-related problems as they feel no obligation whatsoever to participate in the decision-making process. The distribution of power in the West African organizations and institutions is not expected to permit or give opportunity for the subordinates to participate in the decision-making process. The managers are expected to have the final say without obligation to consult with their subordinates. Subordinates are not expected to collect information and make informed business decisions. West African society is expected to encourage a gap between managers and subordinates, when it comes to distribution of power (Hofstede, 1983, 2001). This study made it easier for cultural values to be operationalized as independent variables in cross-cultural studies.

GRAY'S FRAMEWORK OF ACCOUNTING SUBCULTURE

Gray (1988) theorizes that national culture influences the individual countries' accounting systems and values, and he is the first known researcher to do so. He employs Hofstede's (1980) cultural variables to develop a framework indicating that cultural values influence national accounting values and, accounting values influence financial reporting. The framework linked Hofstede's (1980) cultural dimensions—power distance, uncertainty avoidance, individualism, and masculinity—with Gray's (1988) accounting values—professionalism, uniformity, conservatism, and secrecy. Gray's (1988) accounting values include (a) professionalism, indicating a preference for individual judgment as well as self-regulation; (b) uniformity, indicating a preference for uniform accounting practices; (c) conservatism, indicating accounting professionals' willingness to take cautious approach in recognizing items that would increase assets and incomes; and (d) secrecy, indicating the accounting professionals' preference for confidentiality and willingness to disclose the information to a third party or an outsider only on a need-to-know basis. He argues that information sharing is low in large power distance societies. He argues that the values of a society would affect its accounting directly and indirectly through its institutional characteristics such as the type of capital markets, legal systems, and corporate ownership structure. Gray (1988) indicates that because societal values influence accounting values, then, "the value systems or attitudes of accountants may be expected to be related to and derived from societal values with special reference to work-related values" (Gray, 1988, p. 5).

EMPIRICAL REVIEW

Tsakumis' (2007) study of the interpretation and application of the provisions of the International Accounting Standard (IAS) No. 37, Provisions, Contingent Liabilities and Contingent Assets (IASB, 2008) between accounting professionals in the United States and Greece indicates that national culture influences the interpretation and application of the provisions of IFRS. Contingent liabilities and contingent assets were used in the study based on Hofstede's (1980) cultural dimensions and Gray's (1988) accounting theory framework. Tsakumis' study employed Gray's accounting values of conservatism and secrecy to examine the influence of culture on how accounting professionals apply financial reporting rules. The result of his study indicates that 33% of accounting professionals in the United States are more likely to recognize a lawsuit in the financial statements as a contingent asset compared to 65% of the accounting professionals in Greece.

The study's findings indicate that 72% of U.S. accounting professionals would recognize a lawsuit as a liability in the financial statements compared to 59% of the accounting professionals in Greece. The study also indicates that 84% of U.S. accounting professionals believes that a lawsuit should be

disclosed in the notes to the financial statements, compared to 56% of Greek accounting professionals. The results of his study indicate that there are no significant differences between Greek and U.S. accounting professionals in recognizing both contingent assets and liabilities. However, the results indicate that Greek accounting professionals were more secretive than U.S. accounting professionals. Tsakumis (2007) employed quantitative research methods in his research. A mail survey was used to collect the research data from the accounting professionals in Greece and the United States. ANOVA and t-test were the statistics used in analyzing the results of the research. Nabar and Boonlert-U-Thai's (2007) examination of samples from 30 countries indicates that national culture has an influence on accounting and financial reporting systems in various countries. They indicate that the international accounting standards-setter and those who will be enforcing IFRS should consider the influence of national culture on the choice of accounting. The results of their study found strong support for investor protection in common-law countries, which operate equity market systems, and weak investor protection in code-law countries, where debt-market systems exist. They argue that the differences in culture worldwide are credited to the amount of protection provided for the investors. They also argue that culture is pervasive in various countries' corporate governance processes. Since the overall running of the corporation reflects its corporate governance, including financial reporting, then national culture plays a significant role on the way the accounting professionals worldwide prepare and present financial reporting. They employ Hofstede's cultural variables of uncertainty avoidance, individualism, power distance, and masculinity to present the influence of national culture on accounting and financial reporting in their study.

Their study's results also provided supporting evidence that earnings management is influenced by the national culture. Earning is an important component of financial statements. The management bodies manage their companies' earnings in order to make them look good, especially when the managements' payment is based on the organizational performance. Their study's results indicate that earnings management is low in countries where the outside investor protection is high, high in the strong uncertainty avoidance societies, and low in English-speaking countries. Their study also found that uncertainty avoidance and masculinity dimensions impact the managements' earning discretion. Their study also found that investor protection and disclosure rules are associated with culture. Nabar and Boonlert-U-Thai's (2007) used quantitative research methods in their research. They employed descriptive as well as correlation and regression statistics in analyzing the results of their study. They collected data from three sources for their research, all from previous research.

They collected data on earnings management, investor protection, and Hofstede's national culture scores for their study.

Guan et al. (2005) employed a regression model to analyze the effects of cultural differences in five Asian-Pacific countries—Australia, Hong Kong, Japan, Malaysia, and Singapore—on accounting accruals (i.e., earnings management). The accounting professionals' decision on accounting accruals is very much dependent on subjective and professional judgment. Therefore, it is not unusual for company to employ accrual accounting for earnings management. They collected financial information for a 9-year period (1987-1995) from 13,793 firms in more than 55 countries. The data were collected from Global Vantage database. Their study was based on Hofstede's (1983) cultural values of individualism, power distance, uncertainty avoidance, and long-term orientation. To control for tradition (i.e., explanatory variables previously found to have influence on earnings management), they also included explanatory variables such as debt-to-equity ratio and firm size. The results of their study indicate that power distance and individualism are positively linked with discretionary accruals. Uncertainty avoidance and long-term orientation is negatively linked with discretionary accruals. The results of the study indicate that Japanese firms' capital structure differed from the others in that they had the highest average debt-equity ratio. Australia has the second highest average debt-equity ratio, and no differences were found in the average ratio for debt-equity of the other three countries.

In the individual analysis of the variables employed in the study, the coefficients of debt-to-equity ratio were significantly positive, logarithm of total assets was significantly negative, individualism was significantly positive, uncertainty avoidance was significantly negative, and long-term orientation was significantly negative. The coefficients of power distance and effective tax rate were not significant. They provided two explanations for insignificant power distance results. First, they argued that it is likely that power distance may not have an impact on accounting values. Therefore, it may not be discovered through testing of earnings management. Second, they argue that samples of the countries in their study may need to be expanded to include more countries that are more widely divergent on some variables. They indicate that insignificant effective tax rate results conformed to the results of previous research, which indicates that effective tax rate has no impact on earnings management.

The results of their study indicate that national culture has influence on the accounting professionals' choice in applying accounting rules for earnings management. This is in line with Nabar and Boonlert-U-Thai's (2007) study. Though the two studies employed slightly different variables, they arrived at the same overall conclusion. The results of the two studies indicate that

national culture influences earnings management. Nabar and Boonlert-U-Thai included the masculinity dimension in their study, but Guan et al. (2005) did not. Guan et al. included long-term orientation dimension in their study, but Boonlert-U-Thai did not.

Doupnik and Richter (2004) examined how the accounting value of conservatism would affect the interpretation of probability expressions between accounting professionals from Germany and United States. The results of their examination indicate that national culture influences how accounting professionals from these two countries interpret probability expressions. The results of their study indicate inconsistencies in the way that those accounting professionals recognized assets, revenues, as well as gains and losses, due to differences in the interpretation of verbal probability expressions. Results of their study also provided supporting evidence for their proposition that accounting professionals from Germany are more conservative than their U.S. counterparts in their interpretation of verbal probability expressions. They credited these differences to the different cultural values between the United States' accounting professionals and German accounting professionals.

They indicate that "the comparability of financial statements across countries could be negatively affected if cultural differences cause accountants in different countries to interpret differently the probability expressions used in IAS" (Doupnik &Richter, 2004, p. 19). They collected data from accounting professionals in Germany and the United States. The surveys were randomly mailed to accounting professionals in the United States and Germany. They employed a quantitative method in their research.

METHODOLOGY

Design: The survey research design was employed for this study. Survey research design normally employs self-administered questionnaires to collect data from the participants. A researcher is not required to be present during the data collection period. Also, since this researcher cannot be present during the data collection period, and it may not be possible to gain permission to manipulate the independent variables in the real-life settings, survey research design is appropriate for this study.

Population: A population, according to Kothari (2008) is considered to be any group of people, events, or items that are of interest to the researchers that they wish to investigate. Borg and Gall, (2009) described the target population as a universal set of study of all members of real or hypothetical set of people, events or objects to which an investigator wishes to generalize the result. The population for this study is the accounting professionals in the Republic of Benin and Nigeria. The targeted population was accounting professionals that have skills and expertise needed to

prepare and present financial statements. The accounting professionals without the skills and expertise needed to prepare and present financial statements were excluded from participating in this study. The participants are working in different organizations such as multinational companies (MNCs), national corporations, regional corporations, large companies, medium and small-sized companies, and different sizes of accounting firms; 200 participants participated in the study. Of these, 100 survey questionnaires were delivered to the accounting professionals in Republic of Benin, and 100 survey questionnaires were delivered to the accounting professionals in Nigeria.

Instrumentation: The instrument for data collection was a questionnaire constructed by the researchers. Two categories of questionnaire were used together, the English version as well as the French version. The English version of the questionnaire was sent to accounting professionals in Nigeria and the French version of the questionnaire was sent to accounting professionals in the Republic of Benin. The English version of the research instrument was translated into the French language. The English-French translation was performed by a linguistic professor and a chairperson over a university department of humanities whose native language is French. The content validity was verified by the linguistic experts in both English and French. This ensures that the contents in both versions are the same. A five-point Likert-type scale (with 1 = very unlikely and 5 = very likely) was used to solicit respondents' information. This researcher sent preliminary or pre-notice letters to accounting professionals in the Republic of Benin and Nigeria seeking their help to participate in the study. Survey questionnaires were delivered by hand to the participants in the Republic of Benin and Nigeria 1 week after pre-notice letters were sent.

Pre-test of Instrument: To assess the research instrument used in this study, a Cronbach's alpha statistic was calculated. The result of reliability testing produced Cronbach's alpha value of 0.73, which supports the reliability of the research instrument used in this study. Cronbach's alpha values of 0.70 or higher are considered to indicate acceptable reliability for research instruments. In other words, the Cronbach's alpha value of 0.73 for this instrument means a reliable research instrument was used to collect data for this study.

***Operationalization*:** Hofstede's (1980) cross-cultural study has made it easier to operationalize culture in cross-cultural studies. The independent variables in this study were Hofstede's (1980) scores of cultural dimensions—power distance. In other words, the cultural scores allocated to West Africa by Hofstede's study were operationalized as independent variables in this study.

***Data Analysis Procedure*:** In order to test the hypothesis for each of Hofstede's cultural dimension, this study examined the difference between Republic of Benin and Nigerian participants' responses to questions designed for each of the Hofstede's cultural dimension of power distance. That is, the

answers collected from the Republic of Benin and Nigerian participants about their decisions on their application of IFRS for the question designed for power distance were examined to see if any significant difference exists between the two countries' scores. Descriptive statistics and t-test were employed in analyzing the research data and Statistical Package for the Social Sciences (SPSS® Version 17.0) was used to calculate the statistics. The t-test was chosen for this study because it is the statistic needed to examine whether significant difference exists between two variables. This study examines whether significant cultural difference exists between the Republic of Benin and Nigerian participants' decisions on how to apply IFRS. The alpha for the test was set at p = .05.

RESULTS AND DISCUSSION

DESCRIPTIVE ANALYSIS OF PARTICIPANTS' BIO-DATA

Table 1: Percentage Distribution of Respondents Personal Characteristics

S/N	*Personal Characteristics*	*Frequency*	*Percentage (%)*
	Republic of Benin		
1.	**Sex**		
	Female	33	33.00
	Male	67	67.00
2.	**Age**		
	25-35 years	24	24.00
	36-45 years	30	30.00
	46+ years	46	46.00
3.	**Position**		
	Director	26	26.00
	Partner	24	24.00
	Manager	19	19.00
	Senior Staff	31	31.00
	Others	-	-
4.	**Years of Experience**		
	4-8 years	44	44.00
	9+ years	56	56.00
	Nigeria		
1.	**Sex**		
	Female	41	41.00
	Male	59	59.00
2.	**Age**		
	25-35 years	29	29.00
	36-45 years	44	44.00
	46+ years	27	27.00
3.	**Position**		
	Director	11	11.00
	Partner	14	14.00
	Manager	31	31.00
	Senior Staff	41	41.00
	Others	3	3.00
4.	**Years of Experience**		
	4-8 years	46	46.00
	9+ years	54	54.00

Source: Field survey, 2010

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ANALYSIS OF RESEARCH QUESTION

Question: If you are 90% convinced that you should disclose the pending litigation in the notes to the financial statements, how likely is your superior preference will influence your decision?

Table 2: Distribution of Responses on the Survey Answer for Republic of Benin Participants

Responses	*Frequency*	*Percent*	*Cumulative Percent*
Very unlikely	8	8.00	8.00
Unlikely	8	8.00	16.00
Undecided	4	4.00	20.00
Likely	28	28.00	48.00
Very likely	52	52.00	100.00

Source: Field survey, 2010

Table 2 indicates 16 (16%) of the Republic of Benin participants decided that it is very unlikely 8(8%) or unlikely 8(8%) that their superior's preference would influence their decisions on disclosing pending lawsuit in the notes to the financial statements, 80 (80%) believed that it is likely 28 (28%) or very likely 52 (52%) that their superior's preference would influence their decisions on disclosing a pending lawsuit in the notes to the financial statements, and 4 (4%) were undecided whether their superior's preference would influence their decisions on disclosing pending lawsuit in the notes to the financial statements. Most Republic of Benin participants 80 (80%) believed that their superior's preference would influence their decisions on disclosing pending lawsuit in the notes to financial statements.

Table 3: Distribution of Responses on the Survey Answer for Nigerian Participants

Responses	*Frequency*	*Percent*	*Cumulative Percent*
Very unlikely	40	40.00	40.00
Unlikely	33	33.00	73.00
Undecided	6	6.00	79.00
Likely	16	16.00	95.00
Very likely	5	5.00	100.00

Source: Field Survey, 2010

Table 3 indicates 73 (73%) of the Nigerian participants believed that it is very unlikely 40 (40%) or unlikely 33 (33%) that their superior's preference would influence their decisions on disclosing pending lawsuit in the notes to financial statements, 21 (21%) believed it is likely 16 (16%) or very likely 5 (5%) that their superior's preference would influence their decisions on disclosing pending lawsuit in the notes to financial statements, and 6 (6%) were undecided whether their superior's

preference would influence their decisions on disclosing pending lawsuit in the notes to financial statements. Most Nigerian participants, 73 (73%), believed their superior's preference would not influence their decisions on disclosing pending lawsuit in the notes to financial statements. This is contrary to the Republic of Benin participants' perception, as 80 (80%) of them believed their superior's preference would influence their decisions.

HYPOTHESIS TESTING AND INTERPRETATION OF RESULTS

The hypothesis states that there is no significant difference in the application of IFRS between the accounting professionals in the Republic of Benin and Nigeria using the concept of power distance. Data collected for the study was analyzed using inferential statistics of t-test to test the only hypothesis stated for the study and was tested for significance at the 0.05 level.

Table 4: Two Sample t-Test difference in the application of IFRS between the accounting professionals in the Republic of Benin and Nigeria

Nationality	N	Mean (*M*)	Std. Deviation (*SD*)	Degree of freedom (*df*)	Test statistic (*t*)	*p*-value (2-tailed)
Republic of Benin	100	4.08	1.27	198	10.97	.000
Nigeria	100	2.13	1.24			

Source: Field Survey, 2010

Result from Table 4 above shows that the hypothesis of no significant difference in the application of IFRS between the accounting professionals in the Republic of Benin and Nigeria was not supported, t(198) = 10.97, p = 0.000 (Table 34). For Republic of Benin participants, M = 4.08, SD = 1.27; for Nigerian participants, M = 2.13, SD = 1.24. Hence, there was a significant difference in the application of IFRS between the accounting professionals in the Republic of Benin and Nigeria using the concept of power distance.

DISCUSSION OF FINDINGS

The hypothesis which states that there will be no significant difference in the application of IFRS between the accounting professionals in the Republic of Benin and Nigeria was not supported. The result obtained from this finding indicates that participants in both countries were on the opposite side regarding the application of IFRS using the concept of cultural dimension of power distance. Most Nigeria participants (73%) believed their superior's preference would not influence their decisions on disclosing pending lawsuit in the notes to financial statements. But 80% of the Republic of Benin participants believed their superior's preference would influence their decisions. The result

of the hypothesis is in line with previous cross-cultural study in accounting. Tsakumis' (2007) study indicated significant difference in the disclosure of contingent assets and liabilities between the accounting professionals in the United States and Greece, due to the influence of national culture. Hofstede's (1980) power distance scores allocated to the countries in West Africa, including the Republic of Benin and Nigeria, were 77. These scores put the Republic of Benin and Nigeria in the category of a large power distance society. While the responses of the Republic of Benin participants were in line with the implication of the Hofstede's (1980) cultural dimension of large power distance, the responses of the Nigerian participants were not. Hofstede (1980) indicates that the subordinates in a large power distance society may find it difficult to challenge the decisions of their superiors while the subordinates in a small power distance society may not have a problem in challenging the decisions of their superiors.

CONCLUSION

According to the findings of this study, there is a significant difference in the application of IFRS between the accounting professionals in the Republic of Benin and Nigeria using the concept of power distance. The results of this study provide supporting evidence indicating that culture is a determining factor in the application of accounting rules—IFRS—in various countries. This means the accounting professionals in various countries will treat the same accounting issues differently, due to cultural influence. The results indicate that participants in both countries were on the opposite side regarding the application of IFRS using the concept of cultural dimension of power distance. In other words, the research findings indicate that countries with different cultural values will treat the same accounting issues differently. Treating the same accounting issues differently in various countries will produce incomparable financial statements. This works against the aims of the IASB, which is trying to prescribe international accounting rules—IFRS—that can produce comparable financial statements around the world.

RECOMMENDATIONS

Following the findings of this study, the below recommendations were made:

- The IASB can present the findings of this study to the accounting professionals among its constituents in order to garner support for the establishment of a compliance committee. This committee would monitor the compliance of the accounting professionals regarding the application of the IFRS worldwide. In addition, this committee can also have an enforcement subcommittee. The compliance committee would refer any issues of non-compliance to the enforcement subcommittee.

- IASB can use the results of this study to garner support for the development of educational programs aimed at reducing inconsistencies in the application of IFRS worldwide. The educational program would be in form of de-educating and re-educating accounting professionals worldwide. Application of accounting rules—IFRS—is about making sound and consistent decisions by the accounting professionals. Therefore, de-educating accounting professionals worldwide would focus on how the accounting professionals worldwide can change their present way of reasoning when applying accounting rules.

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