### AN INVESTIGATION INTO ACCOUNTING POLICIES OF BANKS

**ABSTRACT**

This study is on investigating into accounting policies of banks and to seen how the policies affect banks operations and profitability in the long run, using first bank as our case study, data was collected and analysed.

In this work we found out that Accounting policies of the banks enhance bank operation in First Bank, Accounting policies has an impact on banks profitability in First Bank.

**TABLE OF CONTENTS**

**1.0   INTRODUCTION**

1.1        Background of the study

1.2        Statement of problem

1.3        Objective of the study

1.4        Research Hypotheses

1.5        Significance of the study

1.6        Scope and limitation of the study

1.7 Definition of terms

1.8 Organization of the study

**CHAPETR TWO**

**2.0   LITERATURE REVIEW**

**CHAPETR THREE**

3.0        Research methodology

3.1    sources of data collection

3.3     Population of the study

3.4     Sampling and sampling distribution

3.5     Validation of research instrument

3.6     Method of data analysis

**CHAPTER FOUR**

**DATA PRESENTATION AND ANALYSIS AND INTERPRETATION**

4.1 Introductions

4.2 Data analysis

**CHAPTER FIVE**

5.1 Introduction

5.2 Summary

5.3 Conclusion

5.4 Recommendation

Appendix

**CHAPTER ONE**

**INTRODUCTION**

* 1. **BACKGROUND OF THE STUDY**

Since the beginning of corporate form of business entity in Nigeria, the banking sector has been playing important role in promoting economic growth and development by way of providing liquidity and capital in form of loans to firms and private individuals, Izedonmi (2001) noted that banks help to allocate available resources by mobilizing funds from productive channels to finance investment activities in productive sectors and increase capital formation, they also promote financial investment activities by selling their financial securities to the public who in return will require mere performance to be reflected in their financial yearly report.
The activity of monitoring banks in Nigeria to ensure that there financial statement are released when due are the Central Bank of Nigeria (CBN) and the Nigerian Accounting standard board (NASB) through the statement of Accounting standard (SAS) and the code of corporate governance which have set pressing issue on standard of financial reporting by banks. Although the formation, development, application and disclosure of these accounting policies and principles has not been fully upheld to as it could be that the policies adopted are not favorable. Accounting policies are specific accounting bases used by corporate firms which are appropriate to the circumstances of the business and suitable for presentation of its results and financial position through the use of fundamental accounting concept, conventions and principles to achieve its objective of a true and fair view of the financial statement since they are to be relied upon by stakeholders. The major accounting policies are in the area of consolidation, segment reporting, foreign currency conversion and translation, investment in subsidiary, depreciation, goodwill, sales of loan and security etc. Different techniques are used by different firm under the implementation of accounting policies. The policy making process involves a network of relationship among policies makers in different firms. The banking sector plays an important role in promoting economic growth and development in any nation. It ensures efficient mobilization of resources, pooling of savings and allocation of funds to the investment outlets. The sector also provides liquidity and capital to firms in their production processes and facilitates a reliable payment system; thus providing a variable platform for an effective monetary policy management. Banks are among the major operators of the national economy. They provide opportunities for financial transactions and manage the financial assets and liabilities of other economic units in a nation. Banks mobilize deposits, provide credits, and offer professional advice to investors and act as agents of government in the implementation of various monetary and macro-economic policies. In Nigeria, banks have been accepted as catalysts to national development. For instance, the Fourth National Development Plan (1981-1985) stressed that the banking system in Nigeria would continue to be encouraged and guided to respond to the challenges of national development. Izedonmi (2001) noted that banks help to allocate available resources by mobilizing funds from non-productive channels to finance investment activities in productive sectors and increase capital formation. According to the author, banks also promote financial integration of the various sectors in Nigeria. This is because funds are mobilized from areas with surplus funds to areas of deficit. Banks are also established to promote national development. For instance Oluyemi (1995) stressed that the Federal Government of Nigeria promulgated a decree setting up Rural Banking Programme (RBP) to stimulate and induce agricultural development in Nigeria.

Despite the usefulness and relevance of banks to national development, the experience in the Nigerian banking sector in the last few decades gives cause for concern. The complexity of accounting policies can takes its on financial report, some times financial report can be based on conflicting policies resulting to criticism of such reports; there may be conflict in the implementation of the policies and disclosure discrepancies between policies and report. The quality of financial information is a function of both the quality of accounting standard and the regulatory enforcement or corporate application of the standards (Kothori and Hope 2003). So these policies should be formulated using the standard. It is on this note that the Nigeria Accounting Standard Board (NASB) develop the statements of accounting standards SAS that will guide banks and other corporate entity in the formation of sound and safety accounting policies for the efficiency of reporting in the financial statement. Despite the importance of financial performance of banks to investors and stakeholders there have been few study on the area so this study is attempt to fill the gap, that is to focus on the banking sector and study “the impact of their accounting policies on their financial performance.

**1.2 STATEMENT OF PROBLEM**

Previous studies have been carried out concerning the accounting policies of the banks and the problem associated with this research are:

The accounting policies adopted by corporate firms might be too complex and conflicting thereby causing disagreement between the different policies and financial reports. Accounting policy of any Bank is very important.

If there is a change in accounting policy of a material item, it always affects their financial position whether negatively or positively depending on the favoritism of the policy. Thus the interest of the researchers dwells on finding solutions to the above mentioned problems.

* 1. **OBJECTIVE OF THE STUDY**

The objective of this research is to find out the impact of some selected areas of accounting policies on the financial performance of banks. Areas of study are:

1. To find out if the accounting policies of the banks enhance bank operation
2. To determine if accounting policies has an impact on banks profitability
3. To determine if managers choice on accounting policies confirm to authorized accounting standard.
	1. **RESEARCH HYPOTHESIS**

**Hypothesis One**

**Hi:** Accounting policies of the banks enhance bank operation in First Bank.

**Ho:** Accounting policies of the banks do not enhance bank operation in First Bank.

**Hypothesis One**

**Hi:** Accounting policies has an impact on banks profitability in First Bank.

**Ho:** Accounting policies has no impact on banks profitability in First Bank.

**1.5 SIGNIFICANCE OF THE STUDY**

This work an investigation into accounting policies of banks is important and its significance cannot be overemphasized it would be useful to the banks and all financial institutions as it will bring to light how accounting policy can affect the banks., The research work would also be of enormous assistance to various levels of educational institutions in the country, especially the universities as reference material for further studies and research work on insurance as a risk management strategy. The study would further contribute to the existing literature on the accounting policies of banks.

* 1. **Scope and Limitation of the Study**

This work is limited to an investigation of accounting policies of Banks using First Bank Nigeria plc as our case study.

The researcher encountered some constraints, which limited the scope of the study. These constraints include but are not limited to the following.

**a) AVAILABILITY OF RESEARCH MATERIAL:** The research material available to the researcher is insufficient, thereby limiting the study

**b) TIME:** The time frame allocated to the study does not enhance wider coverage as the researcher has to combine other academic activities and examinations with the study.

**1.7 DEFINITION OF TERMS**

**ASSESSMENT:** Collection of data to ascertain level of activities of an organization Banks’

**PERFORMANCE:** Performance based on profitability.

**COMPLIANCE:** The practice of abiding by the rules and regulations of a legally established organization e.g. Nigerian Accounting Standard Board

**CREDIT RISK:** The chance of losing the contingencies attached to all forms of credit which a bank may enter into such as loans, overdrafts, leases, guarantees, acceptances and other similar items.

**STATEMENT OF ACCOUNTING STANDARDS (SAS):** Statement of Accounting Standard means procedures that are developed to ensure a high degree of effectiveness in publishing financial statement. They provide the necessary information about how accounting information should be prepared and presented in order to enhance the value of its contents and facilitate thorough understanding.

**1.8 ORGANIZATION OF THE STUDY**

This research work is organized in five chapters, for easy understanding, as follows

Chapter one is concerned with the introduction, which consist of the (overview, of the study), historical background, statement of problem, objectives of the study, research hypotheses, significance of the study, scope and limitation of the study, definition of terms and historical background of the study. Chapter two highlights the theoretical framework on which the study is based, thus the review of related literature. Chapter three deals on the research design and methodology adopted in the study. Chapter four concentrate on the data collection and analysis and presentation of finding. Chapter five gives summary, conclusion, and recommendations made of the study.

**CHAPTER TWO**

**REVIEW OF RELATED LITERATURE**

**2.1 INTRODUCTION**

This chapter reviews the literature on accounting policies. It discusses issues arising from the topic of interest as viewed from different perspectives, with a view of giving a theoretical and empirical foundation to the study.

**2.2 LITERATURE REVIEW**

When we talk of accounting policies we talk about accounting standards, and we can’t talk about accounting standards without mentioning the International Financial Reporting Standards (IFRS) which is body of prescriptive rules and guidelines with global reach and appeal which provide direction and guidance on how business enterprises in a globalised world could achieve the goal of proper record keeping, transparency, uniformity, comparability and enhancing public confidence in financial reporting (Tendeloo and Vanstraelen, 2005). Thus, failure on the part of the firm to apply the requirements of IFRS would result in inconsistencies, lack of accountability and transparency, distortion in financial reports, which in turn results into poor financial reporting practices and dissemination of accounting information that is of less value to any particular group of users. This is because the preparation and presentation of financial statements will be bereft of objectivity, reliability, credibility and comparability, and thus results in fraudulent business practices which subsequently lead to business failure and become devastating on the national economy (Atu et al., 2014).

Amongst other things, the increasing internationalisation of the standardization of accounting rules has helped to reduce wide judgmental intuition and discretion, which has reduced the It is worthy of note that financial reporting pundits are unanimous in their agreement that financial reporting practice of a country depends on several factors that include the legal, economic, cultural and historical background of a country. It could then be argued that financial reporting is not an end in its self; rather, it is intended to provide information that is used in making reasoned choices among alternative uses of scarce resources in the conduct of business and economic activities. Therefore, this recognizes the fact that financial reports exist to satisfy the diverse information needs of numerous users such as the investors, management, employees, government, researchers, and so on. The problem is that firms have incentives to withhold or manipulate information in certain situations (poor performance). This is because the publication of such information imposes both direct and indirect cost on the disclosing firm. Besides the cost of collating, processing, communicating and auditing the information to be published, the position of the disclosing firm may be damaged when such information is used by competitors, government agencies, trade unions, clients or suppliers. The importance of standardisation of accounting rule cannot be over accentuated.

**IFRS and Financial Reporting Quality**

Empirical studies have investigated the effects of adopting IAS/IFRS in Europe on investors’ perception of accounting quality prior to Regulation 1606/2002, providing evidence in favour of their adoption. By means of disclosure quality scores provided by reputed experts, Daske and Gebhardt (2006) report, for instance, an increase in accounting quality for a sample of Austrian, German, and Swiss firms switching to IAS/IFRS in the period prior to their mandatory adoption in Europe. Similar results are provided by value-relevance studies such as the ones by Bartov et al. (2005), which document an increase in the value-relevance of earnings for German firms adopting IAS/IFRS. Barth et al. (2008) also compare domestic GAAP and IAS/IFRS across 21 countries, suggesting that firms applying IAS/IFRS exhibit less earnings management, more timely loss recognition, and more value-relevant accounting measures.

However, all these studies refer to voluntary adoption of IAS/IFRS, which might be the result of corporate incentives to increase transparency. Ashbaugh (2001), for instance, documents that the decision to report under IAS/IFRS is positively related to corporate size, the number of foreign equity markets on which the firm’s shares are traded and the additional issuance of equity shares. Similar findings are reported by Cuijpers and Buijink (2005) and Gassen and Selhorn (2006). For a sample of European non-financial firms that voluntarily adopted IAS/IFRS, Cuijpers and Buijink (2005) document that foreign listing and geographical dispersion of operations are important drivers. Gassen and Selhorn (2006) also show that size, international exposure, dispersion of ownership, and IPOs are important determinants of voluntary IAS/IFRS adoption by publicly traded German firms. Findings therefore suggest that companies voluntarily shifting to IAS/IFRS have incentives to improve transparency and the quality of financial reporting. Along the same lines, Covrig et al. (2007) argued that foreign mutual fund ownership is significantly higher among IAS/IFRS adopters, which suggests a voluntary switch to IAS/IFRS aimed at attracting foreign investors by providing them with both more information and information that is more familiar to them.

**IFRS and Comparability of Financial Reports**

Financial reporting quality is a key issue given the widespread acceptance of IAS/IFRS all over the world. IAS/IFRS or local variants have been adopted in jurisdictions as diverse as Australia, Canada, Hong Kong, Central and Eastern Europe, including Russia, parts of the Middle East and Africa. India, Japan, and much of South America are in the process of discussing and deciding upon mandatory adoption of IAS/IFRS, at least for part of their economies. Several other countries have not adopted IAS/IFRS, but have established convergence projects. Moreover, in 2007, the Securities and Exchange Commission (SEC) in the United States of America eliminated the reconciliation from IAS/IFRS to US GAAP required by foreign companies listed on US markets. The SEC also announced that IAS/IFRS would be permitted in US markets as an alternative to US GAAP, although in this case, the timescale is lengthy and subject to various conditions. The details vary, but the trend toward IAS/IFRS as a single set of globally accepted accounting standards is therefore clear and strong (Palea, 2013 work of the external auditor considerably (Porwal, 2006). It also allows for a considerable level of consistency in the application of accounting policies, which has helped to strengthen comparability financial reports the world over. The standard setting process has helped to provoke a high level of research and discussion among members of the profession and this has awakened the profession from its slumber.

**Statement of Accounting Policy**

Accounting policies are very important for the proper understanding of the information provided in the financial statements. An entity should clearly state the accounting policies it has used while preparing the financial statements.

Disclosure of accounting policies is important because many accounting standards allow alternative treatments for a same transaction or item. Users of financial statements will not be able to compare the financial information with other entities if the accounting policies are not cleared outlined. Therefore, accounting policies are those bases, rules, principles, conventions and procedure adopted in the preparation and presenting financial statements.

**Choice of Accounting Policy**

In the choice and application of the appropriate accounting policies, some fundamental concepts contradict one another. Hence, when choosing application of appropriate accounting policies, the following should be considered:

**Substance over form**

Transactions and other events should be accounted for and presented in accordance with their substance and financial reality and not merely with their legal form.

**Objectivity**

The accountant should be objective when presenting financial information. The preparer of financial information should not be bias or try to favour a segment of users of financial statement.

**Fairness**

This is an extension of the objectivity. Accounting information should be prepared not to favour any group or segment of society.

**Materiality**

Financial statements should disclose all items which are material enough to affect evaluation of decisions.

**Prudence**

Uncertainties surround many transactions. This should be recognised by exercising prudence in preparing financial statements. However, prudence does not justify the creation of secret reserves.

**Conceptual framework**

The international Accounting Standard Board (IASB) is an independent private sector body. It was founded in

June 1972 as a result of an agreement by accountancy bodies in Australian, Canada, France, Germany, Japan, Mexico and Netherlands, the United Kingdom and Inland and the United State of America, and these countries constituted the board of IAS at the time. The Institute of Chattered Accountant of Nigeria officially was admitted on July 19, 1976 as an associated member. The International Professional Activities of Accountancy bodies were organized under the International Federation of Accountant (IFAC) in 1991, IAS and IFAC agreed that IAS should have full

and complete autonomy in the setting of International Accounting Standards and the issuance of discussion documents on International Accounting Issues. IFA represents the worldwide accountancy profession. A small staff from offices in London and England support the Board. The IAS has a consultative group which meets board’s members to give views on issue currently on the zero agenda and it has an advisory council to give advice to the board on policy issues and to help with fund raising (Akpan, 2003).

**Objectives and impact of accounting standards**

The basic purpose of accounting standards is to facilitate the provision of financial information about entities to enable investors, analysts, creditors and the entities themselves to make informed decisions about the allocation of resources. Accounting standards are essentially about disclosure and, in many respects, are at the heat of market efficiency. Clearly, while accounting standards assists preparers of financial statements by providing a framework within which to construct the statements, their prime importance is to assist users of the statement to make meaningful assessments about the financial position of an entity. Users of financial statements range from directors to investors, and or credit rating agencies. Effective financial reporting, which is essential to investors’ confidence, can only be achieved if it is underpinned by relevant and well designed accounting standards. As the detail of financial reporting requirements is increasingly being left by legislation to be filled in by accounting standards, the importance of accounting standards is becoming accentuated. Accounting standards facilitate both the efficient day-to-day operations of individual business entities and contribute to the efficient operation of capital markets. At the firm level, accounting standards improve the accountability of individual business enterprises and their managements to investors and creditors. By promoting accurate reporting, accounting standards assist the management of a business entity to maximize the wealth of the entity and to put in place effective and efficient corporate governance arrangements. At a broader level, accounting standards are central to the provision of accurate transparent and reliable information to the market as a whole. In this regard, a well-informed market will generally be an efficient one (Gorelik, 1994). Accounting standards that result in the provision of accurate and comparable information about the true financial performance and position of business entities promote investor confidence and market integrity, thereby ultimately reducing the costs of capital throughout the economy public confidence in the integrity of the financial reporting framework is central to maintaining and expanding asophisticated domestic capital market (American Institute of Certified Public accountants, 1992).

**Role and objectives of International Accounting Standard Board (IASB)**

Specially, the objectives of IASB as contained in its constitution are: To formulate and publish in the public interest, accounting standards to be observed in the presentation of financial statement and to promote their world wide acceptance and observance; to work generally for the improvement and harmonization of regulations of accounting standards and procedures relating to the presentation of financial statements (Oti, 2002); and to contribute to the development and adoption of accounting principles that are relevant, balanced and comparable internationally and to encourage their observance in the presentation of financial statements.

**2.4 Benefits of Accounting Standards**

They give accountants and auditors some measure of protection from those who may try to pressurize them into using improper methods and assume their independence; they ensure that all stakeholders make contribution into the standard formulation and as such enrich the quality; they usually conform to internal accounting standards; they usually conform with all existing law and regulation requirements, for example, CAMA 1990, BOFIA 1991, and Insurance Act 2003; the standards are reviewed periodically to conform to latest economic and social developments; and the enactment of the NASB Act, 2003, gives it power to enforce compliance with standard.

**2.5 Approaches to standard setting**

The issue of what approach should be taken on setting accounting standards has been the subject of extensive research and debate in recent years. The need for accounting standards seems to be a matter of controversy. For example, some researchers argue that within the market mechanism there are already means that provides for efficient generation of quality financial information for users and, therefore, standards do not serve a useful purpose in improving the quality of financial report. There are others who argue that the market mechanism fails to provide the information needed by users of financial statement in the manner that is equitable and efficient and, therefore, accounting standards are necessary to regulate the provision of information through financial report (Rehma, Perera and Tower, 1992). The Advocates of the former view take a free-market approach while those of the later view take a regulatory approach to setting accounting statement.

**Free-market approach**

The basic assumption of the free-market approach is that accounting information is an economic good similar to other goods and services. As such, it is subject to the forces of demand and supply; demand by interested users, and supply by entities in the form of financial statements. Through the interaction between the market forces, equilibrium is reached, where an optional amount of information is disclosed at an optimal price. Where a given piece of information is demanded, the market will generate the information if the price offered is right. The market is thus presented as the ideal mechanism for determining the types of information to be disclosed, the recipient of the information and the accounting standards to govern the production of such information. The proponents of this view also argued that, mandatory standards are undesirable because they tend to over-produce standards in view of the fact that the cost of production of information is not borne by users (Kam, 1990; Udoayang, Akpanuko and

Asuquo, 2009).

**Regulatory approach**

Advocates of a regulatory approach to accounting standard seems to believe that market failures or anomalies and perceived asymmetry in regards to the quantity and quality of financial information available to various interested parties, which lead to a decline in investor confidence, can be rectified through regulation. Furthermore, particularly, though accounting standards may be used to prepare and represent undistorted financial statement, it will also assist auditors and regulatory agencies as it provides clear guidelines for reporting, verification and overseeing purposes, respectively (Rahma, Perera and Tower, 1992).

**THEORETICAL APPROACH**

Theoretical approach includes the adoption of different theories and qualitative analysis for the development of different theories. The policy makers make use of different theories and theoretical contexts for the development of different accounting theories. The theoretical approach to the formulation of accounting theories includes several different approaches and contexts. Some of the commonly used theoretical approaches for the formulation of accounting theories are discussed as below: (Cluskey, et. al 2007)

**Inductive Approach:** This approach is nothing but the description of what the accountants should do. On the basis of past experiences and the existing problems, new rules and regulations are devised that explain the different things and activities that the accountants should do ideally.

**Deductive Approach:** The principles of accounting theories are also based on the deductive approach, in which the policy makers first establish the different objectives of accounting and the accounting theory and on the basis of these objectives, the theories are formulated.

**Ethical and Sociological Approach:** The people responsible for the formulation of accounting theories keep in mind different ethical and sociological contexts and theories for the development of these accounting theories.

**NON THEORETICAL APPROACH**

In addition to the theoretical approach, the policymakers also make use of several different non-theoretical approaches for the formulation and development of the different accounting theories. This approach includes different non-theoretical contexts according to which new and different accounting theories are developed and then implemented by the accountants. Different non-theoretical approaches developed towards formulation of accounting theories are discussed below: (Gaffkin, 1987)

**Pragmatic Approach:** This is the most practical approach that is adopted towards the development of the accounting theory. This approach includes logics and reasoning. The theories are developed completely based out of logic and practical rules. This approach includes the amalgamation of theory with the operational context and operational utilities. It is more of a problem solving approach, which helps in transforming the theory into practical usefulness.

**Authoritarian Approach:** This approach includes the authoritative value of the government and regulatory bodies who decide the operational utility of a given theory. Based on the utility and given situation, the policy makers decide on the approaches that are to be used and these approaches are then combined to form the accounting theory.

**NORMATIVE APPROACH TO ACCOUNTING THEORIES**

The normative approach to accounting theories is a special approach, which is based on defining the things that should be instead of defining what actually is. Different approaches to accounting theories include the analysis of different elements and carrying out studies in different ways, which the help in the formulation and development of different accounting theories that define the basis and construct of accounting practices. In the normative approach, the policymakers discuss their opinions and judgment on different accounting practices and explains what a theory should include. The theorists make use of their past experiences and analyses and thus depending on that they explain and define the things that the accounting theories should include. Some of the main things included in the normative approach are the personal outlooks, deductive reasoning and use of inductive techniques. (Mattessich, 1992).

**CHAPTER THREE**

**RESEARCH METHODOLOGY**

* 1. **Research design**

The researcher made use of the survey method to generate primary data to achieve the objectives of the study because of its advantages of identifying attributes of a large population from a group of individuals. The design was suitable for the study as the study sought to find out the impact of accounting policies in banks in Nigeria using first bank Nigeria plc as fcase study.

* 1. **Population of the study**

Population of a study is a group of persons or aggregate items, things the researcher is interested in getting information regarding palm oil trade and its socioeconomic impacts.

* 1. **Sources of data collection**

Data were collected from two main sources namely:

(i)Primary source and

(ii)Secondary source

**Primary source:**

These are materials of statistical investigation which were collected by the research for a particular purpose. They can be obtained through a survey, observation questionnaire or as experiment; the researcher has adopted the questionnaire method for this study.

**Secondary source:**

These are data from textbook Journal handset etc. they arise as byproducts of the same other purposes. Example administration, various other unpublished works and write ups were also used.

* 1. **Sample and sampling procedure**

Sample is the set people or items which constitute part of a given population sampling. Due to large size of the target population, the researcher used the Taro Yamani formula to arrive at the sample population of the study.

n= N

 1+N (e) 2

n= 200

1+200(0.05)2

= 200

1+200(0.0025)

= 200 200

1+0.5 = 1.5 = 133.

**3.5 Instrument for data collection**

The major research instrument used is the questionnaires. This was appropriately moderated. The respondents were administered with the questionnaires to complete, with or without disclosing their identities. The questionnaire was designed to obtain sufficient and relevant information from the respondents. The primary data contained information extracted from the questionnaires in which the respondents were required to give specific answer to a question by ticking in front of an appropriate answer. The questionnaires contained structured questions which were divided into sections A and B.

* 1. **Validation of the research instrument**

The questionnaire used as the research instrument was subjected to face its validation. This research instrument (questionnaire) adopted was adequately checked and validated by the supervisor his contributions and corrections were included into the final draft of the research instrument used.

* 1. **Method of data analysis**

The data collected was not an end in itself but it served as a means to an end. The end being the use of the required data to understand the various situations it is with a view to making valuable recommendations and contributions. To this end, the data collected has to be analysis for any meaningful interpretation to come out with some results. It is for this reason that the following methods were adopted in the research project for the analysis of the data collected. For a comprehensive analysis of data collected, emphasis was laid on the use of absolute numbers frequencies of responses and percentages. Answers to the research questions were provided through the comparison of the percentage of response to each statement in the questionnaire related to any specified question being considered.

Frequency in this study refers to the arrangement of responses in order of magnitude or occurrence while percentage refers to the arrangements of the responses in order of their proportion. The simple percentage method is believed to be straight forward easy to interpret and understand method.

The researcher therefore chooses the simple percentage as the method to use.

The formula for percentage is shown as.

% = f/N x 100/1

Where f = frequency of respondents response

N = Total Number of response of the sample

100 = Consistency in the percentage of respondents for each item

Contained in questions

**CHAPTER FOUR**

**PRESENTATION ANALYSIS INTERPRETATION OF DATA**

**4.1 Introduction**

Efforts will be made at this stage to present, analyze and interpret the data collected during the field survey. This presentation will be based on the responses from the completed questionnaires. The result of this exercise will be summarized in tabular forms for easy references and analysis. It will also show answers to questions relating to the research questions for this research study. The researcher employed simple percentage in the analysis.

**4.2 DATA ANALYSIS**

The data collected from the respondents were analyzed in tabular form with simple percentage for easy understanding.

A total of 133(one hundred and thirty three) questionnaires were distributed and 133 questionnaires were returned.

Question 1

Gender distribution of the respondents.

TABLE I

|  |
| --- |
| **Gender distribution of the respondents** |
| Response | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Male | 77 | 57.9 | 57.9 | 57.9 |
| Female | 56 | 42.1 | 42.1 | 100.0 |
| Total | 133 | 100.0 | 100.0 |  |

From the above table it shows that 57.9% of the respondents were male while 42.1% of the respondents were female.

Question 2

The positions held by respondents

TABLE II

|  |
| --- |
| **The positions held by respondents** |
| Response | Frequency | Percent | Valid Percent | Cumulative Percent |
| **Valid** | Third year | 37 | 27.8 | 27.8 | 27.8 |
| Fourth year | 50 | 37.6 | 37.6 | 65.4 |
| Second year | 23 | 17.3 | 17.3 | 82.7 |
| First year | 23 | 17.3 | 17.3 | 100.0 |
| Total | 133 | 100.0 | 100.0 |  |

The above tables shown that 37 respondents which represents27.8% of the respondents are Third year 50 respondents which represents 37.6 % are Fourth year 23 respondents which represents 17.3% of the respondents are second year, while 23 respondents which represent 17.3% of the respondents are First year.

**TEST OF HYPOTHESES**

**Hi:** Accounting policies of the banks enhance bank operation in First Bank.

**Ho:** Accounting policies of the banks do not enhance bank operation in First Bank.

**Table III**

|  |
| --- |
| **Accounting policies of the banks enhance bank operation in First Bank** |
| Response  | Observed N | Expected N | Residual |
| Agreed | 40 | 33.3 | 6.8 |
| strongly agreed | 50 | 33.3 | 16.8 |
| Disagreed | 26 | 33.3 | -7.3 |
| strongly disagreed | 17 | 33.3 | -16.3 |
| Total | 133 |  |  |

|  |
| --- |
| **Test Statistics** |
|  | **Accounting policies of the banks enhance bank operation in First Bank**  |
| Chi-Square | 19.331a |
| Df | 3 |
| Asymp. Sig. | .000 |
| a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 33.3. |

**Decision rule:**

The researcher therefore rejects the null hypotheses which states that Accounting policies of the banks do not enhance bank operation in First Bank as the calculated value of 19.331 is greater than the critical value of 7.82 Therefore the alternate hypotheses is accepted that Accounting policies of the banks enhance bank operation in First Bank.

**TEST OF HYPOTHESIS TWO**

**Hi:** Accounting policies has an impact on banks profitability in First Bank.

**Ho:** Accounting policies has no impact on banks profitability in First Bank.

 Table V

|  |
| --- |
| **Accounting policies has an impact on banks profitability in First Bank** |
| Response  | Observed N | Expected N | Residual |
| Yes | 73 | 44.3 | 28.7 |
| No | 33 | 44.3 | -11.3 |
| Undecided | 27 | 44.3 | -17.3 |
| Total | 133 |  |  |

|  |
| --- |
| **Test Statistics** |
|  | **Accounting policies has an impact on banks profitability in First Bank** |
| Chi-Square | 28.211a |
| Df | 2 |
| Asymp. Sig. |  .000 |
| a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 44.3. |

**Decision rule:**

The researcher therefore rejects the null hypotheses which states that, Accounting policies has no impact on banks profitability in First Bank. as the calculated value of 19.331 is greater than the critical value of 7.82 Therefore the alternate hypotheses is accepted that Accounting policies has an impact on banks profitability in First Bank.

**CHAPTER FIVE**

**SUMMARY, CONCLUSION AND RECOMMENDATION**

**5.1 INTRODUCTION**

It is important to reiterate that the objective of this study is to investigate into accounting policies of banks. In the preceding chapter, the relevant data collected for this study were presented, critically analyzed and appropriate interpretation given. In this chapter, certain recommendations made which in the opinion of the researcher will be of benefits in investigating into accounting policies of banks.

* 1. **SUMMARY**

This study was undertaken to investigate into accounting policies of banks. The study opened with chapter one where the statement of the problem was clearly defined. The study objectives and research questions were defined and formulated respectively. The study reviewed related and relevant literatures. The chapter two gave the conceptual framework, empirical and theoretical studies. The third chapter described the methodology employed by the researcher in collecting both the primary and the secondary data. The research method employed here is the descriptive survey method. The study analyzed and presented the data collected in tables, the fifth chapter gives the study summary and conclusion.

* 1. **CONCLUSION AND RECOMMENDATIONS**

In conclusion, the study generally revealed that: Accounting policies of the banks enhance bank operation in First Bank, Accounting policies has an impact on banks profitability in First Bank.

Since the beginning of corporate form of business entity in Nigeria, the banking sector has been playing important role in promoting economic growth and development by way of providing liquidity and capital in form of loans to firms and private individuals, Izedonmi (2001) noted that banks help to allocate available resources by mobilizing funds from productive channels to finance investment activities in productive sectors and increase capital formation, they also promote financial investment activities by selling their financial securities to the public who in return will require mere performance to be reflected in their financial yearly report.

**REFERENCES**

Ailemen, I., and Akande, A. (2012). International Financial ReportingStandards (IFRS): Benefits, Obstacles and Intrigues for Implementation inNigeria. *Research Journal of Finance and Accounting*. 3(10), 143-151.

Ajayi, T. and Sosan, M. (2013). The Evolution of Nigeria Banking System,Supervision and Current Challenges. *Working Paper* 1-28. Available at http://ssrn.com/abstract=2286200.

Akingunola, R., Adekunle, O., and Adedipe, O. (2013). Corporate Governance and Banks Performance in Nigeria. (Post-banks consolidation).

Bala, M. (2013). Effect of IFRS Adoption on the Financial Reports of Nigeria Listed entities: The Case of Oil and Gas Companies. *The Macrotheme Review* 2(7), 9-26.

Barungi, B. (2014). Nigeria. Available at [www.africaneconomicoutlook.org](http://www.africaneconomicoutlook.org).

Beke, J. (2011). How can International Accounting Standards Support Business Management? *International Journal of Management and Business Research*.1(1), 25-34.

Cormier, D. (2013). The Incidence of Corporate Governance and IFRS onInformation *European Journal of Business, Economics and Accountancy* Vol. 4, No. 4, 2016 *ISSN 2056-6018*

Asymmetry and the Value Relevance of Earning: SomeCanadian Evidence**.** *Cashier de Recherche* 2014, 01-24.

Essien-Akpan, I. (2011). The International Financial Reporting Standards (IFRS). The Role of the Chartered Secretary and Administrator. A paper presented at the 35th Conference of ICSAN. Lagos Sheraton Hotels and Towers. October 26th and 27th.

Firoz, M., Ansari.A., and Akhta, K. (2011). IFRS – Impact on Indian Banking Industry. *International Journal of Business and Management*. 6(3), 277-283.

Garba, S. (2013). IFRS and Bank Performance in Nigeria. https://www.academia.edu.

Herbert, W., and Tsegba, I. (2013). Economic Consequences of International Financial Reporting Standards (IFRS) Adoption: Evidence from a DevelopingCountry. *European journal of Business and Management*. 15, 28.

Odia, J., and Ogiedu, K. (2013). IFRS Adoption: Issues, Challenges and Lessons for Nigeria and other Adopters. *Mediterranean Journal of Social Sciences.* 4(3), 389-399.

Okoye, P., and Akenbor, C. (2014). Financial Reporting Framework in Nigeria and the Adoption of the IFRS. *International Journal of Business and Economic Development* 2(1), 52- 63.

Okpala, K. (2012). Adoption of IFRS and the Financial Statement Effects. The Perceived Implication on Foreign Direct Investment and Nigeria Economy. *Australian Journal of Business and Management Research.* 2. 76-83.

Pricewater Coopers, (2006). IFRS: The complex issues banks face. Available at https://www.pwc.com .

Taiwo, F., and Adejare, A. (2014). Empirical Analysis of the Effect of International Financial Reporting Standards (IFRS) Adoption on Accounting Practices in Nigeria. *Archives of Business Research*, 2(2), 1-14.

Tanko, M. (2012). The Effect of IFRS Adoption on the Performance of Firms in Nigeria. *Journal of Administrative and Economic Sciences*, 5(2), 133-157.

Terzungwe, N. (2012). Challenges of Converging to International Financial Reporting Standards (IFRS) in Nigeria. *International Journal of Business andInformation Technology.* 2(2), 26-31.