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The Impact of International Financial Reporting Standards on Corporate Governance, Board Size and Income Smoothing in the Nigerian Financial Market

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ABSTRACT: Income smoothing as an accounting technique is an earnings management method that has recently piqued the interest of company boards of directors, accountants, and accounting researchers. Income smoothing is the application of financial reporting principles and standards to level out earnings volatility.

This paper focussed on the theoretical investigation of the impact of the International Financial Reporting Standard on corporate governance and income smoothing. This study theoretically examined the link between board size and income smoothing, with an emphasis on the intervening effect of International Financial Reporting Standards (IFRS). This paper covers a period of 2003 to 2023 and which focussed on the Nigerian Financial Market.

In this study, a systematic literature review (SLR) was performed, and the research revealed crucial impact of the International Financial Reporting Standard on corporate governance and income smoothing. The SLR was performed using a sample of 100 research articles chosen from a pool of 400 papers obtained from Scopus, Web of Science, Google Scholar, ABS journal and, among other sources.

Following the findings of the many research evaluated, the study discovered significant divergence and inconsistency in the results, indicating that corporate governance has either a positive or negative association with income smoothing.

KEYWORDS: IFRS, Corporate governance, Income smoothing, Board size, Financial Market

INTRODUCTION

Income smoothing is becoming a major source of worry, compromising the confidence of both the accounting and auditing departments. Guillaume and Pierre (2016) claimed that changing revenues diminishes the importance of financial reporting, particularly accounting rules. The necessity to manage the widespread use of income smoothing while also ensuring the openness and credibility of company reports prompted global corporate governance and the establishment of international financial reporting standards (IFRS). Corporate governance offers the structure for setting the company's objectives and determining how to achieve those objectives and assess performance (Omoye & Eriki, 2014).

Implementing good corporate governance practices and adopting international financial reporting standards (IFRS) aim to promote transparency, accountability, and integrity of company financial reports and accounts, with the goal of reducing income smoothing as a form of earnings management (Samak, El Said, & El Latif, 2014; Saftiana, Mukhtaruddin, & Ferina, 2017). Agency theory has provided the theoretical basis for expectations about how corporate governance might serve to decrease, if not eliminate, income smoothing tendencies. Although income smoothing is a legal strategy, it is misleading since it takes use of gaps in accounting rules and principles to manipulate revenue by increasing or decreasing it as needed.

According to Al-Baaj, Al-Zabari, and Abbas (2018), income smoothing comprises altering costs and revenue to create the false impression that a company's revenues are consistent. When firms use income smoothing, there is no way to identify their true earnings (Moh & Winny, 2014). There will undoubtedly be agency problems and information asymmetry as a result of income smoothing actions carried out by corporate management for personal advantage.

In Nigeria, numerous institutional efforts have been undertaken to guarantee that corporate governance is successful and resulting in improved financial reporting through falling income smoothing. This resulted in the "Nigeria code of corporate governance" launched in November 2003, and the revised code, released in 2016, gives more insight on the relationship between income smoothing and corporate governance in Nigeria. Countries all around the globe are developing corporate governance best practice standards to promote trustworthy financial reporting.

Examples include the Cadbury Report (1992) in the United Kingdom, Sarbanes Oxley (2002) in the United States, the Dey Report (1992) in Canada, the Vienot Report (1995) in France, the Olivencia Report (1998) in Spain, the King's Report (1994) in South Africa, the Principles and Guidelines of Corporate Governance (2004) in New Zealand, and the Cromme Code (2002) in Germany. The majority of these legislations aim to strengthen organisations' corporate governance conditions and the fundamental purpose of financial reporting for economic choices (Bhagat & Bolton, 2009).

Corporate managers may be driven to smooth revenues for their personal benefit. While the topic of income smoothing is not new, it remains a major concern in accounting study due to the deception of financial reporting caused by the technique. Importantly, this study incorporates the intervening role of IFRS adoption in the link between corporate governance and income smoothing, providing a more rigorous understanding of the interplay of processes influencing managers' income smoothing behaviour. The implementation of IFRS has been attributed with creating a more transparent information environment, improving accounting quality, and reducing management opportunism. Consequently, this study theoretically explores corporate governance on income smoothing by addressing the intervening influence of IFRS adoption among listed businesses in Nigeria.

Scholars claim that corporate governance is inadequate in regulating income smoothing behaviour because accounting standards allow managers to participate in such manipulative methods (Chi-Yih, Boon, & Xiaoming, 2012). Several academic researchers in accounting are questioning the validity of corporate reporting (Gulzar & Wang 2011; Ali & Marziyeh, 2012; Al Baaj, Al-Zabari, & Abbas, 2018) due to the potential effects of income smoothing practices by company management on the information content of corporate financial reports.

Manukaji and Ijeoma (2018) stated that the shortcomings of corporate governance structures, such as board size, board independence, audit committee, and external auditors, are arguably the most prominent causes cited for income smoothing in Nigeria. Income smoothing can be damaging to the business or its owners, particularly when repercussions develop. Income smoothing tactics have been connected to the failure of high-profile corporations throughout the world, including Enron (2001) Savanna Bank Nigeria Plc (2002), Lehman Brothers (2008), Intercontinental Bank Nigeria Plc (2010), Bank PHB (2010) and FinBank (2010).

For example, Enron overstated profits by $586 million for four years, WorldCom capitalised operating expenses of $3.8 billion, Tyco and Adelphia lost $460 billion, and Cadbury Nigeria Plc's books were manipulated by management, resulting in a loss of over ₦15 billion (Okaro, Okafor & Ofoegbu, 2013). Ironically, an analysis of these research reveals that there is no consensus about the relationship between corporate governance and income smoothing. While some research argues for a favourable impact (Gulzar & Wang 2011; Ali & Marziyeh, 2012; Guo & Ying, 2015), others suggest a detrimental effect (Uadiale, 2012; Samak, El Said, & El Latif 2014).

These inconsistencies suggested that the association was dependent on the specific variable in issue. This lack of clear consensus indicates that this subject is still open for dispute, and there is a need to re-examine and give other viewpoints on the influence or link between corporate governance procedures and income smoothing in Nigeria.

The overall goal of this research is to conceptually explore corporate governance and income smoothing in Nigeria, with a focus on the intervening effect of IFRS adoption.

The study aims to theoretically identify the link between board size and revenue smoothing in Nigeria.

The second section goes on the study's research methodology. The third section delves into the literature review, including concepts such as conceptual review, conceptual framework, theoretical review, and empirical review. Section four covers critical analysis of the board size, corporate governance and income smoothing. Section 5 contains a summary, findings, and suggestions.

RESEARCH METHODOLOGY

This article focuses on an extensive and comprehensive literature review (SLR). In agreement with Owoeye (2023), the systematic literature review process was used to find, select, and critically evaluate studies addressing a specific subject. Furthermore, Owoeye (2023) emphasised that the systematic literature review developed a well-stated method or plan prior to completing the study, with clearly defined criteria. The author used the procedure described above to summarise the main sources of literature for each of the subject topics.

The author used a sample of 120 research papers to perform an SLR. These articles were chosen from a pool of 350 papers obtained from Google Scholar, Web of Science, and Scopus. The publications were chosen based on the number of citations in Google Scholar and Scopus, as well as the impact factor of the journals in Scopus. The paper is grounded on the critical evaluation of the impact of corporate governance and income smoothing in Nigeria, with a focus on the intervening effect of IFRS adoption in the Nigerian economy. Based on the synthesis of the established literatures, the paper tends to establish the theoretical relationship between corporate governance and Income smoothing with the Nigerian financial economy. After the review, the paper will proffer the necessary recommendation to combat impact of corporate governance issue, income smoothing and management of board sizes issues within the context of the Nigerian Economy. Due to the theoretical nature of this piece of work, the authors chose relevant papers from 2003 to 2023 which are well cited by many academics globally. The review is then carried out in five steps: locating relevant literature, screening for inclusion, grading the quality, extracting data, and analysing and synthesising the findings. Ultimately, the review is reported on, with a summary of the findings (Xiao & Watson, 2019).

The next section will provide a detailed discussion on the theoretical perspective of this study which was focused on conceptual review, conceptual framework, theoretical review, and empirical review and critically discuss how this is relevant to this paper.

LITERATURE REVIEW

Conceptual Review

Income Smoothing

Income smoothing is a financial management method used by businesses to reduce the volatility of their reported results across many accounting periods. The notion is based on consciously changing the timing or recognition of revenue and costs in order to generate a more regular and predictable earnings pattern. This approach seeks to demonstrate consistent financial performance to stakeholders such as investors, creditors, and regulators, so increasing trust and reducing perceived risk connected with the company's activities.

Income smoothing is defined and regarded differently by accounting experts and practitioners. Belkaoui (2006) defined income smoothing as the decrease of year-to-year income volatility by moving revenue from high-earning years to less-profitable times. According to Ronen and Yaari (2008) paper, they argued that income smoothing is a type of earnings management that focuses on damping changes in reported profits across time. In this case, management of the business decides to take activities to boost earnings when earnings are relatively low and to decrease earnings when earnings are relatively high.

Guillaume and Pierre (2016) further argued that income smoothing is used in accounting to reduce the unpredictability of accounting outcomes. Corporate managers may choose to smooth their own income (or security), thinking that income stability and growth rates are more important than higher average income streams with greater fluctuation (Samak, El Said, & El Latif, 2014).

Al-Baaj et al. (2018) defined income smoothing as the manipulation of costs and revenue to create the false impression that a company's earnings are steady. Guillaume and Pierre (2016) see income smoothing as one of accounting's incentives, which is focused with controlling and manipulating swings in certain levels of revenues for the firm.

Chhabra (2016) observed that income smoothing is used by management without any input from stakeholders, hence management does not reveal any information about it. There are two perspectives on income management. The first dominates and sees earning management as fraudulent, but in the second scenario, stakeholders decide such actions as management based on their preferences. Chhabra (2016). Managers smooth earnings for several purposes, including maximising their personal wealth, minimising the business's perceived riskiness, increasing corporate value, satisfying debt covenants, lowering tax and political expenses, and improving the dependability of financial predictions.

However, executive discretion is not utilised just for earnings management. According to Coelho and Lima (2009), CEOs' discretionary authority is mirrored in organisations' levels of conservatism. In essence, businesses can be more or less cautious in their accounting procedures, and this level of conservatism influences their accounting outcomes. According to Samak, El Said, and El Latif (2014), there are two forms of income smoothing: purposeful, which is based on true intention, and false income smoothing. Real (deliberate) income smoothing refers to management efforts aimed at controlling economic conditions that will have a direct impact on future business profitability. This type of income smoothing influences cash flow. On the contrary, fake income smoothing might reveal manipulation carried out by management to smooth earnings.

Francis et al (2005) emphasized income smoothing helps to eliminate ambiguity regarding reported revenue while also compromising the knowledge level of the structure of corporate payments, which is important to investors. According to international accounting rules, income smoothing is illegal because it employs deceptive accounting processes and interpretations to smooth out changes in net income. When firms use income smoothing, there is no accurate information to calculate their true earnings in order to avoid taxes.

Owoeye (2023) also claimed that income smoothing is a frequent practice in Nigeria. The report examined the misrepresentations of accounting data and the financial performance of Nigerian listed corporations from 2007 to 2023. The report evaluated 105 non-financial enterprises listed on the Nigerian Stock Exchange. The study's analysis was statistical and based on secondary data obtained from various firms' annual reports.

The study found that some tampering tactics, such as erroneous asset assessment and asset transaction timing, increased return on assets, justifying the immoral activity. Other methods, such as income fabrication and liability understatement, were found to have a negative impact on return on assets. The research recommends that investors engage expert financial analysts to review the financial statements of firms in which they wish to invest.

Corporate Governance

Corporate governance was born from the notion of executives checking during the period spent in outstanding fundamental leadership. According to Ogbonnaya, Ekwe, and Ihendinihu (2016), corporate governance is primarily concerned with managing the behaviour of senior corporate executives in order to defend the interests of firm owners (shareholders). These issues develop as a result of the split between owners and firm management. The company's owners, as capital providers, might assign management power to a professional manager.

According to La Porta, Lopez-de-Silanes, Shleifer, and Vishny (2000), Corporate Governance is a check-and-balance structure designed to protect financial resources from internal abuse. According to Liu, Harris, and Omar (2013), corporate governance is an internal process meant to increase shareholder interest and promote managers' transparency and accountability on matters connected to company operations and decision-making.

Shukeri and Md-Aminu (2012) paper described corporate governance as a type of structure put in place by enterprises that is managed and directed to promote the perpetuity of the organisation, which is the main responsibility of the management and the board of directors.

Good corporate governance is described as the interaction of institutions and procedures that provide control and responsibility while also encouraging the company's efficiency and performance.

Alawattage and Wickramasinghe (2004) defined corporate governance as procedures that connect structures and agents, the method in which management is directed and transparent, and institutional rules, conventions, and regulations. Corporate governance encompasses not just board activities and techniques related to management, boards, shareholders, and other stakeholders, but also broader concerns that might enhance corporate performance (Chowdary, 2002).

Cadbury (1992) emphasized that corporate governance is a set of financial or other controls that assure the organisation is being guided in the appropriate direction. In its study, the World Bank (2002) defines corporate governance as a system of norms that influence expectations for the exercise of control over resources in a corporation. Corporate governance refers to the systems and institutions in place to restrict managers' self-serving behaviour.

Matters arising from corporate governance (CG) have sparked a lot of interest, and one factor that can be attributed to the volume of attention that corporate governance has received, particularly in recent times, is the rising risk and possibility of corporate failure, which is a global issue that cannot be limited to developing countries but also to developed countries.

Corporate failures such as Enron Corporation (US), Barings Empire (UK), and Malaysian examples such as Perwaja and Pan Electric Inc., as well as bank collapses in Nigeria, are entirely caused by a lack of adherence to suitable corporate governance frameworks. According to Hassan and Yaacob (2017), corporate governance is a combination of procedures and structures headed by the governing body to authorise, coordinate, and administrate the board in order to achieve organisational goals.

In Nigeria, the Security and Exchange Commission (SEC) and the Corporate Affairs Commission (CAC) established a seventeen (17)-member committee led by Mr Peterside Atedo in 2001 to review existing corporate governance provisions in order to identify weaknesses and ways to improve them (Obeten, Ocheni, and John, 2014). According to Javid and Iqbal (2010), excellent corporate governance standards may help to safeguard the interests of small and big investors, raise investment rates, obtain financing for project execution, and enhance competitive capacities.

The Impact of International Financial Reporting Standards on Corporate Governance, Board Size and Income Smoothing in the Nigerian Financial Market

Prior to the implementation of the Private Sector Code, several businesses or sectors in Nigeria had their own corporate governance codes (including the overall Code of Corporate Governance for Public Companies). When publishing the Private Sector Code, the steering committee considered existing codes and comparable directives in order to harmonise the codes and eliminate conflicts and overlaps with the Private Sector Code. The committee specifically evaluated the Code of Corporate Governance for Banks in Nigeria Post-Consolidation 2006; Licenced Pension Operators 2008; Insurance Industry in Nigeria 2009; the SEC Code in Nigeria 2011; and the Central Bank of Nigeria Code for Banks and Discount Houses 2014.

The harmonised and unified various codes of the Private Sector Code supersede corporate governance codes in force in Nigeria as of October 17, 2016, or before the date, and where there is a conflict between the provisions of the Private Sector Code and any sectoral code or supplement thereto, the provisions of the Private Sector Code shall prevail to the extent of the inconsistencies.

IFRS Adoption in the Nigeria

The rising acceptance of International Financial Reporting Standards (IFRS) as a financial reporting framework may indicate a fundamental challenge in the accounting profession. According to Barth, Landman, and Lang (2008), IFRS represents the combined impact of financial reporting system characteristics, accounting standard interpretation and enforcement, and other environmental elements that influence management incentives. Accounting information is used across borders when common standards are employed to prepare financial statements (Leuz & Verrecchia, 2000). IFRS aims to promote openness, improve the quality and effectiveness of financial reporting, provide financial statements that will instill investor trust (due to IFRS's stringent disclosure standards), and facilitate cross-border stock market listing (Oseni 2013).

According to Fathi (2013), the goal of financial reporting is primarily to eliminate information asymmetry between corporate management and parties contracting with the organisation, which is achieved by revealing relevant and timely information. Accounting quality enhancement has favourable desirable implications (Soderstrom and Sun 2007), such as decreased capital costs and improved international capital mobility (Young and Guenther 2002).

Board Size and Income Smoothing

Board size refers to the total number of individuals that make up the company's board of directors (Tafamel, Dania, & Akrawah, 2016). According to Omoye and Eriki (2014), the size of the board is a critical component of strong corporate governance in both small and large enterprises when it comes to earning management practices. According to Hermalin and Weisbach (2003), bigger boards may be less operational than boards with fewer directors. They claimed that when the number of directors on the board exceeds a certain threshold, it becomes more symbolic rather than fulfilling its intended managerial purpose. The efficacy of the board of directors depicts how the decision-making authority of the directors who comprise the board influences the company favourably.

The size of the board is critical since it may aid in adequate monitoring and supervision capabilities, particularly when more directors are added to the board (Jensen, 1993). He suggested that larger boards may be less effective than smaller boards. As the board's size grows, so will the number of agency problems (director free-riding) and the likelihood of being ineffective.

Ahmadu, Tukur, and Aminu (2011) suggested that a big board size has a significant impact on the board's activities through effective corporate governance framework. Fodio, Ibikunle, and Oba (2013) discovered that board size and independence had a negative and substantial impact on earnings management for Nigerian listed insurance businesses.

THEORETICAL FRAMEWORK

This study is based on Agency Theory. Jensen and Meckling are credited with developing agency theory in 1976. According to Jensen and Meckling (1976), agency is a contract between the principle (owner) and the agent (management) under which the agent is assigned certain authority to act on behalf of the principal. According to this view, the primary (shareholders) are the company's owners, while the agent is management or selected executive directors who have the authority and obligations to carry out the company's operations (Clarke, 2004). Investors who believe in agency theory want management to act and make decisions that benefit shareholders. However, contrary to expectations, management may not always make decisions that benefit the principals the most (Padilla 2000).

According to agency theory, management may succumb to personal circumstances, engage in deception, and miss the point in terms of harmony between the principals' aims and the management's interests. However, if there is a disagreement between the principal and the management, the organisation model may be used to align the management's goals with those of the owners.

This hypothesis proposes that knowledge disclosure become mandatory in order to minimise the moral hazard issue that might occur between principals and managers.

As a result, strengthening the organization's information environment by increased disclosure, such as in the context of this study's drive for greater human capital disclosures, will reduce the moral hazard problem, which is one of the primary concerns concerning agency theory. This paper chooses the agency theory as the right theory for the investigation since it investigates corporate governance as a method for addressing information asymmetry between management and shareholders. The theory also posits that managers' and shareholders' interests may vary.

As a result, the theory proposes that corporate governance expenditures be expended to provide monitoring to guarantee that misalignment between shareholders and management is reduced and managers' expropriation inclinations are curtailed. In light of this, the agency theory approach provides a foundation for corporate governance to assist reduce income smoothing.

Empirical Studies

Moh and Winny (2014) investigated income smoothing evidence in Indonesia. The goal was to identify the elements that influence income smoothing on the National Private Commercial Foreign Exchange Banks listed on the Indonesia Stock Exchange. The variables in the study were business size, profitability, and financial leverage. The Eckel Index was used to evaluate income smoothing. The sample was drawn at random from ten private foreign exchange national banks that were listed on the Indonesia Stock Exchange (IDX) between 2009 and 2013, with a sub-sample of fifty financial reports. The findings revealed that the majority of National Private Commercial Foreign Exchange Banks listed on the Indonesia Stock Exchange (IDX) employ income smoothing. The size of the organisation, profitability, and financial leverage were discovered to have a considerable impact on income smoothing.

Okougbo and Elewechi (2015) did a research on corporate governance and earnings management, based on data collected from the accounts of listed firms in one of Africa's major countries, Nigeria. To estimate discretionary accruals, the study used the Modified Jones model, and the data was evaluated using regression. The results show that there is a positive and substantial association between board size, return on assets, and earnings management.

Bala and Kumai (2015) investigated the impact of board features on earnings management of listed food and beverage enterprises in Nigeria during the six-year period 2009–2014. The statistical tool used was OLS regression, and the findings revealed an inverse relationship between board size, board meetings, and board financial expertise and earnings management of listed food and beverage firms in Nigeria, whereas board composition and women directorship are positively related to earnings management of listed food and beverage firms in Nigeria.

Obigbemi, Omolehinwa, Mukoro, Ben-Caleb, and Olusanmi (2016) conducted an empirical study on the association between board structure and earnings management in Nigeria. The study examined 137 publicly traded Nigerian firms from 2003 to 2010. Earnings management was assessed using discretionary accruals predicted by the modified Jones model, and the statistical method utilised was ordinary least square regression. The findings found a substantial association between board structure and Nigerian earnings management methods, as well as a significant negative relationship between board size, gender, and board composition and earnings management.

Manukaji (2018) investigated corporate governance mechanisms and income smoothing in Nigeria's deposit money institutions. It spanned five years (2012–2016), and the Eckel index was used to determine income smoothing. Multiple regression analysis was used to analyse the data. The study discovered that income smoothing in deposit money institutions is primarily dependent on corporate governance procedures, specifically CEO duality, ownership concentration, and the presence of an audit committee. Banks with concentrated ownership may be more likely to smooth their income. The empirical findings also show that board size is ineffective in monitoring income smoothing.

Khairul, Wan, and Yasin (2018) investigated the income smoothing perspective (deceptive or informative) by focusing on four audit committee attributes: audit committee size, audit committee meeting frequency, nonexecutive proportion, and independent audit committee members. The sample size consisted of 604 publicly listed Malaysian enterprises from 2008 to 2014. The study discovered that organisations with a strong audit committee, a big audit committee, more regular meetings, and a high share of independent directors are related with a low level of income smoothing.

Shuaibu and Aliyu's (2019) research looked at how income smoothing affected the financial performance of Nigerian listed deposit money banks. Data were taken from eight (8) chosen banks' annual reports and accounts from 2012 to 2017. Loan loss provision was employed as a proxy for income smoothing, while return on assets (ROA) and return on equity (ROE) were used to measure

profitability and proxy a bank's financial performance. The study used ordinary lease squares for data analysis. The study found that income smoothing (LLP) had a negative and minor influence on the financial performance (ROA, ROE) of DMBs in Nigeria.
It is recommended that Nigerian deposit money banks operate in a low-risk environment and have the expertise to control their lending operations. Deposit money banks that operate in more risky environments and lack the expertise to control their lending operations will most likely have a higher loan-loss provision ratio to cover this risk. The impact of Board size on corporate governance was not considered.

Ahmed and Yahaya (2023) article looked at the relationship between board structure and income smoothing in 21 Nigerian banks over ten years (2013-2022). Corporate board structure is defined by board size, independence, and the proportion of foreign directors. In contrast to previous research, income smoothing is characterised as loan loss provision rather than earnings management. Furthermore, the research investigates the relationship between board structure and income smoothing. Individual board elements have been demonstrated to impact the income smoothing behaviour of Nigerian banks during the time examined. Overall, the findings show that the board of directors may impact the income smoothing behaviour of publicly listed Nigerian banks. Consequently, these findings are essential for regulators, shareholders, lenders, and other stakeholders. Furthermore, the findings contribute to a better understanding of the role of the board of directors in minimising corporate income smoothing and increasing quality and sustainable profitability for Nigerian banks, where differing systems may lead to opportunistic revenue smoothing behaviour. It should be noted that these findings apply only to banks in emerging economies.

Income Smoothing and Emerging Economy

Income smoothing in the context of an emerging economy refers to the practice of deliberately manipulating reported earnings to present a more stable and predictable pattern of income over time. This practice is often employed by companies in emerging economies to manage perceptions of financial performance and reduce the volatility of reported earnings.
This paper is of the perspective that Corporate Businesses in Nigeria considered Income Smoothing because of economic volatility, access to capital market, regulatory environment considerations, corporate governance issues and market expectations.

Considering Economic volatility. This paper argued that businesses in emerging economies particularly in Nigeria often experience higher levels of economic volatility compared to advanced economies. The emerging economies experience fluctuations in exchange rate, interest rates, high core inflation and high price instability and other macroeconomic factors can significantly impact businesses financial performance. In this environment, many businesses may resort to income smoothing to mitigate the effects of economic volatility on reported earnings.

Furthermore, Businesses considers the access to the Capital market. The Capital market in emerging economies like Nigeria is critical to access the long-term finances needed for business expansion. Businesses in emerging economies may face challenges in accessing capital markets, particularly during periods of economic uncertainty or instability. Smooth and consistent earnings patterns may be perceived more favourably by investors and creditors, enhancing companies' ability to raise capital and access financing.

Weak Regulatory Framework prevailing in emerging economies thus encouraging income smoothing. This paper argued that the regulatory environment in emerging economies may be less stringent or rigorously enforced compared to developed economies and as a consequent, businesses results to income smoothing. This may create opportunities for Businesses to engage in income smoothing practices without facing significant regulatory scrutiny and proper sanctions when necessary.

In addition to the arguments above is the poor Corporate governance framework issues. Corporate governance standards and practices in emerging economies may vary widely and may be less developed compared to those in developed economies. Weak governance structures, inadequate oversight mechanisms, and limited transparency can facilitate income smoothing activities by allowing management to exercise greater discretion over financial reporting.

Market expectations of emerging is critical to income smoothing. Investors and stakeholders in emerging economies may have different expectations regarding financial performance and risk compared to those in developed economies. Businesses may feel pressure to meet or exceed market expectations for earnings stability and growth, leading to the use of income smoothing techniques to manage perceptions and maintain investor confidence.
This section concluded that income smoothing in emerging economies reflects a combination of economic, regulatory, governance, and market-related factors unique to these environments. While income smoothing may serve certain short-term objectives for companies operating in emerging economies, it can also raise concerns about transparency, accountability and the reliability of financial information for investors and stakeholders.

DISCUSSIONS OF FINDINGS

After conceptually reviewing related literature on corporate governance in regard to income smoothing as a sort of earnings management, this study discovered inconsistencies with the findings of previous studies. The findings are examined separately.

First, board size as a corporate governance measure had a considerable impact, but it was inversely correlated with income smoothing. As a result, board size is an important component in corporate governance for improving income smoothing. Moh and Winny (2014) validated the conclusion, revealing that board size was substantially connected with earnings management for Nigerian listed insurance businesses. Okougbo and Elewechi (2015) and Ahmed and Yahaya (2023) discovered a connection between board size and earnings management. Meanwhile, Obigbemi, Omolehinwa, Mukoro, Ben-Caleb, and Olusanmi (2016) shown that board size does not effectively supervise businesses' income smoothing methods.

Furthermore, the board size impact on corporate governance and income focus on the effectiveness and efficiency. This paper argued that larger boards should bring effectiveness and efficiency to the company as well as income smoothing. This is consequent on the diversity and expertise they bring to the board. Where it is well managed, effective decision-making and coordination are efficient.

The Dynamics of decision-making are important to income smoothing and board size. This paper argued that in Nigeria financial market, larger boards can make it difficult for individual directors to have their opinion particularly if they are dissenting perspective which could potential lead to groupthink and reduce accountability (Owoeye, 2024). However, this paper believed that with the incorporation of the strict corporate governance culture in the Nigerian economy should prevent and protect dissenting Directors in the corporate organisation.

In addition to the larger board to small board sizes. Obigbemi et al (2016) argued that larger boards are very expensive which could impact on the profit of the business. They argued that larger boards may incur higher costs for the business. This is because the business will have more compensations, meeting expenses and administrative overhead as a result of the larger board size. The paper emphasized that too large board could be counterproductive. This is based on the argument that the resources used here could have been better allocated to other productive and effective financial activities such as investments in research and development and improving shareholders value.

The paper argued that Business performance are directly board size and enable income smoothing. Furthermore, the paper is of the opinion of the larger boards are associated with better performance. There is no sufficient evidence that larger boards lead to poor performance. Many factors can contribute the poor performance of businesses such as poor and rigid leadership style, lack of diversity, bad decision making, poor investment and many more.

Building on the income smoothing financial reporting technique by businesses. Board effectiveness can enhance how income smoothing financial reporting can artificially even out fluctuations when reporting earnings over multiple periods.

Owoeye (2023) argued that in relation to the manipulate of financial statements which could potentially mislead investors and stakeholders. He argued that income smoothing could increase the potential manipulation of financial statement. This could raise ethical consideration because with the manipulation of financial statements for income smoothing could paint a picture that gives a false financial health of the business, further raising ethical concerns on transparency and trust in financial reporting.

Furthermore, this paper argued that Income smoothing practices may violate accounting standards and regulatory requirements. Regulators such as the Securities and Exchange Commission (SEC), Central Bank of Nigeria and Financial Reporting Council of Nigeria closely monitor financial reporting practices to detect and deter income smoothing activities.

Okougbo and Elewechi (2015) argued of the long-term consequence of income smoothing, board size and earnings management. They emphasized that while income smoothing may provide short-term benefits by reducing earnings volatility, critics argue that it can mask underlying problems within the company. This can ultimately lead to more severe financial shocks and long-term damage to shareholder value.

The size of the board can affect the efficiency of monitoring tools, such as detecting and preventing revenue smoothing methods. A broader board with different experience may be more suited to scrutinising financial data and detecting any errors. In contrast, a smaller board may be more open to manipulation by management.

Overall, board size and income smoothing are difficult issues with far-reaching consequences for corporate governance, financial reporting, and stakeholder interests.

RECOMMENDATION

This research advises that corporations' boards be structured based on their size. It should be comprised of individuals with honesty and transparency who are capable of preventing and minimising income smoothing as a sort of earnings management approach. The impact of International Financial Reporting Standards (IFRS) on corporate governance and income smoothing in Nigeria is a multifaceted issue that requires careful consideration.

Here are some recommendations provided here:

Enhance Board Oversight

Encourage Nigerian businesses to improve their boards of directors by enhancing independence, expertise, and diversity. Boards should regularly review financial reporting procedures, including IFRS compliance, to maintain openness and integrity in reporting.

Prioritize Stakeholder Engagement

Encourage businesses to communicate with stakeholders such as shareholders, regulators, and the general public to promote a culture of openness and accountability. The regular communication and disclosure of financial information in line with IFRS can boost trust and confidence in corporate governance standards.

Capacity Building

Provide training and education programmes for board members, management, and accounting professionals to help them better grasp IFRS regulations and their consequences for corporate governance. This can assist to reduce the risk of misunderstanding or misapplication of accounting rules.

Regulatory Enforcement

Enhance regulatory supervision and enforcement measures to guarantee compliance with IFRS and other applicable rules. Implement effective monitoring and enforcement procedures to detect and prevent fraudulent activities, such as income smoothing.

Focus on Transparency and Disclosure

Encourage Nigerian businesses to provide clear and thorough disclosures regarding their accounting practices, including the use of income smoothing techniques. This can assist investors and stakeholders in better understanding financial statements and determining the danger of earnings manipulation.

Auditors' Independence and Scepticism

In auditing IFRS-compliant financial accounts, emphasise auditor independence and professional scepticism. To maintain financial reporting credibility, auditors should rigorously analyse management's judgements and assumptions, particularly those related to income smoothing techniques.

Investor Education

Educate investors and analysts about the possible impact of income smoothing on financial performance and risk management. Provide instructions on how to spot red flags and irregularities in financial statements that might suggest the usage of income smoothing techniques.

Regulatory scrutiny

Increase regulatory control of financial reporting methods, with an emphasis on discovering and discouraging income smoothing operations. Implement actions to improve the accuracy and integrity of financial reporting, such as regular reviews and investigations of suspect accounting practices.

By applying these guidelines, Nigerian businesses may strengthen corporate governance standards, increase transparency and integrity in financial reporting, and reduce the risk of income smoothing. This can contribute to investor trust, capital market development, and long-term economic progress in Nigeria.

CONCLUSION

This research focuses on the theoretical analysis of the intervening function of International Financial Reporting Standards (IFRS) in corporate governance and income smoothing practices of enterprises. Corporate governance is the frontline monitoring mechanism for management, therefore research in this field has arrived and is expected to remain so for the foreseeable future. According to agency theory, organisations' corporate governance policies can help resolve conflicts between managers and shareholders.

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