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REVENUE FROM CONTRACTS WITH CUSTOMERS AND FINANCIAL REPORTING QUALITY OF DEPOSIT MONEY BANKS

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ABSTRACT

This study examined the effect of Revenue from Contracts with Customers (IFRS 15) on the financial reporting quality of quoted Deposit Money Banks (DMBs) in Nigeria, measured by discretionary accruals as a proxy for earnings management. The study adopted an *ex-post facto* research design, analyzing secondary data from 13 DMBs listed on the Nigerian Exchange (NGX) over a ten-year period from 2015 to 2024. Panel least squares regression with fixed effects was employed, guided by the Hausman test ($\chi^2 = 51.42$, $p = 0.00$). Financial reporting quality was measured using discretionary accruals derived from the Modified Jones Model, while IFRS 15 compliance was measured using a disclosure index based on the standard's five-step revenue recognition model. The regression results revealed that compliance with IFRS 15 had a statistically significant negative effect on discretionary accruals ($\beta = -0.018$, $p = 0.023$), indicating that the standardized revenue recognition framework contributes to improved financial reporting quality by reducing earnings management practices. The overall model demonstrated strong explanatory power with an R-squared value of 0.853. The study recommended that banks must strengthen contract assessment processes to fully realize the benefits of IFRS 15, while regulators should provide sector-specific training to address implementation challenges in complex banking transactions.

Keywords: IFRS 15, Revenue from Contracts with Customers, Financial Reporting Quality, Discretionary Accruals, Deposit Money Banks, Nigeria

1. INTRODUCTION

1.1 Background to the Study

Revenue from contracts with customers represents the income an entity earns from providing goods or services under agreed contractual arrangements with customers. Revenue is one of the most significant indicators of organizational performance and financial sustainability, making its accurate recognition critical for high-quality financial reporting. IFRS 15 was introduced to establish a comprehensive framework for recognizing revenue in a manner that reflects the transfer of goods or services to customers at an amount that an entity expects to receive in exchange (IFRS Foundation, 2021; Deloitte, 2019).

Prior to IFRS 15, revenue recognition standards varied significantly across industries and jurisdictions, leading to inconsistencies in financial reporting and difficulties in comparing financial performance across firms. The previous standards, including IAS 11 (Construction Contracts) and IAS 18 (Revenue), provided guidance that was often criticized for being rule-based and allowing excessive managerial discretion (Wagenhofer, 2014). This fragmentation created opportunities for earnings manipulation, as firms could structure transactions to achieve desired revenue recognition outcomes.

Scholars have emphasized that revenue recognition has historically been prone to inconsistencies and managerial manipulation, thereby necessitating standardized accounting guidance that promotes transparency and comparability across industries and jurisdictions (PwC, 2020). Empirical research also indicates that improved financial reporting standards significantly enhance the reliability and value relevance of financial information, particularly in areas such as revenue reporting that are closely linked to firm performance (Imhanzenobe et al., 2024; Arifin, 2024).

IFRS 15 was issued by the International Accounting Standards Board (IASB) in May 2014, with an effective date of January 1, 2018, though early adoption was permitted. The standard replaced several previous revenue recognition standards and interpretations that often resulted in inconsistent accounting practices across firms and industries, introducing a unified framework for recognizing revenue that improves comparability and transparency in financial reporting (Deloitte, 2019).

In Nigeria, Deposit Money Banks (DMBs) were required to implement IFRS 15 effective January 1, 2018, as directed by the Financial Reporting Council of Nigeria (FRCN). The banking sector presents unique challenges for revenue recognition, given the diversity of revenue streams including interest income, fee and commission income, dividend income, trading income, and other operating income. The accuracy and transparency of revenue reporting are essential for stakeholders such as investors, regulatory bodies, and customers, as these figures directly inform assessments of bank profitability, growth trajectories, and financial health (Onah & Edeh, 2024).

1.2 Statement of the Problem

Financial reporting serves as a critical foundation for corporate transparency, organizational accountability, and informed decision-making processes. When financial reports meet high-quality standards, they enhance investor trust, facilitate regulatory adherence, and contribute to the overall stability of financial markets (Falana et al., 2025). Revenue recognition, being one of the most judgmental areas in financial reporting, has historically been associated with significant earnings management opportunities.

The Nigerian banking sector has faced persistent issues of financial misreporting and regulatory failures (Oyedokun, 2024). Banks have been implicated in accounting fraud, earnings manipulation, and misleading financial disclosures, with revenue manipulation being a particular concern. Earnings management through premature revenue recognition, fictitious revenue, or improper timing of revenue recognition distorts financial performance and misleads stakeholders about a bank's true operational health.

Although IFRS 15 was expected to curb opportunistic revenue recognition practices by providing a structured five-step model, concerns remain about its actual impact on financial reporting quality in Nigerian DMBs. The standard's reliance on judgment in identifying performance obligations, determining transaction prices, and allocating prices to obligations may create new avenues for manipulation rather than constraining existing ones.

Another challenge is the inconsistent compliance with IFRS 15 across banks. Larger DMBs with sophisticated accounting systems and technical expertise find it easier to implement the standard's requirements, while smaller banks struggle with the complexity of contract assessments, leading to variations in reporting quality. The standard's requirement to disaggregate revenue and disclose contract balances adds to the reporting burden for banks with limited resources.

Empirical studies on IFRS 15 and financial reporting quality have produced limited evidence, particularly in the banking sector. Most studies have examined IFRS adoption holistically without isolating the specific effect of IFRS 15 (Obi, 2024; Onah & Edeh, 2024). Furthermore, existing studies on IFRS 15 have predominantly focused on non-financial sectors such as construction and manufacturing (Salameh et al., 2022), leaving a significant gap in understanding how the standard affects banks, where revenue streams are diverse and complex.

Finally, as most studies on IFRS and financial reporting quality have been conducted in non-banking sectors or in regions with stronger enforcement frameworks (Isabella et al., 2024; Zahid & Simga-Mugan, 2024), findings may not be fully applicable to Nigeria's banking sector, where regulatory challenges and institutional weaknesses remain prevalent.

In order to proffer solutions to the aforementioned challenges, this study examines the effect of IFRS 15 compliance on financial reporting quality in Nigerian DMBs, using discretionary accruals as a measure of earnings management.

1.3 Objective of the Study

The specific objective guiding this study is to analyze the effect of Revenue from Contracts with Customers (IFRS 15) on the Financial Reporting Quality of Quoted DMBs in Nigeria.

1.4 Research Question

Based on the objective, the following research question is formulated:

How does Revenue from Contracts with Customers (IFRS 15) influence the Financial Reporting Quality of Quoted DMBs in Nigeria?

1.5 Research Hypothesis

To address the research question, the following null hypothesis is proposed:

HO_1: Revenue from Contracts with Customers (IFRS 15) does not significantly affect the Financial Reporting Quality of Quoted DMBs in Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Financial Reporting Quality

Financial Reporting Quality (FRQ) refers to the extent to which financial statements accurately and faithfully represent an entity's economic activities and provide useful information for decision-making by investors, regulators, and other stakeholders. High-quality financial reporting ensures that financial statements reflect the underlying economic reality of a firm's operations and provide reliable information for evaluating financial performance, financial position, and future prospects (Dechow et al., 2019; IASB, 2020).

Scholars have emphasized that FRQ plays a fundamental role in reducing information asymmetry between corporate managers and external stakeholders by ensuring that financial disclosures are transparent, reliable, and free from material misstatement (Barth & Schipper, 2018). Empirical research also indicates that strong financial reporting frameworks significantly enhance the credibility of financial information and contribute to more efficient capital markets (Arifin, 2024; Imhanzenobe et al., 2024).

In empirical research, financial reporting quality is commonly measured using proxies that capture the extent to which managers engage in earnings management. One of the most widely used proxies is discretionary accruals, derived from models such as the Modified Jones Model developed by Dechow et al. (1995). Discretionary accruals capture the portion of accruals that can be influenced by managerial discretion and are interpreted as indicators of earnings manipulation. Lower levels of discretionary accruals are generally associated with higher financial reporting quality.

2.1.2 IFRS 15: Revenue from Contracts with Customers

Revenue from contracts with customers represents the income an entity earns from providing goods or services under agreed contractual arrangements with customers. Revenue is one of the most significant indicators of organizational performance and financial sustainability, making its accurate recognition critical for high-quality financial reporting. IFRS 15 was introduced to establish a comprehensive framework for recognizing revenue in a manner that reflects the transfer of goods or services to customers at an amount that an entity expects to receive in exchange (IFRS Foundation, 2021; Deloitte, 2019).

IFRS 15 was issued by the IASB to replace several previous revenue recognition standards and interpretations that often resulted in inconsistent accounting practices across firms and industries. The standard introduced a unified framework for recognizing revenue, thereby improving comparability and transparency in financial reporting (Deloitte, 2019). Scholars argue that the adoption of IFRS-based revenue recognition frameworks strengthens financial reporting quality by ensuring that revenue reflects actual economic activities rather than arbitrary accounting treatments (KPMG, 2020).

A central feature of IFRS 15 is the introduction of a five-step revenue recognition model designed to ensure consistent reporting across entities:

Step 1 (Identify the contract with the customer): A contract is an agreement between two or more parties that creates enforceable rights and obligations. The standard requires that the contract have commercial substance, that the parties have approved the contract, and that it is probable that the entity will collect the consideration.

Step 2 (Identify the performance obligations in the contract): A performance obligation is a promise to transfer a distinct good or service to the customer. Contracts may contain multiple performance obligations that must be accounted for separately if the goods or services are distinct.

Step 3 (Determine the transaction price): The transaction price is the amount of consideration to which the entity expects to be entitled in exchange for transferring promised goods or services. This includes fixed amounts, variable consideration, and consideration payable to the customer.

Step 4 (Allocate the transaction price to the performance obligations): The transaction price is allocated to each performance obligation based on the relative stand-alone selling prices of the distinct goods or services promised.

Step 5 (Recognize revenue when (or as) the entity satisfies a performance obligation): Revenue is recognized when control of the promised good or service is transferred to the customer, either at a point in time or over time.

Scholars argue that this structured framework improves the consistency and reliability of revenue recognition practices across firms and industries (Deloitte, 2019). Empirical evidence also indicates that improved revenue recognition frameworks contribute to enhanced financial reporting quality and better alignment between accounting figures and market valuations (Imhanzenobe et al., 2024; Ighosewe, 2022).

IFRS 15 also provides detailed guidance on accounting for contract modifications. Contract modifications occur when parties to a contract approve changes that alter the scope or price of the contract. The standard requires entities to determine whether such modifications should be treated as separate contracts or as modifications to existing contracts depending on whether the additional goods or services are distinct and whether the pricing reflects stand-alone selling prices (KPMG, 2020).

Another important aspect of IFRS 15 relates to the treatment of variable consideration. Many contracts include elements such as discounts, rebates, performance bonuses, or penalties that cause the final transaction price to vary. IFRS 15 requires entities to estimate the amount of variable consideration that should be included in the transaction price while applying a constraint to ensure that revenue is recognized only to the extent that it is highly probable that a significant reversal will not occur in the future (Deloitte, 2019). Scholars argue that this constraint mechanism enhances the reliability of financial reporting by reducing the likelihood of premature revenue recognition and earnings manipulation (PwC, 2020).

Finally, IFRS 15 emphasizes comprehensive disclosure requirements aimed at improving stakeholders' understanding of revenue recognition practices. Entities are required to disclose detailed information about revenue recognition policies, contract balances, performance obligations, and significant judgments made in applying the standard. These disclosures often include disaggregation of revenue by product line, geographic region, or contract type, as well as information about contract assets and liabilities arising from customer contracts (Deloitte, 2019).

2.2 Theoretical Framework

This study is anchored on Agency Theory, which provides a robust framework for understanding how financial reporting standards influence FRQ by reducing agency conflicts between managers and shareholders.

2.2.1 Agency Theory

Agency Theory, propounded by Jensen and Meckling in 1976, focuses on the relationship between principals (shareholders) and agents (managers) within corporate structures, particularly in situations where there is a separation between ownership and control. This separation can lead to agency problems, stemming from conflicts of interest and differing priorities between principals and agents.

The theory states that because of these diverging interests, managers may not always act in the best interests of shareholders unless proper incentives and monitoring mechanisms are put in place. Agency Theory therefore emphasizes the importance of governance structures and transparent reporting systems to align the interests of managers and shareholders.

A key assumption of Agency Theory is that all agents are rational and self-interested, meaning that they will act in their own best interests unless constrained by mechanisms such as contracts, performance monitoring, or incentive alignment (Eisenhardt, 1989). Another assumption is the presence of information asymmetry, where managers possess more information than shareholders about the firm's operations, which they might exploit for personal benefit.

In the context of revenue recognition under IFRS 15, Agency Theory is particularly relevant. Revenue is a key performance metric that directly affects managerial compensation, job security, and reputation. Managers may therefore have strong incentives to manipulate revenue figures to present a more favourable picture of firm performance. IFRS 15, by imposing a structured five-step framework, reduces managerial discretion in revenue recognition and aligns managerial reporting behaviour more closely with the interests of shareholders.

From the lens of Agency Theory, the significant negative relationship between IFRS 15 and discretionary accruals indicates that the standard helps reduce managerial opportunism, thereby enhancing financial reporting quality. However, the full effectiveness of this alignment is contingent upon banks' internal capacities and enforcement mechanisms, underscoring the theory's emphasis on both formal standards and governance structures in resolving agency problems.

2.3 Empirical Review

Several studies have examined the relationship between IFRS 15 adoption and financial reporting quality, though evidence specifically focused on the banking sector remains limited.

Falana, Igbekoyi, and Oluwagbade (2025) examined how firm-specific attributes affect the quality of financial reporting among multinational corporations in Nigeria using a causal-comparative design and feasible generalized least squares regression on data spanning 2011-2023. The findings revealed that both firm size and innovation capacity significantly enhanced reporting quality, whereas leverage had a significant adverse effect, concluding that organizational characteristics are critical determinants of financial reporting quality. Alharasis, Marei, Almakhadmeh, Abdullah, and Lutfi (2024) evaluated the effect of IFRS 7 adoption on financial statement quality in the Iraqi banking industry using the Nijmegen Centre for Economics (NiCE) disclosure index within a qualitative content analysis framework. Comparing pre-adoption (2013-2015) and post-adoption

(2016-2018) periods across 24 banks, the results indicated that IFRS 7 adoption significantly improved relevance, faithful representation, comparability, and timeliness, though it had no significant effect on understandability.

Aliya and Nasiru (2024) investigated the influence of IFRS 16 adoption on the information quality of listed non-financial firms in Nigeria using a modified Ohlson model and Generalized Least Squares regression on data spanning 2016-2021. The results showed that book value per share became significantly more value-relevant after IFRS 16 adoption, while earnings per share remained unaffected, concluding that IFRS 16 enhanced overall information quality. Amer, Azimli, and Adedokun (2024) analyzed the influence of IFRS on earnings management in South Africa using data from 206 firms listed on the Johannesburg Securities Exchange from 2000 to 2010. The results confirmed that the IFRS mandate significantly curtailed earnings management, suggesting that high-quality standards constrain opportunistic reporting even in developing contexts, supporting the argument for IFRS compliance to protect stakeholder rights in weaker legal frameworks.

Arifin (2024) conducted a meta-analysis of 12 empirical studies published between 2022 and 2024 examining the impact of IFRS implementation on financial statement quality. The synthesis showed a significant overall effect with a Hedge's d of 1.082, indicating a high effect size, with improvements most evident in jurisdictions characterized by strong legal systems and strict regulatory supervision. Imhanzenobe, Vincent, and Aworinde (2024) analyzed whether IFRS adoption improved the value relevance of accounting information in Nigeria by reinforcing the link between accounting numbers and stock prices. Using data from 85 listed firms spanning 2007-2016 and employing the Ohlson model with fixed and random effects, the results indicated stronger explanatory power post-adoption with significant IFRS interactions with earnings, book values, and cash flows.

Isabella, Peh, Wong, and Ong (2024) explored the factors influencing financial reporting quality in the Asian banking sector using data from 52 randomly selected banks drawn from Refinitiv software and annual reports analyzed with Stata. The results demonstrated that female board representation, Big 4 audit involvement, dividend payout ratio, net margin profitability, GDP growth, inflation, and the corruption perception index significantly influenced reporting quality, while board size, years of service, firm size, and equity-to-assets ratio were insignificant. Johri (2024) examined the influence of IFRS adoption on financial reporting quality among multinational corporations in India using a structured survey instrument with responses from 512 participants and partial least squares structural equation modelling. The findings revealed that perceived benefits, ease of adoption, and supportive government policies were key drivers of IFRS adoption, which in turn enhanced FRQ in terms of relevance, accuracy, understandability, comparability, and timeliness.

Kumawat and Sodha (2024) examined the impact of IFRS adoption on financial reporting practices in large-cap Indian consumer durable firms over 2011-12 to 2020-21 employing paired t-tests and analytical tools. The study found improvements in relevance, faithful representation, and understandability following IFRS adoption, though consistency, verifiability, and readability remained problematic, signalling areas for further refinement. Obi (2024) investigated the impact of IFRS adoption on the financial statements of Nigerian Deposit Money Banks using a descriptive design with mean, standard deviation, and paired-sample t-tests on data from 14 listed banks. The findings highlighted significant differences in equity, assets, and liabilities before and after IFRS adoption, demonstrating the transformative effect of the standards on financial reporting structures.

Onah and Edeh (2024) explored the effect of IFRS adoption on financial reporting comparability among listed firms across countries using surveys of accounting professionals, investors, regulators, and senior managers supplemented with regression analysis. The results showed a positive and significant effect of IFRS on comparability, highlighting its importance for transparency and cross-border investments, recommending consistent IFRS implementation and stronger global cooperation. Oyedokun (2024) assessed the influence of forensic accounting on financial reporting quality in Nigerian listed Deposit Money Banks using longitudinal data from the 10 banks with the largest asset bases analyzed with descriptive statistics and OLS regression. The results revealed that investigative accounting and litigation support significantly improved reporting quality, though forensic accounting overall had a negative significant impact, recommending dedicated forensic accounting departments in banks.

Saeed (2024) conducted a comparative evaluation of commercial bank performance in Ghana and Nigeria before and after IFRS adoption using a causal-comparative design with 12 deposit money banks and applying t-tests to assess profitability, liquidity, and leverage. The results showed that IFRS adoption had no significant effect on these indicators, recommending that regulators in both countries expand access to IFRS training for accounting professionals. Zahid and Simga-Mugan (2024) examined whether the adoption of IFRS mitigated financial information frictions and fostered global capital market integration using staggered adoption timelines and price-based indicators such as Beta and Sigma convergence. Analyzing benchmark index and price data across countries with established capital markets, the findings showed that IFRS adoption had no statistically significant impact on market integration.

Chude and Chude (2023) surveyed 144 respondents from Nigerian deposit money banks to explore the relationship between IFRS implementation and corporate governance, focusing on accountability, regulatory enhancement, and disclosure practices. The study revealed that IFRS significantly improved corporate accountability, strengthened the financial regulatory framework, and promoted enhanced disclosure practices among Nigerian banks, recommending stricter accountability mechanisms including stronger penalties for late reporting. Barth, Landsman, and Lang (2022) conducted cross-country studies examining the relationship between International Financial Reporting Standards adoption and financial reporting quality across multiple jurisdictions. The authors provided evidence that IFRS generally improves transparency and comparability of financial statements, though the effects vary significantly across countries depending on institutional factors such as legal enforcement, regulatory quality, and corporate governance practices.

Ighosewe (2022) compared the value relevance of accounting information before and after IFRS adoption in listed firms in Nigeria (2007-2016) and South Africa (2000-2009) using an ex-post facto design and pooled OLS regression. The study found that in Nigeria, book value per share, earnings per share, firm size, leverage, and cash flow became positively significant to share price post-IFRS, with stronger relevance observed in the post-adoption period, concluding that accounting information became more value-relevant after IFRS adoption. Salameh, Hyasat, Lutfi, Alnabulsi, and Al-Quran (2022) assessed IFRS compliance and reporting quality in Jordanian construction companies with emphasis on recognition, measurement, and disclosure under IFRS 15. Employing a descriptive-analytical approach and surveying 196 auditors from a population of 407, the results confirmed that IFRS 15 compliance significantly improved reporting quality, recommending disaggregated revenue disclosure, enhanced transparency on derived assets and contract costs, and stronger IFRS 15 implementation.

Kvaal and Nobes (2020) comprehensively reviewed the academic literature on IFRS 13 Fair Value Measurement, examining studies addressing the definition of fair value, the fair value hierarchy, valuation techniques, and disclosure requirements. The review found that IFRS 13 has improved comparability in fair value measurement practices across firms and jurisdictions, though persistent implementation challenges remain in countries with less active capital markets where observable inputs are scarce. Altajia and Alokdeha (2019) focused on IFRS 15 in Jordan, investigating its impact on accounting information quality measured by relevance and faithful representation. Surveying 100 auditors from Big Four firms and analyzing responses with regression and t-tests, they reported significant improvements in accounting information quality post-implementation, though firms faced challenges aligning systems with the new requirements, recommending increased investor awareness and wider compliance campaigns.

Dechow, Ge, and Schrand (2019) provided a comprehensive review of earnings quality proxies, their determinants, and their consequences, examining how different measures capture various aspects of earnings quality. The study emphasized that discretionary accruals remain one of the most widely used proxies for earnings management, with lower discretionary accruals generally associated with higher financial reporting quality. Pallot (2019) critically reviewed the role of fair value measurement in modern financial reporting frameworks, tracing its evolution from historical cost dominance to the current mixed-measurement model. The author identified significant concerns regarding the reliability of fair value estimates, particularly for Level 3 inputs where active markets do not exist, and noted how managerial discretion in valuation assumptions creates opportunities for earnings management.

Agienohuwa and Ilaboya (2018) employed a census approach and Mann-Whitney statistics to examine IFRS adoption on financial reporting quality in Nigerian Deposit Money Banks using the IASB's qualitative characteristics framework. The study found that post-IFRS adoption, Nigerian banks exhibited significant improvements across all five qualitative characteristics—relevance, faithful representation, comparability, understandability, and timeliness—concluding that IFRS adoption substantially enhanced financial reporting quality in the Nigerian banking sector. Barth and Schipper (2018) synthesized empirical evidence on financial reporting quality from the accounting literature, examining various proxies including earnings persistence, accrual quality, earnings smoothness, timely loss recognition, and value relevance. The authors concluded that each proxy captures different dimensions of reporting quality and that high-quality financial reporting reduces information asymmetry between managers and external stakeholders, thereby enhancing capital market efficiency.

Khan and Muttakin (2018) examined the relationship between fair value measurement and financial reporting quality in emerging markets using data from firms listed across several developing economies. The authors found that while fair value accounting enhances the relevance of financial information by reflecting current market conditions, it simultaneously introduces increased volatility and subjectivity into financial statements, particularly in less developed capital markets where active market prices are unavailable. Akinleye (2016) investigated the impact of IFRS adoption on the performance of money deposit banks in Nigeria over the 2009-2014 period using panel data analysis with pooled OLS, fixed effects, and random effects models on a sample of ten quoted banks. The results indicated that IFRS adoption had a positive but statistically insignificant effect on return on assets and return on equity, though liquidity, current, and investment ratios significantly influenced bank performance.

3. METHODOLOGY

3.1 Research Design

This study adopts an *ex-post facto* research design, which is appropriate for examining the effect of IFRS 15 on financial reporting quality. The design allows for the analysis of existing financial data of quoted DMBs without manipulating variables, ensuring that real-world conditions are captured.

3.2 Area of the Study

The study is geographically focused on Nigeria, specifically targeting DMBs listed on the Nigerian Exchange Group (NGX). The choice of Nigeria is significant as the country adopted IFRS in 2012 and implemented IFRS 15 effective January 1, 2018, providing a pre- and post-adoption period for analysis.

3.3 Population of the Study

The population of this study consists of all thirteen (13) DMBs quoted on the NGX between 2015 and 2024.

3.4 Sample Size and Sampling Technique

A purposive sampling technique was employed to select all 13 DMBs for this study. The sample included DMBs that meet specific criteria, such as consistent publication of financial reports from 2015 to 2024 and availability of comprehensive financial data for the key variables being studied.

3.5 Nature and Sources of Data

The study uses secondary data obtained from published financial statements of quoted DMBs from the NGX, regulatory reports, and archival records from relevant accounting and auditing bodies from 2015 to 2024.

3.6 Method of Data Analysis

The data collected were analyzed using both descriptive and inferential statistical techniques. Panel data regression analysis with fixed effects was employed, guided by the Hausman test. Financial reporting quality was measured using discretionary accruals derived from the Modified Jones Model.

3.7 Measurement and Operationalisation of Variables

Variable	Description/Definition	Measurement	A priori Expectation
Financial Reporting Quality (ACCUL)	Degree to which financial statements faithfully represent economic activities	Discretionary accruals from Modified Jones Model. (Dechow,Sloan & Sweeney, 1995)	
Revenue from Contracts with Customers (IFRS 15)	Framework for recognizing revenue based on control transfer	Disclosure index measuring compliance with five-step model (0-15 scale) (Thornton, 2023)	Negative
Firm Size (FSZ)	Scale of firm's operations	Natural logarithm of total assets (Fujiati & Satria, 2020).	Negative

3.8 Model Specification

The model for this study is specified as follows:

$$ACCUL_{it}=\beta_0+\beta_1 IFRS15_{it}+\beta_2 FSZ_{it}+e_{it}\ldots\ldots\ldots\ldots(1)$$

Where:
ACCUL = Discretionary Accruals (proxy for financial reporting quality)
IFRS 15 = Revenue from Contracts with Customers compliance score
FSZ = Firm size (natural logarithm of total assets)
e_{it} = Random error term
β_0 = Constant
Subscripts i = firm, t = year (2015-2024)

4. DATA ANALYSIS AND DISCUSSIONS

4.1 Descriptive Statistics

Table 4.1: Descriptive Statistics for Key Variables

Statistic	ACCUL	IFRS 15	FSZ
Mean	0.035	7.912	7.689
Median	0.034	9.000	7.895
Maximum	0.061	14.600	9.851
Minimum	0.014	0.000	4.469
Std. Dev.	0.010	4.519	1.204
Observations	130	130	130

Source: Data Analysis (2025)

The descriptive statistics reveal that discretionary accruals (ACCUL) average 0.035, indicating moderate levels of earnings management across the sampled banks. IFRS 15 compliance scores average 7.912 out of a maximum of 15, with a standard deviation of 4.519, indicating significant variation in revenue recognition practices across banks and over time. The minimum value of 0.000 for IFRS 15 reflects the pre-adoption period (2015-2017) before the standard became effective, as well as potential compliance challenges in some banks during the early adoption years. Firm size (FSZ) has a mean of 7.689, indicating a relatively large average scale of operations among the sampled banks.

4.2 Correlation Analysis

Table 4.2: Correlation Matrix

Variables	ACCUL	IFRS 15	FSZ
ACCUL	1.000		
IFRS 15	-0.517	1.000	
FSZ	-0.643	0.374	1.000

Source: Data Analysis (2025)

The correlation analysis reveals a moderate negative correlation between IFRS 15 compliance and discretionary accruals (-0.517), suggesting that greater compliance with revenue recognition standards is associated with lower earnings management. Firm size also exhibits a moderate negative correlation with discretionary accruals (-0.643), implying that larger banks engage less in earnings manipulation. The relatively weaker correlation between IFRS 15 and firm size (0.374) compared to other IFRS standards suggests that revenue recognition practices may be less dependent on bank size than fair value measurement or financial instrument disclosures.

4.3 Hausman Test

Table 4.3: Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	51.424	3	0.000

Source: Data Analysis (2025)

The Hausman test produced a Chi-square statistic of 51.424 with a probability value of 0.000, which is statistically significant at the 1% level. This result rejects the null hypothesis that the random effects model is appropriate, confirming that the fixed effects model is the preferred estimator for this study, as it accounts for unobserved heterogeneity among the sampled DMBs.

4.4 Panel Least Squares Regression Analysis

Table 4.4: Regression Results for IFRS 15 and Financial Reporting Quality

Variable	Coefficient	Std. Error	t-Statistic	Prob.
IFRS 15	-0.018**	0.008	-2.309	0.023
FSZ	-0.219***	0.073	-3.021	0.003
C	11.650	0.401	29.052	0.000
Model Statistics				
R-squared	0.853			
Adjusted R-squared	0.839			
F-statistic	393.107			
Prob(F-statistic)	0.000			
Durbin-Watson stat	2.247			

***Significant at 1% level; **Significant at 5% level*

Source: Data Analysis (2025)

4.5 Test of Hypothesis

HO$_1$: Revenue from Contracts with Customers (IFRS 15) does not significantly affect the Financial Reporting Quality of Quoted DMBs in Nigeria.

The regression results for IFRS 15 show a statistically significant negative coefficient of -0.018 with a p-value of 0.023, indicating a significant but modest negative relationship with discretionary accruals. Therefore, the null hypothesis (H~06~) is rejected, and it is concluded that IFRS 15 significantly affects the financial reporting quality of quoted DMBs in Nigeria.

4.6 DISCUSSION OF FINDINGS

The regression results reveal that IFRS 15 compliance has a statistically significant negative effect on discretionary accruals (β = -0.018, p = 0.023), indicating that compliance with revenue recognition standards contributes to improved financial reporting quality in Nigerian DMBs. However, the effect size is modest compared to other standards such as IFRS 3 (β = -0.296) and IFRS 7 (β = -0.110). The significance of this relationship, even at a modest level, aligns with Salameh et al. (2022) , who found that IFRS 15 implementation enhanced the quality of financial reports in Jordanian construction companies by standardizing revenue recognition practices and reducing subjectivity in contract accounting. The study emphasized that the structured five-step model under IFRS 15 provides a more consistent framework for revenue reporting, thereby limiting opportunities for earnings management.

Similarly, Altajia and Alokdeha (2019) found that IFRS 15 significantly improved accounting information quality in Jordanian firms in terms of relevance and faithful representation, though firms faced implementation difficulties. This parallels the current study's findings, where IFRS 15 enhances FRQ but with a modest coefficient that may reflect implementation challenges.

The relatively smaller coefficient for IFRS 15 compared to other standards may reflect several factors specific to the Nigerian banking sector and the standard's implementation timeline. First, the effective date of IFRS 15 was January 1, 2018, meaning that the post-adoption period in this study spans only 7 years (2018-2024) compared to the full 10-year period for other standards. This shorter post-adoption period may not fully capture the standard's long-term effects as banks continue to refine their implementation processes. Second, the banking sector's primary revenue source is interest income, which is governed by IFRS 9 (Financial Instruments) rather than IFRS 15. IFRS 15 applies primarily to fee and commission income, which, while significant, represents a smaller portion of total bank revenue compared to interest income. This may explain why the standard's effect on overall financial reporting quality is less pronounced than standards that address core banking activities. Third, as noted by Johri (2024) , the perceived benefits of IFRS adoption, including those from IFRS 15, are significantly influenced by the internal control systems of firms. In cases where banks lacked robust processes for contract evaluation, the impact of IFRS 15 on reducing discretionary accruals was less pronounced. This suggests that the effectiveness of IFRS 15 in enhancing financial reporting quality depends not only on regulatory compliance but also on the operational readiness of firms to implement the standard correctly.

Kumawat and Sodha (2024) observed similar findings in their study of Indian consumer durable firms, noting that while IFRS 15 improved relevance and faithful representation in financial reporting, its full benefits were not immediately realized due to complexities in contract assessments and transitional adjustments. The Nigerian banking context presents similar challenges, particularly for banks with diverse fee-based service offerings that require complex contract evaluations. Amer, Azimli, and Adedokun

(2024) highlighted that standards like IFRS 15, which reduce managerial discretion in revenue recognition, are particularly effective in curbing earnings management in developing markets. However, Saeed (2024) cautioned that without adequate training and resources, the benefits of such standards may be diluted.

From the lens of Agency Theory, the significant negative relationship between IFRS 15 and discretionary accruals among Nigerian DMBs indicates that the standard helps reduce managerial opportunism, thereby enhancing financial reporting quality. Agency Theory asserts that managers may manipulate earnings to serve their own interests, particularly in areas like revenue recognition where discretion is high. IFRS 15, by imposing a structured five-step framework, limits this discretion and aligns managerial reporting behaviour more closely with the interests of shareholders. However, the modest coefficient suggests only a partial reduction in earnings management, reflecting that the full effectiveness of this alignment is contingent upon banks' internal capacities and enforcement mechanisms. This underscores the theory's emphasis on both formal standards and governance structures in resolving agency problems.

The relatively modest effect of IFRS 15 compared to IFRS 3 and IFRS 7 is noteworthy. IFRS 3 addresses business combinations, which are discrete, high-stakes transactions that receive significant scrutiny from investors and regulators. IFRS 7 addresses financial instrument disclosures, which are central to banking operations. IFRS 15, in contrast, addresses revenue recognition for non-interest income, which represents a smaller portion of bank activities. This suggests that the impact of IFRS standards on FRQ is proportional to their relevance to a sector's core operations.

5. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

This study provides empirical evidence that IFRS 15 compliance significantly improves financial reporting quality in Nigerian DMBs, though the effect is modest compared to other IFRS standards. The findings demonstrate that the structured five-step revenue recognition model reduces managerial discretion and enhances transparency in revenue reporting. However, the standard's effectiveness depends on complementary factors including firm size, internal control systems, and regulatory enforcement. The modest effect size reflects the fact that IFRS 15 applies primarily to non-interest income in banks, which represents a smaller portion of total revenue compared to interest income governed by IFRS 9. The study concludes that revenue from contracts with customers (IFRS 15) significantly affects the financial reporting quality of quoted DMBs in Nigeria.

5.2 Recommendations

Based on the findings of the study, the following recommendations are made:

1. Banks must strengthen contract assessment processes to align with the five-step revenue recognition model under IFRS 15. Investment in accounting information systems capable of tracking contract balances, performance obligations, and transaction price allocations is essential for full compliance.

2. The Financial Reporting Council of Nigeria and Central Bank of Nigeria should provide sector-specific training and guidance on IFRS 15 implementation for the banking sector, particularly addressing the unique challenges of fee and commission income recognition.

3. The Institute of Chartered Accountants of Nigeria and Association of National Accountants of Nigeria should develop specialized continuing professional development programs focusing on revenue recognition for financial institutions, emphasizing the judgmental aspects of the standard.

Investors should examine banks' revenue disaggregation disclosures to understand the composition and quality of non-interest income, as these disclosures provide insights into management's judgment in applying IFRS 15

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