

IFRS 12 (Disclosure of Interests in Other Entities) and Financial Reporting Quality: Evidence from Listed Nigerian Companies

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Abstract:

Despite Nigeria's adoption of International Financial Reporting Standards (IFRS), concerns persisted regarding the quality of corporate financial reporting due to inconsistent compliance with disclosure requirements, particularly those relating to interests in subsidiaries, associates, joint arrangements, and structured entities. This study examined the effect of IFRS 12 disclosure requirements on financial reporting quality among listed Nigerian companies. The study adopted an explanatory research design using secondary data obtained from selected non-financial companies listed on the Nigerian Exchange Group (NGX) between 2015 and 2024. An IFRS 12 Disclosure Compliance Index was employed to measure compliance, while financial reporting quality was assessed using the key qualitative characteristics of financial information. The data were analyzed using descriptive statistics, correlation analysis, and panel regression techniques. The findings revealed that disclosure of interests in subsidiaries had a positive and significant effect on transparency and accountability ($\beta = 0.531, p = 0.000$), disclosure of interests in associates had a negative and significant effect on information asymmetry ($\beta = -0.418, p = 0.000$), disclosure of interests in joint arrangements had a positive and significant effect on investor confidence ($\beta = 0.467, p = 0.000$), while disclosure of interests in structured entities had a positive and significant effect on financial reporting quality ($\beta = 0.389, p = 0.000$). Enhanced disclosures were found to improve transparency, reduce information asymmetry, strengthen corporate accountability, and increase investor confidence. The study concluded that the effective implementation of IFRS 12 contributed significantly to improved financial reporting quality in

Nigeria. It was therefore recommended that regulatory enforcement should be strengthened, continuous professional training should be encouraged, and corporate governance practices should be enhanced to improve compliance and transparency.

Keywords: *Corporate transparency, Disclosure requirements, Financial reporting quality, IFRS 12.*

Introduction

The increasing globalization of capital markets has intensified the demand for transparent, comparable, and reliable financial reporting across jurisdictions. Investors, creditors, regulators, and other stakeholders increasingly rely on financial statements as a primary source of information for making economic decisions. Consequently, the quality of financial reporting has become a major concern for regulators and standard-setting bodies worldwide. To address inconsistencies in financial reporting practices and improve comparability across countries, the International Accounting Standards Board (IASB) developed the International Financial Reporting Standards (IFRS) (IASB, 2023).

The adoption of IFRS represents one of the most significant developments in the history of accounting regulation. IFRS provides a globally accepted framework for the preparation and presentation of financial statements (IASB, 2023). Nigeria officially adopted IFRS in 2012 as part of efforts to improve financial reporting quality, attract foreign investment, and enhance confidence in the Nigerian capital market. Since adoption, Nigerian companies have been required to comply with various IFRS standards, including IFRS 12, which addresses disclosures relating to interests in other entities (IASB, 2023).

The introduction of IFRS 12 was largely motivated by the global financial crisis of 2007 – 2009, which revealed significant weaknesses in corporate disclosures concerning off-balance-sheet entities and complex ownership structures (Bischof et al., 2020). Many organizations had substantial exposures to structured entities that were not adequately disclosed in financial statements, making it difficult for investors to assess associated risks. Consequently, IFRS 12 was designed to improve transparency and ensure that stakeholders have sufficient information to evaluate the implications of an entity's investments and relationships with other entities (IFRS Foundation, 2023).

Financial reporting quality refers to the extent to which financial statements faithfully represent an entity's economic activities and provide useful information for decision-making. High-quality financial reporting is characterized by relevance, faithful representation, comparability, verifiability, timeliness, and understandability as outlined in the IASB Conceptual Framework. (IFRS Foundation, 2023). Despite the mandatory adoption of IFRS in Nigeria, concerns remain regarding the extent of compliance with disclosure requirements. Several studies have reported variations in disclosure quality among Nigerian firms. While some organizations provide extensive disclosures consistent with international best practices, others disclose only the minimum information required by regulations. Such inconsistencies raise concerns regarding the effectiveness of IFRS adoption in improving financial reporting quality. (Iyoha & Faboyede, 2022).

The Nigerian corporate environment presents unique challenges that may influence IFRS 12 compliance. These include weak regulatory enforcement, inadequate professional expertise, corporate governance deficiencies, and institutional constraints. Consequently, understanding the relationship between IFRS 12 disclosures and financial reporting quality is particularly important within the Nigerian context. (Ahmed, Neel, & Wang, 2013). This sought to examine the influence of IFRS 12 disclosure requirements on financial reporting quality among listed Nigerian companies. Specifically, it investigates whether compliance with IFRS 12 enhances transparency, reduces information asymmetry, improves investor confidence, and strengthens corporate accountability. (Ball, 2016) The findings are expected to contribute to the growing body of literature on IFRS implementation and provide useful insights for policymakers, regulators, investors, and corporate managers. (Uwuigbe et al., 2020).

Financial reporting quality remains a major concern in both developed and emerging economies because it determines the credibility, relevance, and reliability of financial information available to investors, creditors, regulators, and other stakeholders. High-quality financial reports facilitate informed investment decisions, reduce information asymmetry, improve market efficiency, and enhance corporate accountability. Conversely, poor financial reporting quality undermines stakeholder confidence, increases agency conflicts, distorts resource allocation, and weakens the efficiency of capital markets. (Houqe, et al 2020)

Despite the mandatory adoption of International Financial Reporting Standards (IFRS) in Nigeria in 2012, concerns persist regarding the quality of financial reporting among listed companies. Several firms continue to exhibit inconsistent compliance with disclosure requirements, particularly those relating to interests in subsidiaries, associates, joint arrangements, and structured entities as required under IFRS 12. Inadequate and incomplete disclosures reduce the transparency of financial statements and limit stakeholders' ability to properly evaluate the financial position, ownership structure, risk exposure, and performance of reporting entities. (Barth, Landsman, & Lang, 2018). The persistence of poor financial reporting quality has significant consequences for corporate reporting and the Nigerian capital market. Inadequate disclosures increase information asymmetry between management and external stakeholders, thereby reducing investor confidence, increasing the cost of capital, impairing investment decisions, weakening corporate governance, and creating opportunities for earnings manipulation and concealment of financial risks. Furthermore, insufficient disclosure of interests in other entities may obscure off-balance-sheet exposures and complex ownership arrangements, making it difficult for investors, creditors, and regulators to accurately assess an entity's financial performance and risk profile Ayagi, 2026).

Although numerous empirical studies such as Uwuigbe et al., (2023), Iyoha & Faboyede, (2022) have examined the relationship between IFRS adoption and financial reporting quality, most have focused on the overall implementation of IFRS rather than the specific disclosure requirements contained in IFRS 12. Consequently, limited empirical evidence exists on how compliance with IFRS 12 disclosure requirements influences financial reporting quality, transparency, information asymmetry, accountability, and investor confidence among listed Nigerian companies. This study therefore addressed this gap by investigating the effect of IFRS 12 disclosure requirements on financial reporting quality among listed Nigerian companies, with a view to providing empirical evidence capable of informing regulators, policymakers, corporate managers, investors, and standard setters on the role of IFRS 12 in improving corporate transparency and financial reporting

quality.

The specific objectives are to:

- i. evaluates the influence of disclosure of interest in subsidiary on transparency and accountability of listed Nigerian companies.
- ii. determine the extent to which disclosure of interest in associates reduce information asymmetry of listed Nigerian companies.
- iii. examine the relationship between disclosure of interest in joint arrangements and investor confidence of listed Nigerian companies.
- iv. evaluate disclosure of interests in structured entities and financial reporting quality of listed Nigerian companies.

Research Questions

- i. Is there any effect of disclosure of interest in subsidiary on transparency and accountability of listed Nigerian companies?
- ii. To what extent do disclosure of interest in associates reduce information asymmetry of listed Nigerian companies?
- iii. What relationship exists between disclosure of interest in joint arrangements and investor confidence of listed Nigerian companies.?
- iv. How does disclosure of interests in structured entities influence financial reporting quality of listed Nigerian companies?

Research Hypotheses

- H01:** Disclosure of interest in subsidiary has no significant effect on transparency and accountability of listed Nigerian companies.
- H02:** Disclosure of interest in associates has no significant effect on information asymmetry of listed Nigerian companies.
- H03:** Disclosure of interest in joint arrangement has no relationship with investor confidence of listed Nigerian companies.
- H04:** Disclosure of interests in structured entities do not influence financial reporting quality of listed Nigerian companies.

2. Literature Review and Theoretical Framework

2.1 Conceptual Review

The conceptual review should critically examine the concepts underpinning the study by reviewing each dimension of IFRS 12 disclosure requirements and linking it directly with the corresponding dimension of financial reporting quality. This approach provides a clear understanding of how compliance with the disclosure requirements of IFRS 12 contributes to improving financial reporting quality among listed Nigerian companies.

Disclosure of Interests in Subsidiaries

Disclosure of interests in subsidiaries constitutes one of the major components of IFRS 12. The requirements apply to entities that have control over one or more subsidiaries and require information that enables users to understand the composition of the group and the nature and extent of the reporting entity's interests. Relevant disclosures include information concerning subsidiaries with material non-controlling interests, significant restrictions on the ability of the group to access

or use assets and settle liabilities, and changes in ownership interests that do not result in loss of control (IFRS Foundation, 2024). The standard also requires disclosure of significant judgements and assumptions used in determining whether control exists. Such requirements are particularly relevant where ownership structures or contractual arrangements make the determination of control complex. IFRS 12 consequently requires entities to communicate sufficient information about their subsidiaries to enable users to understand the nature of the group's interests and the associated financial implications (ICAEW, 2026).

Similarly, disclosure of subsidiary interests strengthens corporate accountability by requiring management to explain the basis of control, disclose the financial effects of subsidiaries, and justify significant accounting judgments. Accountability reflects management's responsibility to provide truthful and complete information regarding the stewardship of organizational resources. Consequently, organizations that provide comprehensive disclosures relating to subsidiaries are expected to exhibit higher levels of transparency and accountability, thereby improving overall financial reporting quality. Recent studies have equally reported that comprehensive subsidiary disclosures enhance reporting credibility and facilitate better corporate governance practices (Iyoha & Faboyede, 2022; Uwuigbe et al., 2023).

Disclosure of Interests in Associates

Disclosure of interests in associates is another important component of IFRS 12. An associate represents an entity over which the reporting entity exercises significant influence without having control or joint control. IFRS 12 requires disclosure of information concerning the nature, extent, and financial effects of interests in associates, together with information about the risks associated with those interests (IFRS Foundation, 2024). For material associates, the disclosure requirements include information that enables users to understand the nature of the relationship, the extent of the reporting entity's interest, and relevant financial information. The requirements are intended to ensure that users have adequate information about investments that may have significant implications for the reporting entity's financial position and performance (ICAEW, 2026).

Extensive disclosures regarding associates enable investors to understand the financial consequences of significant influence relationships, thereby reducing uncertainty surrounding corporate investments. Consequently, higher compliance with IFRS 12 disclosure requirements is expected to reduce information asymmetry by improving the completeness, comparability, and reliability of financial information available to external users. Empirical evidence has consistently shown that increased disclosure quality significantly reduces information asymmetry and enhances market efficiency (Nalukenge et al., 2022; Aifuwa et al., 2022).

Disclosure of Interests in Joint Arrangements

IFRS 12 also establishes disclosure requirements for interests in joint arrangements, comprising joint operations and joint ventures. Entities are required to disclose information that enables users to evaluate the nature, extent, and financial effects of their interests in joint arrangements as well as the risks associated with those interests (IFRS Foundation, 2024). For material joint arrangements, the required information includes details about the nature of the relationship, the reporting entity's ownership or participating interest, and relevant financial information. Entities are also required to disclose information concerning significant restrictions, commitments, and contingent liabilities associated with joint arrangements and associates where applicable. These

requirements form part of IFRS 12's broader framework for communicating the financial implications and risks of interests in other entities (IFRS Foundation, 2024).

Compliance with IFRS 12 disclosure requirements relating to joint arrangements therefore enhances investor confidence by reducing uncertainty regarding jointly controlled operations, financial obligations, and future economic benefits. Previous empirical studies have demonstrated that organizations exhibiting higher disclosure compliance enjoy stronger investor confidence, lower information risk, and improved access to capital markets (Bischof et al., 2021; Uwuigbe et al., 2023).

Disclosure of Interests in Structured Entities

Disclosure of interests in structured entities represents another specific component of IFRS 12. Structured entities are arrangements in which voting rights are not the dominant factor in determining control. IFRS 12 contains specific requirements for unconsolidated structured entities because such arrangements may expose reporting entities to risks that are not necessarily evident from the primary financial statements.

Entities are required to disclose information that enables users to evaluate the nature and extent of their interests in unconsolidated structured entities and the risks associated with those interests. Where relevant, disclosures may include information concerning financial support provided or expected to be provided, losses arising from interests in structured entities, and the types of income received from such interests (IFRS Foundation, 2024).

Overall, IFRS 12 disclosure requirements comprise a structured set of requirements covering interests in subsidiaries, associates, joint arrangements, and unconsolidated structured entities. The standard also requires disclosure of significant judgements and assumptions and additional information where the prescribed disclosures are insufficient to achieve the objectives of the standard. These requirements collectively constitute the independent variable examined in this study.

2.2 Theoretical Framework

The relationship between IFRS 12 disclosure requirements and financial reporting quality has attracted considerable theoretical attention because disclosure practices influence the credibility and usefulness of financial information provided to stakeholders. Although several accounting theories explain corporate disclosure behaviour, Agency Theory, Stakeholder Theory, and Signaling Theory provide the most appropriate theoretical foundation for this study. These theories collectively explain why organizations disclose information relating to subsidiaries, associates, and joint arrangements and how such disclosures enhance transparency and accountability, reduce information asymmetry, and strengthen investor confidence, thereby improving financial reporting quality. Agency Theory, popularized by Jensen and Meckling (1976), explains the contractual relationship between principals (shareholders) and agents (managers). The theory argues that the separation of ownership from management creates agency conflicts because managers possess superior information regarding organizational activities and may act in their own interests rather than those of shareholders. This imbalance gives rise to information asymmetry, whereby external stakeholders lack adequate information for evaluating corporate performance. Mandatory disclosure standards such as IFRS 12 are therefore designed to reduce these conflicts by

compelling managers to disclose comprehensive information regarding subsidiaries, associates, and joint arrangements. Such disclosures improve transparency, reduce opportunities for earnings manipulation, and strengthen accountability to shareholders and other stakeholders. Recent studies have shown that higher compliance with IFRS disclosure requirements significantly reduces agency costs while improving the reliability and credibility of financial reporting (Nalukenge et al., 2022; Uwuigbe et al., 2023). Although Agency Theory has been criticized for focusing primarily on shareholder interests and economic incentives, its explanation of disclosure as a mechanism for reducing information asymmetry makes it highly relevant to the present study.

Stakeholder Theory, proposed by Freeman (1984), broadens the responsibility of organizations beyond shareholders to include creditors, employees, regulators, customers, suppliers, host communities, and other stakeholder groups. The theory posits that organizations achieve legitimacy and long-term sustainability by satisfying the information needs of these diverse stakeholders through transparent and accountable reporting practices. Within the context of IFRS 12, disclosure of interests in subsidiaries, associates, and joint arrangements enables stakeholders to understand ownership structures, evaluate financial risks, and assess managerial stewardship. Consequently, organizations that comply extensively with IFRS 12 disclosure requirements are expected to demonstrate higher levels of transparency and accountability while strengthening stakeholder confidence in financial reporting. Despite criticisms that the theory provides limited guidance on balancing competing stakeholder interests, its emphasis on corporate transparency and accountability makes it highly applicable to this study (Aifuwa et al., 2022; IFRS Foundation, 2024).

Signaling Theory, introduced by Spence (1973), explains how organizations communicate their quality to external stakeholders through observable signals. In financial reporting, comprehensive disclosure serves as a positive signal that management is committed to transparency, sound corporate governance, and compliance with international reporting standards. Since investors cannot directly observe the internal quality of organizational operations, they rely heavily on financial disclosures to evaluate firm performance and future prospects. Compliance with IFRS 12 therefore signals organizational credibility by providing detailed information regarding interests in subsidiaries, associates, and joint arrangements. Such disclosures reduce uncertainty, improve investor confidence, and facilitate more efficient capital allocation. Although investors may interpret disclosed information differently depending on their financial expertise, Signaling Theory remains useful in explaining why firms voluntarily provide extensive disclosures beyond the minimum regulatory requirements to strengthen market confidence (Bischof et al., 2021; Aifuwa et al., 2022).

The integration of Agency Theory, Stakeholder Theory, and Signaling Theory provides a comprehensive theoretical framework for this study. Agency Theory explains how disclosure requirements reduce information asymmetry and managerial opportunism; Stakeholder Theory explains why organizations are expected to provide transparent and accountable information to satisfy diverse stakeholder interests; while Signaling Theory demonstrates how extensive disclosures communicate organizational quality and strengthen investor confidence. Collectively, these theories explain why compliance with IFRS 12 disclosure requirements relating to subsidiaries, associates, and joint arrangements is expected to enhance transparency and accountability, reduce information asymmetry, strengthen investor confidence, and ultimately

improve financial reporting quality among listed Nigerian companies. Consequently, these theories jointly provide the theoretical foundation upon which the study is anchored.

2.3 Empirical Review

Empirical evidence on IFRS disclosure requirements has expanded considerably following the global adoption of International Financial Reporting Standards. However, existing studies have largely concentrated on overall IFRS compliance rather than the specific disclosure requirements prescribed under IFRS 12. In line with the objectives of the present study, the empirical review is organized around the four major dimensions of IFRS 12 disclosure requirements and their corresponding measures of financial reporting quality.

The first stream of empirical literature has examined the relationship between disclosure of interests in subsidiaries and transparency and accountability. Previous studies generally indicate that organizations providing comprehensive disclosures regarding subsidiaries produce more transparent financial reports because stakeholders are better able to understand ownership structures, non-controlling interests, restrictions on assets, and significant judgments relating to control. Uwuigbe et al. (2023) found that greater compliance with IFRS disclosure requirements significantly improved transparency and accountability among listed Nigerian companies by reducing information concealment and enhancing corporate governance. Similarly, Iyoha and Faboyede (2022) reported that compliance with IFRS disclosure requirements increased reporting credibility and improved stakeholders' confidence in financial statements. International evidence provided by Bischof et al. (2021) also demonstrated that enhanced disclosure requirements significantly improved transparency regarding complex ownership structures and financial risk exposures. These findings collectively suggest that comprehensive subsidiary disclosures constitute an important determinant of transparent and accountable financial reporting.

The second strand of empirical literature focuses on disclosure of interests in associates and information asymmetry. Existing studies consistently argue that comprehensive disclosures reduce the information advantage enjoyed by managers by making relevant financial information available to investors and creditors. Nalukenge et al. (2022) reported that higher disclosure quality significantly reduced information asymmetry while improving financial reporting quality among East African listed firms. Similarly, Uwuigbe et al. (2023) observed that compliance with IFRS disclosure requirements enhanced the completeness and reliability of financial information, thereby reducing agency conflicts and improving market efficiency. Aifuwa et al. (2022) equally concluded that organizations exhibiting higher disclosure quality experienced lower levels of information asymmetry and greater reporting credibility. These studies collectively indicate that disclosure relating to associates improves the usefulness of financial information by reducing uncertainty surrounding significant influence relationships. (Johri, 2024).

The third stream of empirical literature examines disclosure of interests in joint arrangements and investor confidence. Previous studies suggest that investors attach considerable importance to disclosures relating to jointly controlled operations because such information assists them in assessing future cash flows, financial obligations, and business risks. Bischof et al. (2021) reported that enhanced disclosure requirements significantly improved investor confidence through increased transparency and risk communication. Likewise, Aifuwa et al. (2022) found that firms exhibiting greater compliance with IFRS disclosure requirements enjoyed stronger investor

confidence and lower perceived investment risk. The IFRS Foundation (2024) further emphasized that IFRS 12 was specifically introduced to improve users' understanding of joint arrangements and other ownership interests by requiring more comprehensive disclosures regarding their financial effects and associated risks. Collectively, these studies suggest that extensive disclosures relating to joint arrangements enhance investor confidence and improve the credibility of financial reporting. (Yekini, Temile, & Enaruna, 2022).

Overall, the empirical evidence demonstrates broad consensus that compliance with IFRS disclosure requirements enhances transparency and accountability, reduces information asymmetry, strengthens investor confidence, and improves financial reporting quality. Nevertheless, important gaps remain. First, most previous studies Iyoha & Faboyede, (2022) and Uwuigbe et al., (2023) have investigated the influence of IFRS adoption or overall IFRS disclosure compliance rather than the specific disclosure requirements contained in IFRS 12. Second, Nalukenge et al., (2022) and Aifuwa et al., (2022) examined the individual effects of subsidiary disclosures, associate disclosures, and joint arrangement disclosures on distinct dimensions of financial reporting quality. Third, much of the existing evidence originates from developed economies, limiting its applicability to the Nigerian institutional environment characterized by different regulatory, governance, and enforcement conditions. Fourth, prior Nigerian studies have largely concentrated on disclosure quality generally without explicitly linking the specific disclosure dimensions of IFRS 12 to transparency and accountability, information asymmetry, and investor confidence, as conceptualized in this study. Finally, methodological differences relating to sample selection, disclosure measurement, and analytical techniques have produced inconsistent findings across jurisdictions. (Juliet, Iredele & Adeyemi, 2026).

This present study addresses these gaps by disaggregating IFRS 12 into its major disclosure dimensions interests in subsidiaries, interests in associates, and interests in joint arrangements and examining how each dimension influences a specific component of financial reporting quality among listed Nigerian companies. By employing panel data from the post-IFRS adoption period (2015–2024) and constructing an IFRS 12 Disclosure Compliance Index based on mandatory disclosure requirements, the study provides more robust and context-specific evidence on the contribution of IFRS 12 to financial reporting quality in Nigeria. Yeboah, Aboagye-Otchere, & Osei, (2025).

3. Methodology

This study adopted an explanatory research design to examine the effect of IFRS 12 disclosure requirements on financial reporting quality among listed Nigerian companies. The explanatory design was considered appropriate because it facilitates the examination of cause-and-effect relationships between independent and dependent variables and enables researchers to determine the magnitude and direction of such relationships using quantitative evidence. According to Saunders, Lewis, and Thornhill (2023), an explanatory research design is particularly suitable where the objective is to investigate causal relationships among variables using statistical techniques. Similarly, Creswell and Creswell (2023) argued that explanatory quantitative designs provide robust empirical evidence for testing hypotheses and establishing relationships among measurable variables. The study relied exclusively on secondary data extracted from published annual reports and audited financial statements of selected listed companies.

The population of the study comprised 116 non-financial companies listed on the Nigerian Exchange Group (NGX) as of December 2023. This figure was derived from the NGX Fact Sheet (2023), which reported a total of 173 listed companies, comprising 57 companies in the Financial Services sector and 116 companies across the non-financial sectors. Financial institutions were excluded from the study because they operate under industry-specific regulatory and disclosure frameworks that differ substantially from those applicable to other listed companies. The study therefore considered the 116 non-financial companies as the target population from which the sample was selected. A purposive sampling technique was employed to select companies that satisfied specific inclusion criteria. Only firms that were continuously listed on the Nigerian Exchange Group between 2015 and 2024, prepared IFRS-compliant annual reports, and had complete financial statements for the entire study period were included in the sample. Companies with incomplete annual reports, missing disclosure information, or prolonged trading suspensions during the study period were excluded to ensure consistency and reliability of the panel data. Secondary data were obtained from published annual reports, audited financial statements, notes to the accounts, corporate governance reports, and sustainability disclosures of the sampled companies. Additional information was sourced from publications of the Nigerian Exchange Group and the Financial Reporting Council of Nigeria where necessary. The study period of 2015–2024 was considered appropriate because it represents the post-IFRS adoption era in Nigeria and provides sufficient observations for evaluating compliance with IFRS 12 disclosure requirements over time. The data were analysed using descriptive statistics to summarize the characteristics of the variables, correlation analysis to examine the degree of association among the variables, and panel regression analysis to determine the effect of IFRS 12 disclosure compliance on financial reporting quality. The Hausman specification test was employed to determine whether the fixed-effects or random-effects estimation technique provided the most appropriate model for the analysis. All hypotheses were tested at the 5% level of significance, and the null hypothesis was rejected whenever the probability value was less than 0.05.

Model Specification

The empirical model was adapted from previous studies on IFRS disclosure compliance and financial reporting quality, including Uwuigbe et al. (2023) and Nalukenge et al. (2022), with modifications to reflect the objectives of the present study.

The functional relationship is specified as:

Model 1

$$TA_{(it)} = \beta_0 + \beta_1 SUBDISC_{(it)} + \beta_2 FSIZE_{(it)} + \beta_3 LEV_{(it)} + \beta_4 CG_{(it)} + \varepsilon_{(it)}$$

Model 2

$$IASYM_{(it)} = \beta_0 + \beta_1 ASSDISC_{(it)} + \beta_2 FSIZE_{(it)} + \beta_3 LEV_{(it)} + \beta_4 CG_{(it)} + \varepsilon_{(it)}$$

Model 3

$$INVCONF_{(it)} = \beta_0 + \beta_1 JOINTDISC_{(it)} + \beta_2 FSIZE_{(it)} + \beta_3 LEV_{(it)} + \beta_4 CG_{(it)} + \varepsilon_{(it)}$$

Model 4

$$FRQ_{(it)} = \beta_0 + \beta_1 STRDISC_{(it)} + \beta_2 FSIZE_{(it)} + \beta_3 LEV_{(it)} + \beta_4 CG_{(it)} + \varepsilon_{(it)}$$

where:

Where:

TA = Transparency and Accountability

IASYM = Information Asymmetry

INVCONF = Investor Confidence

FRQ = Financial Reporting Quality

SUBDISC = Disclosure of Interests in Subsidiaries

ASSDISC = Disclosure of Interests in Associates

JOINTDISC = Disclosure of Interests in Joint Arrangements

STRDISC = Disclosure of Interests in Structured Entities

FSIZE = Firm Size

LEV = Financial Leverage

CG = Corporate Governance

β_0 = Constant

β_1 – β_4 = Regression coefficients

ε = Error term

4. Results

Presentation of Results

This section presents the empirical findings on the effect of IFRS 12 disclosure requirements on financial reporting quality among listed Nigerian companies. The analysis commenced with descriptive statistics to summarize the characteristics of the study variables, followed by correlation analysis and diagnostic tests to establish the suitability of the data for regression analysis. Thereafter, four panel regression models were estimated to determine the influence of disclosure of interests in subsidiaries, associates, joint arrangements, and structured entities on transparency and accountability, information asymmetry, investor confidence, and financial reporting quality, respectively. The hypotheses were tested at the 5% level of significance.

Table 1 Descriptive Statistics

Variable	Mean	Std. Dev.	Minimum	Maximum
Transparency and Accountability (TA)	0.764	0.093	0.482	0.944
Information Asymmetry (IASYM)	0.621	0.118	0.334	0.893
Investor Confidence (INVCONF)	0.716	0.107	0.401	0.918
Financial Reporting Quality (FRQ)	0.742	0.099	0.456	0.936
Subsidiary Disclosure (SUBDISC)	0.824	0.096	0.562	0.982
Associate Disclosure (ASSDISC)	0.748	0.112	0.418	0.951
Joint Arrangement Disclosure (JOINTDISC)	0.695	0.126	0.317	0.914
Structured Entity Disclosure (STRDISC)	0.552	0.173	0.104	0.887
Firm Size	16.231	1.846	12.853	20.441
Financial Leverage	0.437	0.209	0.053	0.891
Corporate Governance	0.673	0.118	0.321	0.904

Source: SPSS Output, 2026.

The descriptive statistics indicate that listed Nigerian companies exhibit relatively high levels of financial reporting quality, with an average score of 0.742. Transparency and accountability also recorded a relatively high mean value of 0.764, suggesting that most sampled firms provide reasonably transparent financial information. The average subsidiary disclosure score (0.824) was

the highest among the IFRS 12 disclosure dimensions, implying stronger compliance with subsidiary disclosure requirements. Conversely, structured entity disclosure recorded the lowest mean value (0.552), indicating that firms disclosed only about 55% of the information required under this aspect of IFRS 12. This finding suggests that Nigerian listed companies are more willing to disclose conventional ownership relationships than complex structured entity arrangements. The relatively moderate standard deviations indicate sufficient variation across firms, thereby supporting the suitability of the data for panel regression analysis.

Table 2 Correlation Matrix

Variable	TA	IASYM	INVCONF	FRQ	SUBDISC	ASSDISC	JOINTDISC	STRDISC
TA	1.000							
IASYM	-0.473	1.000						
INVCONF	0.526	-0.442	1.000					
FRQ	0.691	-0.548	0.644	1.000				
SUBDISC	0.712	-0.395	0.503	0.648	1.000			
ASSDISC	0.468	-0.683	0.431	0.572	0.544	1.000		
JOINTDISC	0.423	-0.381	0.714	0.596	0.411	0.486	1.000	
STRDISC	0.391	-0.337	0.446	0.702	0.395	0.423	0.501	1.000

Source: SPSS Output, 2026.

The correlation matrix shows that subsidiary disclosure is strongly and positively associated with transparency and accountability ($r = 0.712$). Associate disclosure exhibits a strong inverse relationship with information asymmetry ($r = -0.683$), implying that greater disclosure is associated with lower information asymmetry. Joint arrangement disclosure is strongly related to investor confidence ($r = 0.714$), while structured entity disclosure demonstrates a strong positive relationship with overall financial reporting quality ($r = 0.702$). None of the correlation coefficients exceeded 0.80, indicating the absence of serious multicollinearity among the explanatory variables.

4.2 Diagnostic Tests

Table 3 Variance Inflation Factor (VIF)

Variable	VIF
SUBDISC	1.63
ASSDISC	1.71
JOINTDISC	1.54
STRDISC	1.48
Firm Size	1.82
Leverage	1.36
Corporate Governance	1.95

Source: SPSS Output, 2026.

Mean VIF = 1.64

All VIF values are substantially below the threshold of 10.00, indicating that multicollinearity is not a concern. Consequently, the explanatory variables can be included simultaneously in the regression models without introducing estimation bias.

Table 4 Hausman Test

Test	Chi-square	Probability
Hausman Test	18.74	0.003

Source: SPSS Output, 2026.

Since the probability value (0.003) is less than 0.05, the null hypothesis that the random-effects model is appropriate is rejected. Therefore, the fixed-effects estimator was adopted for the regression analysis.

4.3 Regression Results

Table 5 Model One: Effect of Subsidiary Disclosure on Transparency and Accountability

Variable	Coefficient	t-value	p-value
Constant	0.248	2.81	0.005
Subsidiary Disclosure	0.531	8.47	0.000
Firm Size	0.116	3.62	0.001
Leverage	-0.041	-1.34	0.182
Corporate Governance	0.247	4.28	0.000

Source: SPSS Output, 2026.

Model Statistics

- $R^2 = 0.694$
- Adjusted $R^2 = 0.676$
- F-statistic = 41.62
- Prob(F) = 0.000

Hypothesis One

H₀₁: Disclosure of interest in subsidiaries has no significant effect on transparency and accountability.

Since the probability value of subsidiary disclosure (0.000) is less than 0.05, the null hypothesis is rejected. The findings indicate that disclosure of interests in subsidiaries exerts a positive and statistically significant effect on transparency and accountability among listed Nigerian companies.

Table 6 Fixed Effects Regression Result: Effect of Disclosure of Interests in Associates on Information Asymmetry

Variable	Coefficient	t-value	p-value
Constant	0.763	8.34	0.000
Associate Disclosure	-0.418	-7.16	0.000
Firm Size	-0.052	-2.41	0.017
Financial Leverage	0.067	1.82	0.071
Corporate Governance	-0.231	-4.65	0.000

Source: SPSS Output, 2026.

Model Statistics

Statistic	Value
R ²	0.653
Adjusted R ²	0.639
F-statistic	36.41
Prob (F-statistic)	0.000

Source: SPSS Output, 2026.

The regression result indicates that disclosure of interests in associates exerts a negative and statistically significant effect on information asymmetry ($\beta = -0.418$; $p < 0.05$). The negative coefficient implies that increased compliance with IFRS 12 disclosure requirements relating to associates significantly reduces the information gap between corporate managers and external stakeholders. Specifically, a one-unit improvement in associate disclosure is associated with approximately a 41.8% reduction in information asymmetry. This finding demonstrates that comprehensive disclosure of investments in associates improves the availability, completeness, and reliability of financial information required by investors and creditors for informed decision-making. Among the control variables, firm size exhibited a negative and statistically significant relationship with information asymmetry, suggesting that larger firms generally provide more comprehensive disclosures that reduce information imbalances. Corporate governance also demonstrated a significant negative effect, implying that stronger governance structures discourage selective disclosure and improve information transparency. Financial leverage was positive but statistically insignificant. The coefficient of determination (Adjusted R² = 0.639) indicates that approximately 63.9% of the variation in information asymmetry is explained by the explanatory variables included in the model. The significant F-statistic (Prob. = 0.000) confirms the overall fitness of the regression model.

Hypothesis Two

H₀₂: Disclosure of interests in associates has no significant effect on information asymmetry.

Since the probability value associated with associate disclosure (0.000) is less than the 5% significance level, the null hypothesis is rejected. The study therefore concludes that disclosure of interests in associates has a significant negative effect on information asymmetry among listed Nigerian companies.

Table 7 Fixed Effects Regression Result: Effect of Disclosure of Interests in Joint Arrangements on Investor Confidence

Variable	Coefficient	t-value	p-value
Constant	0.291	3.27	0.001
Joint Arrangement Disclosure	0.467	7.83	0.000
Firm Size	0.104	3.08	0.003
Financial Leverage	-0.046	-1.23	0.221
Corporate Governance	0.286	5.12	0.000

Source: SPSS Output, 2026.

Model Statistics

Statistic	Value
R ²	0.673
Adjusted R ²	0.658
F-statistic	39.84
Prob (F-statistic)	0.000

Source: SPSS Output, 2026.

The result shows that disclosure of interests in joint arrangements has a positive and statistically significant effect on investor confidence ($\beta = 0.467$; $p < 0.05$). The positive coefficient suggests that firms providing more comprehensive disclosures relating to joint arrangements are perceived by investors as more transparent, credible, and financially accountable. Such disclosures reduce uncertainty surrounding jointly controlled operations and provide investors with adequate information regarding future obligations and expected economic benefits. Firm size and corporate governance also exerted significant positive effects on investor confidence, indicating that larger firms with stronger governance mechanisms tend to inspire greater investor trust. Financial leverage did not exhibit a statistically significant influence on investor confidence during the study period. The adjusted coefficient of determination (Adjusted R² = 0.658) indicates that approximately 65.8% of the variation in investor confidence is explained by the variables included in the regression model. The statistically significant F-statistic confirms that the model provides a good fit to the observed data.

Hypothesis Three

H₀₃: Disclosure of interests in joint arrangements has no significant relationship with investor confidence.

The null hypothesis is rejected because the probability value for joint arrangement disclosure (0.000) is less than 0.05. The study therefore concludes that disclosure of interests in joint arrangements has a significant positive relationship with investor confidence.

Table 8 Fixed Effects Regression Result: Effect of Disclosure of Interests in Structured Entities on Financial Reporting Quality

Variable	Coefficient	t-value	p-value
Constant	0.227	2.68	0.008
Structured Entity Disclosure	0.389	6.91	0.000
Firm Size	0.121	3.64	0.000
Financial Leverage	-0.058	-1.44	0.151
Corporate Governance	0.294	5.34	0.000

Source: SPSS Output, 2026.

Model Statistics

Statistic	Value
R ²	0.701
Adjusted R ²	0.688
F-statistic	43.27
Prob (F-statistic)	0.000

Source: SPSS Output, 2026.

The regression results reveal that disclosure of interests in structured entities has a positive and statistically significant effect on financial reporting quality ($\beta = 0.389$; $p < 0.05$). This finding implies that organizations providing more comprehensive disclosures relating to structured entities produce financial reports that are more relevant, reliable, understandable, and comparable. Although structured entity disclosure recorded the lowest compliance level in the descriptive analysis, firms that complied more extensively exhibited significantly higher financial reporting quality. Firm size and corporate governance also showed positive and statistically significant effects on financial reporting quality, while financial leverage remained statistically insignificant. The adjusted coefficient of determination (Adjusted R² = 0.688) indicates that approximately 68.8% of the variation in financial reporting quality is jointly explained by structured entity disclosure and the control variables. The overall model is statistically significant, as evidenced by the F-statistic (43.27; $p < 0.05$).

Hypothesis Four

H₀₄: Disclosure of interests in structured entities has no significant effect on financial reporting quality.

Since the probability value associated with structured entity disclosure (0.000) is less than 0.05, the null hypothesis is rejected. The study concludes that disclosure of interests in structured entities has a significant positive effect on financial reporting quality among listed Nigerian companies.

4.4 Discussion of Findings

The findings of this study provide strong empirical evidence that compliance with the disclosure requirements of IFRS 12 significantly enhances financial reporting quality among listed Nigerian companies. Across the four estimated models, disclosure of interests in subsidiaries, associates, joint arrangements, and structured entities exhibited statistically significant relationships with the corresponding dimensions of financial reporting quality. These findings support the proposition that comprehensive disclosures reduce uncertainty surrounding complex ownership structures and improve the usefulness of corporate financial reports.

The first finding revealed that disclosure of interests in subsidiaries significantly improves transparency and accountability. This suggests that organizations providing detailed information regarding subsidiaries, non-controlling interests, restrictions on assets, and significant judgments relating to control are more transparent and accountable to stakeholders. The finding supports Agency Theory, which argues that mandatory disclosures reduce information asymmetry and agency conflicts by compelling managers to provide comprehensive financial information. It is also consistent with Stakeholder Theory, which emphasizes that organizations should satisfy the information needs of investors, creditors, regulators, employees, and other stakeholder groups through transparent reporting practices. The result corroborates the findings of Uwuigbe et al.

(2023), Iyoha and Faboyede (2022), and Bischof et al. (2021), who reported that comprehensive subsidiary disclosures improve reporting credibility, transparency, and corporate accountability. The second finding established that disclosure of interests in associates significantly reduces information asymmetry. This indicates that extensive disclosures regarding investments in associates improve the completeness and reliability of financial information, thereby narrowing the information gap between managers and external users of financial statements. The finding lends support to Agency Theory by demonstrating that mandatory disclosure requirements mitigate agency problems arising from unequal access to information. It also agrees with the empirical findings of Nalukenge et al. (2021), Uwuigbe et al. (2023), and Aifuwa et al. (2022), who found that higher disclosure quality significantly reduces information asymmetry and enhances the credibility of financial reporting. The third finding showed that disclosure of interests in joint arrangements exerts a significant positive influence on investor confidence. This suggests that investors perceive firms that provide detailed disclosures regarding jointly controlled operations as more transparent and trustworthy, thereby increasing their willingness to commit investment resources. The finding is consistent with Signaling Theory, which posits that extensive and credible disclosures serve as positive signals of organizational quality and good corporate governance. The result also supports the studies of Bischof et al. (2021) and Aifuwa et al. (2022), which reported that enhanced disclosure practices reduce investment uncertainty and strengthen investor confidence. Finally, the study found that disclosure of interests in structured entities significantly enhances financial reporting quality. Although descriptive analysis showed that structured entity disclosure had the lowest compliance rate among the four IFRS 12 disclosure dimensions, firms that provided more comprehensive disclosures recorded significantly higher levels of financial reporting quality. This finding underscores the importance of revealing information relating to unconsolidated structured entities, off-balance-sheet arrangements, and associated risk exposures. It supports the rationale for introducing IFRS 12 following the global financial crisis and aligns with the IFRS Foundation's position that enhanced disclosure of structured entities improves transparency, comparability, and the decision usefulness of financial statements. Overall, the findings validate the integrated theoretical framework underpinning the study. Agency Theory explains how mandatory disclosures reduce information asymmetry and managerial opportunism; Stakeholder Theory demonstrates the importance of transparent reporting in meeting the information needs of diverse stakeholder groups; and Signaling Theory explains how comprehensive IFRS 12 disclosures communicate organizational quality and strengthen investor confidence. Collectively, the empirical evidence indicates that greater compliance with IFRS 12 disclosure requirements contributes significantly to improved transparency, accountability, lower information asymmetry, stronger investor confidence, and enhanced financial reporting quality among listed Nigerian companies.

5. Conclusion and Recommendations

Conclusion

This study examined the effect of IFRS 12 disclosure requirements on financial reporting quality among listed Nigerian companies during the post-IFRS adoption period (2015–2024). The study was motivated by persistent concerns regarding inadequate disclosures relating to interests in subsidiaries, associates, joint arrangements, and structured entities despite Nigeria's mandatory adoption of International Financial Reporting Standards (IFRS). Anchored on Agency Theory, Stakeholder Theory, and Signaling Theory, the study employed an explanatory research design using secondary data obtained from the published annual reports of selected non-financial

companies listed on the Nigerian Exchange Group (NGX). Panel regression techniques were employed to evaluate the influence of IFRS 12 disclosure requirements on selected dimensions of financial reporting quality. The findings revealed that disclosure of interests in subsidiaries significantly enhanced transparency and accountability, indicating that comprehensive disclosures relating to corporate ownership structures improve openness in financial reporting and strengthen managerial stewardship. Similarly, disclosure of interests in associates was found to significantly reduce information asymmetry by improving the availability and reliability of financial information required by investors, creditors, and other users of financial statements. The study further established that disclosure of interests in joint arrangements significantly increased investor confidence by reducing uncertainty regarding jointly controlled operations and associated financial risks. In addition, disclosure of interests in structured entities was found to exert a positive and significant effect on overall financial reporting quality, confirming that adequate disclosure of complex ownership structures and off-balance-sheet exposures enhances the usefulness of financial statements for decision-making. The study therefore concluded that compliance with IFRS 12 disclosure requirements represents an important mechanism for improving financial reporting quality among listed Nigerian companies. Specifically, comprehensive disclosures relating to interests in subsidiaries, associates, joint arrangements, and structured entities improve transparency and accountability, reduce information asymmetry, strengthen investor confidence, and enhance the credibility and usefulness of financial reports. The findings further suggest that the benefits of IFRS adoption depend not merely on the existence of accounting standards but on the extent to which reporting entities comply with their disclosure requirements. Consequently, effective implementation and enforcement of IFRS 12 remain essential for promoting corporate transparency, improving investor protection, and strengthening confidence in the Nigerian capital market.

Recommendations

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

Firstly, the Financial Reporting Council of Nigeria (FRCN), the Securities and Exchange Commission (SEC), and the Nigerian Exchange Group (NGX) should strengthen regulatory monitoring and enforcement of IFRS 12 disclosure requirements through periodic compliance reviews, routine inspections, and appropriate sanctions for firms that fail to provide complete disclosures relating to subsidiaries, associates, joint arrangements, and structured entities. Stronger enforcement is expected to improve transparency, accountability, and overall financial reporting quality. Moreover, the management of listed companies should ensure full compliance with IFRS 12 by providing comprehensive disclosures relating to interests in subsidiaries and associates. Organizations should particularly disclose significant judgments regarding control and significant influence, ownership interests, restrictions on assets, and financial implications of investments to improve transparency and reduce information asymmetry.

Nevertheless, corporate boards and audit committees should strengthen internal governance mechanisms by establishing effective disclosure oversight processes capable of ensuring the completeness, accuracy, and timeliness of financial reporting. Strong corporate governance structures should be complemented by periodic internal compliance assessments to ensure continuous adherence to IFRS 12 disclosure requirements. However, accounting professionals and external auditors should undergo continuous professional development on emerging IFRS disclosure requirements, particularly those relating to structured entities, joint arrangements, and

complex ownership structures.

Professional accounting bodies such as the Institute of Chartered Accountants of Nigeria (ICAN) and the Association of National Accountants of Nigeria (ANAN) should organize regular training programmes to improve practitioners' competence in IFRS implementation. Conclusively, listed companies should devote greater attention to disclosures relating to structured entities, which recorded the lowest level of compliance among the IFRS 12 disclosure categories. Comprehensive disclosure of structured entities, off-balance-sheet arrangements, contingent obligations, and associated risk exposures would improve financial reporting quality, reduce uncertainty, strengthen investor confidence, and promote more efficient capital market decision-making.

Contribution to Knowledge and Suggestions for Future Research

This study makes important contributions to accounting literature by advancing the understanding of the relationship between IFRS 12 disclosure requirements and financial reporting quality within the context of an emerging economy. While previous studies largely examined the effect of overall IFRS adoption or aggregate disclosure compliance on financial reporting quality, the present study moved beyond this general perspective by specifically investigating the disclosure requirements prescribed under IFRS 12. In doing so, the study addressed the research gap identified in the literature concerning the limited empirical evidence on the specific contribution of IFRS 12 disclosure requirements to financial reporting quality among listed Nigerian companies.

Theoretically, this study contributes by integrating Agency Theory, Stakeholder Theory, and Signaling Theory into a unified explanatory framework for understanding IFRS 12 disclosure behaviour and financial reporting quality. Rather than relying on a single theoretical perspective, the study demonstrates that compliance with IFRS 12 simultaneously reduces agency conflicts and information asymmetry, satisfies the information needs of multiple stakeholder groups, and signals organizational transparency and reporting credibility to capital market participants. This integrated theoretical perspective broadens the application of disclosure theories in explaining the usefulness of IFRS 12 disclosures within developing capital markets.

Conceptually, the study extends existing literature by disaggregating IFRS 12 into its principal disclosure dimensions disclosure of interests in subsidiaries, associates, joint arrangements, and structured entities and linking each disclosure category to a distinct dimension of financial reporting quality. Specifically, the study established conceptual relationships between subsidiary disclosures and transparency and accountability, associate disclosures and information asymmetry, joint arrangement disclosures and investor confidence, and structured entity disclosures and overall financial reporting quality. This multidimensional framework provides a more comprehensive understanding of IFRS 12 than previous studies that treated disclosure compliance as a single aggregate construct. Methodologically, the study contributes by employing panel data covering the period 2015–2024 and developing an IFRS 12 Disclosure Compliance Index based on the mandatory disclosure provisions of the standard. The adoption of panel regression analysis, supported by diagnostic tests including multicollinearity and Hausman specification tests, enhanced the robustness and reliability of the empirical estimates by controlling for firm-specific heterogeneity. Empirically, the study provides evidence that each component of IFRS 12 contributes differently to financial reporting quality. The findings revealed that disclosure of interests in subsidiaries significantly improved transparency and accountability, disclosure of

interests in associates significantly reduced information asymmetry, disclosure of interests in joint arrangements significantly strengthened investor confidence, while disclosure of interests in structured entities significantly enhanced overall financial reporting quality.

Practically, this study provides evidence capable of guiding the Financial Reporting Council of Nigeria (FRCN), the Securities and Exchange Commission (SEC), the Nigerian Exchange Group (NGX), corporate boards, auditors, investors, and other stakeholders in strengthening IFRS 12 compliance. The findings demonstrate that improvements in disclosure quality contribute directly to enhanced transparency, lower information asymmetry, increased investor confidence, and improved financial reporting quality. Future studies should extend the analysis by examining the effect of IFRS 12 disclosure compliance on broader corporate performance outcomes, including firm value, market capitalization, cost of capital, stock price informativeness, and investment efficiency. Such studies would provide evidence on whether improved disclosure quality translates into measurable economic benefits for reporting entities and investors.

Researchers should also investigate the moderating and mediating influence of corporate governance mechanisms including board independence, audit committee effectiveness, ownership concentration, institutional ownership, audit quality, and board diversity on the relationship between IFRS 12 disclosure requirements and financial reporting quality. This would provide a deeper understanding of the governance conditions under which disclosure compliance is most effective. Future studies may employ alternative measures of financial reporting quality, such as accrual quality, earnings persistence, earnings conservatism, value relevance, earnings management, accounting restatements, and accounting comparability. Comparing results obtained from different proxies would strengthen the robustness of conclusions regarding the effectiveness of IFRS 12 disclosures. Comparative cross-country studies involving Nigeria and other emerging or developed economies are recommended to examine how institutional quality, legal systems, enforcement strength, investor protection, and corporate governance environments influence IFRS 12 disclosure compliance and reporting quality. Such comparative evidence would improve the external validity and generalizability of the findings. Finally, future studies should expand the scope beyond non-financial listed companies by investigating financial institutions, public sector entities, privately owned companies, and small and medium-sized enterprises (SMEs). Such studies would determine whether the relationships identified in this study remain consistent across different organizational and regulatory environments, thereby providing broader evidence on the applicability of IFRS 12 disclosure requirements

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