# Justification for IFRS in Sub-Sahara African Countries: A case of Multinational Corporations

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***Abstract***
*This paper examined the justification for International Financial Reporting Services (IFRS) in Sub-Sahara African countries. We considered multinational corporations in Sub-Sahara African countries using Nigeria, Kenya and Ghana International Financial Reporting Standards (IFRS) adoption as our sample size among Sub-Sahara African countries. A desk review research approach was adopted in this study, as journals, articles and literature related this work was reviewed. The paper found that the adoption of IFRS by the African countries has enhancement multinational corporations operating in the region consolidation of financial statement less cumbersome, easier access to capital from the capital market, tax complications among their business operations from different geographical locations easier to manage. We found that adoption of IFRS generally makes it lot easier for financial reporting harmonization and uniformity in accounting measurement and treatments, meeting more disclosure requirements and dealing with information asymmetry problems for more reporting transparency. The paper found that most multinational corporations in an attempt to reduce their tax liabilities indulge in tax manipulations, illegal transfer pricing, export under-invoicing, export smuggling, tax-based erosion, and other practices of unrecorded outflows in form of capital flights from the natural rich African countries. The paper recommends that for easy and efficient implementation of the IFRS, African countries should carefully prepare workable regulatory environment, engage in manpower training, provision of adequate resources, provide required legal and strong institutional framework and regulatory support system to tackle pre and post IFRS adoption challenges while African governments should work in blocking leaking channel and the mechanisms that fuels capital flight.*

***Keywords****: IFRS, Multinational corporations, capital flight, transfer pricing, Sub-Sahara Africa.*

## 1.0 INTRODUCTION

### 1.1 Background to the Study

Financial reporting is the branch of accounting that deals with the preparation of financial statements provides information about the financial performance and financial position of the business to which they relate and may be of value to a wide range of user groups (Melville, 2014). The adoption of International Financial Reporting Standards (IFRS) in Sub-Sahara African countries among others is aimed at enhancing financial reporting quality, standardization and convergence in financial reporting, furthermore, one of the rationales for the crusade on the adoption of IFRS is international competitiveness, transparency in financial reporting and control checks on capital flight, to reduce or eliminate variations in accounting practices among nations and also to bring together some degree of uniformity into financial reporting among countries who adopt the global standard to ensure a common and

acceptable transactional reporting standard. The first-time adoption sets out the procedure which must be adhered to when an entity adopts IFRS for the first time. The standards usually, set out requirements in respects with recognition, measurement, presentation and disclosure of transactions format in financial reporting. Omolehinwa and Naiyeju (2015) opined that the Nigerian Accounting Standards Boards (2010), states many methods to embracing IFRS by each country. three of such methods are: first, integrating IFRS domestic accounting standards, using the exact words in the IFRS but with possibility of the relevant country restricting the alternatives provided by IFRS and provision of additional commentary to assist implementation; second, incorporating IFRS into local legislation without amendments after a formal review and thirdly, using IFRS as the benchmark for domestic accounting standards through a gradual process of convergence or harmonization. Therefore, IFRS have been adopted in very diverse countries all over the world, and many others are likely to adopt them in the near future. It is quite obvious that IFRS have been adopted in many countries including African countries and more likely more countries will adopt in the near future. One can therefore say that IFRS adoption is different among countries as a result of diverse fundamental economic characteristics, quality of local accounting standards before the adoption of IFRS, however, Doupnik and Perera (2012) state that IFRS has so far being in used by more than 1150 nations including sub-Sahara African countries, however the United States of America has yet to adopt IFRS standards. According to Roberts et al (2005), Nobes and Parker (2008); Choi and Meek (2011), the cultural factors as a result of four basic cultural dimensions such as financial reporting uniformity, conservatism, professionalism and transparency justify the adoption of IFRS in multinational corporations.

### 1.2 Objective of the Study

The objective of this paper is to justify the adoption of IFRS in Sub-Sahara African countries, focusing on Nigeria, Ghana and Kenya. We reviewed the adoption of IFRS in these countries by Multinational corporations operating in these countries, the benefits and likely effects of the adoption in influencing international competitiveness and capital flights.

The rest of the paper is organized in the manner: In section 2, we reflected on some conceptual framework, reviewed some related literature, theoretical considerations and empirical review of other scholars past findings, in section 3, we put together our findings, conclusions and finally our recommendations.

## 2.0 METHODOLOGY

In this paper, a desk review research approach was adopted in the study, as journals, articles and literature related this work was reviewed.

## 3.0 LITERATURE REVIEW

### 3.1 Conceptual Framework

#### 3.1.1 The Concept of IFRS

International Financial Reporting Standards (IFRS) is a publication of International Accounting Standards Boards (IASB). The standards came as a result of uneasiness among investors and other financial report users as a result of recent financial scandals, and the collapse of many blue chip organizations. These crises energized the accounting regulatory bodies to think outside the box towards finding a better and a more transparent reporting standards to ensure a more robust and globalization of accounting standards. There was an issue of implicit and emerging economic pressure on nations including Sub-Sahara African countries to converge their local accounting standards with IFRS that is more acceptable as an aftereffect of the 2007-2010 financial crises (Ernest & Young, 2014)

International standards are developed and published by the International Accounting Standards Boards (IASB) which was formed in 2001as a replacement for the International Accounting Standards Committee (IASC) (Melville, 2014).

Basically, the International Accounting Standards board is made up of 14 members. Part of their duties is to draw up the Accounting Exposure Drafts, to authorize publications of the International Financial Reporting; Interpretations Committee, to announce new and to revise old Accounting Standards as may be requiring from time to time. Out of these 14 members, 7 members are contact persons to national standard-setters. The Trustees comprise of 19 members, six from North America; six form Europe, four from Asia and three from any other area. As a policy, the trustees do not consider content questions of accounting rules. They are mainly responsible to appoint members of the IASB, the Standard Advisory Council and the International Financial Reporting Interpretations Committee (IASB, 2010).
The standards published by this board (IASB) are known as IFRS. The conceptual framework states that the objective of general purpose financial reporting is “to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity”
IASB, (2010) states that the quality of financial reports is enhanced and considerably measured using four features of qualitative characteristics of financial information entrenched within the Framework for the Preparation and Presentation of Financial Statements. Relevance, faithful representation, comparability and understandability are the qualitative features of a quality financial reporting. In this respect, IASB 2010 opined that relevance and faithful representation are the fundamental qualities, whilst comparability and understandability are enhancing qualities. Accordingly, the Framework stipulates that the qualitative characteristics are the attributes that make the information provided in financial statements useful to users.

IFRS states that 83% representing 115 out of the countries that require IFRS, while the nation of Bhutan might likely adopt IFRS standards in the year 2021. The body opined that 24 other nations who are yet to adopt IFRS were advised to do so. These nations:
Paraguay, India, Bermuda, Madagascar, Guatemala, Panama, Honduras, Cayman Island, Switzerland, Nicaragua, Suriname, and Japan permitted rather than requires IFRS.

i. Other countries like Guinea-Bissau, Bolivia, United States, China, Egypt, Macao, Niger, Vietnam prefers to use practices national or regional standards.
ii. Also, the nations of Saudi Arabia and Uzbekistan require IFRS for financial establishments nevertheless not compulsory for firms listed on their stock market.
iii. Meanwhile, Indonesia is however in the course of congregating its domestic standards significantly (but then not entirely) by way of IFRS and
iv. The country of Thailand currently in the verge of fully adopting IFRS.

African countries are not left behind in embracing and adopting IFRS due to the benefits in adoption. Multinational corporations operating in Sub-Sahara African countries at one time or the other began to adopt IFRS to ease their cross boarder transactional purposes, accounting easy consolidation and harmonization.

### 3.1.2 Ghana and IFRS Adoption

The Institute of Chartered Accountants of Ghana (ICAG) in 1999 called on companies operating in Ghana to adopt IFRS and International Accounting Standards (IAS). In accordance with this, 2007 was set the likely deadline for complince and implementation. Fekete (2008) opined that prior to Ghana’s adoption, the General Accepted Accounting Principle was then Ghana National Accounting Standards (GNAS). The Ghana National

Accounting Standards in used stood as pre-IFRS / IAS regulatory body in Ghana. World Bank (2004), report by World Bank on a reviewed reporting standard of accounting and auditing practices in Ghana which showed that the GNAS financial reporting was weak and different substantially with International Accounting Standards.
The World Bank report therefore supported the adoption of the IFRS/IAS in Ghana to enhance more disclosure, credibility, transparent and globally confident in the mind of users. In a study Agyei-Mensa (2012) states that most of the companies listed on the floor of Ghana Stock Exchange did not comply with the adoption requirements, this suggest that if the listed companies deliberately refuse to comply with the adoption requirements of the IFRS standards, by default means that the aim of adoption is totally defeated and that show the level of decay and weak regulatory body in Ghana compared with the strong regulatory Financial Reporting Council (FRC) of Nigeria. Ghana is among fifteen countries in Africa in the likes of Botswana, Egypt, Ethiopia, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Sierra Leone, South Africa, Tanzania, Zimbabwe, Swaziland, Nigeria, Uganda and many more, to have adopted or converged to IFRS (PricewaterhouseCoopers, 2010).

**3.1.3 Kenya and IFRS Adoption**
According to King'wara (2015), The Institute of Certified Public Accountants of Kenya (ICPAK) gave directives for the adoption of IFRS in Kenya in 1998 especially those companies listed on the Nairobi Security Exchange (NSE). However, it was not mandatory for the companies not publically traded on the floor of the Nairobi Security Exchange. In Kenya, IFRS requirements were incorporated into the country's various regulatory bodies which include Central Bank of Kenya's prudential guidelines, the country's Insurance Regulatory Authority of Kenya (IRA) and Capital Markets Authority of Kenya (CMAK) and the Kenya Retirement Benefit Authority. Therefore, IFRS has been endorsed for both listed and non-listed firms in the Kenya Companies Act in the latest amendment in 2002. According to King'wara (2015) all these are among the requirements for listing in the Nairobi Security Exchange.

**3.1.4 Nigeria and IFRS Adoption**
In the wake various financial scandals and to ensure transparency in financial reporting aimed at building confidence in the mind of investors, local and foreign direct investors, Nigerian as a nation, to ensure a globalization of world trade desire to be adopt IFRS. In July, 2010, Nigeria Federal Executive Council gave approval for its adoption in Nigeria. The Council directed that January 1st as the effective date for implementation for easy convergence of accounting standards in Nigeria and IFRS. Further to this approval, the Nigerian Accounting Standards Board (NASB) under the supervision of the Ministry of Commerce and Industry was directed to ensure that the directives are putting into practice. Consequent to this, on September 2010, stages of implementation of IFRS in Nigeria was rolled out:

i. January 1st 2012 for Public listed companies in Nigeria
ii. January 1st 2013 for other Public interest companies and
iii. January 1st 2014 for Small and Medium Enterprises.

However, on June 2011, there was a legislative enactment for new body Financial Reporting Council (FRC), to replace Nigerian Accounting Standard Board (NASB) as the body responsible for setting financial reporting standards in Nigeria.

**3.1.5 Concept of Multinational Corporations**
Multinational corporations are business enterprises operating in several nations across the borders of the owner country, but managed from the home country (Business-dictionary, 2017). Multinational corporations expanding cross-borders for various economic benefits and

comparative advantages. As a result of international financial reporting disparity between various accounting systems in different nations' domestic accounting regulatory bodies and difficulties in consolidation of accounts from subsidiaries of these multinational corporations having operational activities at various geographical locations, pave the way for the need for globalization of world trade and harmonization of financial reporting system, to deal with the problem of Multinational Corporation having to deal with different geographical domestic tax laws under different tax laws regimes, different local financial regulatory bodies and consolidation problems to ease capital movement worldwide (Umobong & Akani, 2015). (AISG, 1968) and a set of proposals on financial reporting from the perspective of international Through the establishment of the International Accounting Standards Committee (IASC) in 1973, interest in reducing international accounting disparities increased significantly. Barbu and Baker (2007) highlight the development of *accounting harmonization* process, a process clearly restricted from that of *accounting standards* based on the opinion of Van Hulle (1992) who reasoned that *harmonization does not aim to develop uniform accounting rules*. "At the same time FASB formulated the Accounting Conceptual Framework (1978), shortly followed by the IASB (1989) which is largely based on the American accounting concept.

Richard (2009) states that "Tax avoidance is a global problem. It involves the abusive exploitation of gaps and loopholes in domestic and international tax law that allow multinational companies (MNCs) to shift profits from country to country, often to or via tax havens, with the intention of reducing the tax they pay on some or all of their profits. Tax avoidance on such a large scale is facilitated by a lack of transparency in the way MNCs report and publish their accounts. Making MNC accounts more transparent would help tackle tax avoidance at very low cost". Richard (2009) further states that it is essential to distinct two types of activity of some multinational corporations. First, are those who deliberately violates of domestic or international law in order to pay less tax. This is illegal and quite unfortunate that multinational corporations and other taxpayers could indulge in this manipulation and should therefore be held responsible. The second are those activities capitalize in exploiting some tax gaps and loopholes in the host country domestic tax system. The activities no matter the way we view them, are unethical, illegal irrespective the acclaimed acceptable aggressive tax planning strategies of the Multinationals. Multinational corporations are expected to prepare consolidated financial statements by converting foreign accounts to local accounting standards in line with IFRS requirements.
Therefore, the presence of a foreign subsidiary necessitates a corporation to pay tax to diverse countries where they operate under different tax laws. As a result they would naturally, be concerned with how taxes can be legally minimized and double taxation avoided by understanding the various tax laws in the countries in which they operate. Consequently Tax treaties between two countries might also provide some relief from double taxation. Alternative option open to a multinational corporations are to use international transfer pricing to legally reduce tax, yet some strategically manipulate the local tax authorities by engaging illegal transfer pricing among their subsidiaries not at arm's length deals. Many of the multinational corporations operations try to minimize the amount of worldwide taxes they pay through the use of discretionary transfer pricing. Many African countries are not ignorant of some antics of these corporations operating in African, their practice to shift profits between countries through discretionary transfer pricing. To make sure that companies pay their fair share of local taxes, most countries have laws that regulate international transfer pricing and capital flight practices. Olaoye and Aguguom (2017) opined that the Multinational corporations primary objective to maximize profit margins go beyond taking strategic advantage of tax avoidance gaps, but it is also for manipulative tendencies,

depriving host nations genuine tax revenues, gain undue advantage over their operational host countries, capitalizing on the countries weak tax administrative system to reduce their tax **obligations.**

### 3.1.6 Multinational Corporations and Capital Flights

A review of studies on African economies reveal critical issues regarding the volume of unrecorded level of capital outflow or capital flight out of Africa (Ajayi & Adikumana, 2015; Ndikumana, Boyce; Ndiaye, 2015). Most of capital flights was said to have been fuelled due to the complication of technological and financial processes concerning the exploration, development and exploitation that create imbalance of high expertise and technical capacity between the governments of resources rich developing African nations and the operators (multinational corporations). This generates prospects for export under-invoicing, export smuggling, tax-based erosion, and other practices of unrecorded outflows in form of capital flights from the natural rich African countries.

Furthermore, the issue of multinational corporations' ownership and proprietorship structure and the case of residence accelerates capital flight out of Africa especially our level of expertise in place to mitigate these activities.

One of the major menaces of capital flight accompanying resource exploitation has to do with manipulations and exploitations, the case of trade mispricing due to disparities in unit pricing and tax evasion (Le Billin, 2011).

The study of Boyce and Ndikumana, (2015) reveal that under inequitable treatment perceptions, capital flight is explained by government laws and regulations that are biased in favour of foreign investments. They take the forms of preferential taxation like tax holidays, investment or exchange rates guarantees, and priority given to foreign claims over resident claims in the event of financial crisis (Kant, 1996).

### 3.1.7 Benefits of IFRS Adoption

Doupnik and Perera (2012) opined that multinational corporations in Sub-Sahara African countries benefit from the adoption IFRS in the following ways:

i. Reduction in costs of the preparation of consolidated financial statements with their parent and other business associates across borders.
ii. Reduction of cost of applying for an increase in capital assets in international markets and one set of standards with the analytical and comparability of financial statements from many locations of operation.
iii. Multination corporations also tend to benefit from the benefit of future mergers and acquisition since there is only one regulatory requirement, standardization of financials, capital allocations and other decisions due to a stream lined financial reporting standards.
iv. Multinational corporations' pressure on having a transactional standard and for financial harmonization equally accelerated bringing together and international convergence of financial regulatory standards.

More so, IFRS conceptual framework provides investors being the beneficiaries of fusion of financial reports, since they are exposed to the highest international and transactional risks. There exist some changes between IFRS and countries'' financial reporting standards in the area of recognition, measurement, presentation, disclosure, and choice among alternatives.

However, IFRS seems to allow some flexibility when compared to the local standards, for instance, IFRS reasonably gives room for companies to choose between alternative treatments in accounting for a particular item, not only that, IFRS mostly have less bright-line guidance than local standards; in this way, a more judgment is required in applying individual

IFRS guidelines, while in implementation, IFRS seems more comprehensive than local standards.
On the other hand, the adoption of IFRS help multinational corporations fulfill the disclosure requirement for stock exchanges around the world (Armstrong, Barth, Jagolizer and Riedl, 2007; Covrig, Defond & Hung 2007; Daske, Hail, Leuz & Verdi, 2008). Other benefits include: It lowers susceptibility to political pressures than national standards, continuation of local implementation guidance for local circumstances and the tendency for accounting standards to be raised to the highest possible quality level throughout the world. Odia and Ogiedu (2013) opined that it is also suggested that the adoption of IFRS in Sub-Sahara African countries had brought about d to: better transparency and understandability, lower cost of capital to multinational corporations and higher share prices as a result of more confidence in the mind of investors and transparent information, reduced national standard-setting costs, ease of regulation of securities markets among nations operating in Sub-Sahara African countries , easier comparability of financial data across borders and assessor investment opportunities, increased credibility of domestic markets to foreign capital providers and potentials foreign merger partners, and to potential lenders of financial statements from companies in less-developed countries. It will also facilitate easier international mobility of professional staffs across national boundaries (Odia & Ogiedu, 2013)

**3.1.8 Challenges of IFRS Adoption**

No doubt there were challenges encountered by African countries especially at the first adoption. These challenges among others include:

i. Understanding the meaning of pre and post international convergence challenges.
ii. Translation of the international standards
iii. Complication and structure of the international standards.
iv. Frequency, volume and intricacy of changes to the International Standards.
v. Challenges for small and medium size enterprises and accounting firms
vi. Implications of endorsements of IFRS.

Yet, Obazee 2007 said that one of the principal impeding factors in the adoption process of IFRS in Europe, America and the rest of the world are not necessarily technical but cultural issues, mental models, legal impediments, educational needs and political influences (Obazee, 2007). This suggests that cultural diversities in Sub-Sahara Africa are a challenge.
Rong- Ruey (2006) opined that there are likely implementation challenges which includes: timely interpretation of standards, continuous amendment to IFRS, accounting knowledge and expertise possessed by financial statement users, preparers, auditors and regulators, and managerial incentive (Ball, Robin & Wu, 2000).
Other studies suggest that IFRS has the potentials to facilitate cross-border comparability, increase reporting transparency, decrease information costs, reduce information asymmetry and thereby increase the liquidity, competition and efficiency of markets (Ball 2006, Choi & Meek 2005; Armstrong *et al.*,2007). Meanwhile, the work of Soderstrom and Sun (2007) found that cultural, political and business differences may also continue to impose significant obstacles in the progress towards a single global financial communication system because a single set of accounting standards cannot reflect the differences in national business practices arising from differences in institutions and cultures. Possibly one of the likely difficulties to performing an effective internal audit is language. The auditors also need to be familiar with the local culture and customs, because these may affect the amount of work necessary in the audit.

### 3.20 Theoretical Considerations

This paper is underpinned on two among the other IFRS related theories: Theory of financial reporting and accountability theory.

### 3.2.1 Theory of Financial Reporting

Theory of financial reporting were found very crucial in predictions of returns and stock prices Ali and Hwang, (2000); Ball, Kothari, and Robin, (2000), and Guenther and Sun, (2004) find that the usefulness of earnings in predicting returns and stock prices is lower in code law countries. Guenther and Young, (2000) argue that in countries with better accounting quality, accounting earnings are more closely related to the underlying economic activity. They find that the association between the accounting measure of returns and GDP growth is high in the U.K. and the U.S., and low in France and Germany. Ball, Robin and Wu, (2003) regard their findings to the demand for financial reporting. Leuz and Verrecchia, (2000) find a similar result in Germany. While Sengupta, (1998) found that higher disclosure level reduces the cost of public debt in the United States of America.

### 3.2.2 Accountability Theory

Some scholars in their research work found that a more liquid market leads to better monitoring of managers as in Diamond (1984); Holmstrom and Tirole (1993); Dow and Gorton, (1997) opined that while better accounting information leads to better monitoring of managers. However Leuz and Verrecchia, (2000) found that high accounting quality makes managers allocate assets more efficiently because stock markets can predict future cash flows more precisely and thus can motivate managers more efficiently. Better accounting information can facilitate the information flow among investors and managers through an informative stock market.

### 3.3 Empirical Review

Odia and Ogiedu (2013) said that globalization, increased border-listing, attraction of foreign investment and aids, and other institutional factors have been the motivating factors for IFRS adoption among nations including Africa. Lessons from already adopters of IFRS reveal that for effective IFRS adoption, there must enabling institutional framework, accounting education and training, efficient capacity building programme to prepare the various stakeholders for the imminent transition and challenges (Odia & Ogiedu, 2013). To support this position, Akintoye (2016) states that the aim of IFRS is to enhance the relevance, reliability and comparability of the information being presented in the financial statement concerning a business.

Awuku (2015) states that the practice of IFRS was acknowledged as providing snugger direction on vital issues not addressed sufficiently by Ghana National Accounting Standards, however, the adoption of IFRS has been described as being complex and time consuming, occasioning in user confusion of financial statement and advanced external professional fee (Awuku, 2015). The world has been interest to see an improvement in the quality of financial reporting hence the benefit from the adoption of IFRS is highly desired as the adoption will improve foreign direct investments in Africa and other developing nations (Gordon, Loeb & Zhu, 2012; Chen, Ding & Xu, 2014). Ramos (2008, 2010) in a similar conclusion for European Union-EU countries.

On their part, Nnadi, Odebiyi and Beecroft (2014) studied the adoption of IFRS by 92 countries among many countries across the globe for the period 2002-2010 and conclude that the adoption of IFRS will be able to attract foreign potential investors only when the institutional framework are improved to support the conduciveness of investment environmental regulatory body.

Barth, Landsman and Lang (2008); and Wysocki (2011) in their study stated that uniformity in financial reporting standards and the peculiarity of IFRS is able to enhance the value of the financial statement that are produced by firms in the adopting countries, because IFRS standards promotes better disclosure, transparency, ensures more disclosure, and enhances comparability of accounting numbers irrespective of the location of the firm.

Nevertheless, protagonists and pragmatic scholars strongly believe that IFRS cannot singlehandedly achieve this objective of attracting foreign investment without recourse to the institutional setting in the adopting country (Wysocki, 2011; Chen, Ding & Xu, 2014; Efobi e*t al,* 2014). Guggiola, 2010) suggests that some African countries are following soothe (adopting IFRS) without considering the effect of the acclaimed inflow of foreign investments on their environment, the paper showed much concerned about the interest of environmental consequences from the adoption of IFRS in Africa.

Palepu, Healy, Bernard and Peek (2007) contend that some earnings management are not carried out with the intention of manipulating earnings but that some accounting choices are driven by the signaling or in formativeness role of earnings management which is ordinarily aimed at informing outsiders of the changing business by the multinational corporations operating in Africa.

Hoogendoorn (2004) observed that there are five forms of earnings management by multinational corporation in African with the ultimate of capital flight tendencies (1) loss maximization also known as 'big bath accounting', (2) loss minimization, (3) profit maximization for reputation purposes, (4) profit minimization for political cost purposes, and (5) income smoothing. Income smoothing combines the first four forms of earnings management together.

Gordon (2008) listed the benefits from adaptation of IFRS over the world to include: better financial information for shareholders and regulators, enhanced comparability, improved transparency of results, increased ability to secure cross-border listing, better management of global operations and decreased cost of capital (Gordon, 2008)

## 4.0 FINDINGS, CONCLUSION AND RECOMMENDATIONS

### 4.1 Findings and Conclusion

In this paper, we have attempted to review the justification for the crusade on the adoption of IFRS which include international competitiveness, harmonization and comparability of financial reporting standards, easy consolidation, and control over capital flight tendencies among the multinational corporations especially those operating in Nigeria, Ghana and Kenya among the Sub-Sahara African countries. Based on our review carried out, we find that these countries in attempt to reap the benefit of globalization, with international effectiveness and international trade transactions and financial reporting harmonization adopted IFRS at various dates. As a result of diversity that exists across countries with respect the form and content of country by country financial statements, methods of valuing and measuring assets and liabilities and process of recognizing and measuring revenues and expenses; and (iii) the extent and nature of the disclosures provided in a set of financial statements permit by the local regulatory standards, the need for global harmonization became necessary to ensure uniformity, transparent and full disclosure. Kim and Yang (2012) align with our view, that motivated and justified the adoption of IFRS in Sub-Sahara African countries, confirm a important influence, substantially superior to other factors taken into concern (legal system, market capitalization, fiscal burden, colonialism, inflation, education, culture), *the economic factor*. Multinational companies represent a sizable of the economic environment of each country through foreign direct investment balance component. The link between the economic development level and the evolution of multinational companies is obvious, given emphasizes the economic impact on national economies of some states. In conclusion, it is

pertinent to emphasis that most multinational corporations in an attempt to reduce their tax liabilities, indulges in tax manipulations, illegal transfer pricing, export under-invoicing, export smuggling, tax-based erosion, and other practices of unrecorded outflows in form of capital flights from the natural rich African countries (Ajayi & Adikumana, 2015).

**4.2 Recommendations**

i. For easy and efficient implementation of the IFRS, African countries should carefully plan and extensive engage in manpower training, the provision of adequate resources, provide the required legal framework and regulatory support system and institutional support with strong management systems.

ii. The communications system for informing users of the changes in reporting requirements must be effective and responsive, the transition plans to IFRS and its effects for preparers, users, and other stakeholders especially, the multinational corporations operating in Africa, have to be efficiently communicated the likely challenges of pre and post adoption considering the level of manpower and technological development in African countries.

iii. Proper and continuous training of Accountants, auditors, local financial regulatory bodies, financial analysts and other users is an essential factor in the adoption and transition to IFRS. Put in another way, there need for financial reporting capacity building of all prepares, auditors and academicians by each African accounting professional bodies is a necessity.

iv. It is expedient that we allow strong and effective accounting institutional framework to manage the IFRS change process pre and post adoption in Africa.

v. An independent oversight body like the Financial Reporting Council in Nigeria should be created in each of the Sub-Sahara African countries, they should be supported, strengthened and legally empowered to assume the required responsibility of setting and regulate the tax laws and compliance by the multinationals trading their business in African soil. They should regulate the accounting and auditing standards, monitoring compliance with accounting standards, reviewing auditors' practice and reviewing reporting practices and enforcing sanctions for violations. The government should ensure the capacity and effectiveness of this regulatory regime to provide a real sense of security to stakeholders because one of the critical elements in the implementation of IFRS is the rigorous enforcement of standards.

vi. The FRC of Nigeria and the likes in Ghana, Kenya and other Sub-Sahara African countries should focus on competent and well qualified personnel, practical training of inspectors/reviewers, administrative support, and necessary logistics arrangements. In the same way, as IFRS requirements and standards change due to amendments to existing standards or new standards being issued by IASB, these regulatory agencies need to have a plan in place to keep pace with the changes.

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