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THE IMPACT OF INTERNATIONAL COMPANIES ON CONVERGENCE OF ACCOUNTING STANDARDS.

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ABSTRACT
This research project's objective is to examine how multinational corporations affect the convergence of accounting standards. This is accomplished via the application of a transnational governance theory. The research article examines the convoluted paths taken by the concept of accounting standards convergence as it pertains to application decisions in both the public and commercial sectors of Nigeria. The research focuses on releasing the constraints on the expansion of the convergence decision-making process in Nigeria, sketching the systems of national and international actors pouring the process, analyzing the two-way interactive dynamics between actors that shaped the process, and examining the role of the state as the primary decision-maker in the public and private sectors. For a few significant people, the researcher used secondary information sources, such as literatures, publications, and other sources.

INTRODUCTION
This study examines the extent to which companies across the countries uses international standards, considering both adoption of international standards instead of national standards, and where international Standards are used in conjunction with national standards. Companies' stock exchange listings are noted, so that voluntary and mandatory use of "international" standards is addressed. "International" standards are defined as US GAAP, the generally accepted accounting practices of the United States of America (US), or IAS (International Accounting Standards, now described as IFRS) developed by the IASC Attributes of companies that choose US GAAP or IAS are also examined. As global business activities have increased, the comparability of financial information between firms from different countries has become an important issue. Standard setters and regulators from many countries have become involved in initiatives to harmonize reporting requirements, such as the development of global standards and regulations through the IASC (and subsequently the IASB) and the International Organization of Securities Commissions (IOSCO). These activities suggest that at least some firms seek uniform requirements, to assist them in producing more comparable financial statements. One way to improve comparability and transparency in financial reporting is to use "international" accounting standards. However, the motivation for firms to use "international" standards, and the extent to which they are able to do so, will reflect the institutional framework in each country. These issues are investigated in this research. It builds on the strand of research that has identified differences between countries in the nature of their accounting systems, and in accounting standards and practices (Saudagaran & Meek, 1997). The study demonstrates how different national environments impact on the use of international standards. The national accounting framework may itself provide an incentive to use "international" standards, and national regulations can assist or impede companies' efforts to produce more comparable financial statements. Multinational companies are relevant to regulators and standard setters who are engaged in various activities to promote uniform regulations and a "level playing field" in terms of financial reporting requirements and practices. The results show the level of support for "international" standards and the firm attributes that are associated with voluntary use of "international" standards. These issues are important as many countries consider changing from national to "international" standards. For European Commission (EC) and Australian regulators, who have announced that IAS will be adopted from 2005 (IASB, 2002b; FRC, 2002), the study is of interest as it illustrates the level of support for more harmonized reporting. The study makes both a theoretical and practical contribution.

Literature Review

Harmonization of Accounting Standards

Thus, harmonization of accounting standards implies the development of accounting standards to be used across the globe to promote uniformity and quality financial reporting. Harmonization simply implies uniformity. As a result of the existing diversity in financial reporting styles all over the world, harmonization of accounting standards become important. This harmonization is tailored towards breaking the barriers of national differences so that financial reports prepared across the globe can be easily comparable, understandable, and relevant for economic decision making. Nobes and Parker (2008) explained that 'Harmonization' is a process of increasing the compatibility of accounting practices by setting bounds to their degree of variation.

Hindrances for Harmonization of Accounting Standards

The ensuing are the hindrances of accounting standards' harmonization: Size of the national differences: it has been identified earlier that there exist differences in the accounting practices of different countries, the size of these differences mitigates the harmonization of accounting standards. Unwillingness of countries: Due to peculiar national differences, some countries may not want to lose their sovereignty by accepting compromises that involve changing accounting practices towards those of other countries. Lack of expertise: lack of technical know-how on the part of accounting professional in accepting different accounting practice. Lack of international regulatory agency: the regulatory agency assists in ensuring the compliance of accounting standards, however there is no international regulatory agency to ensure the compliance of countries to harmonized accounting standards.

Weaknesses of Multinational Companies (MNCS)

They sometimes practice unethical business methods, such as pricing speculations, excessive royalties, loss accounting. They tend to aggravate the host country's currency situation. They have adverse effects on the motivation of their own staff, by the impersonal stratification of controls, thus stifle initiative and encourage risk avoidance. They export capital and thereby jobs to the foreign countries. They build up profits abroad at the expense of the home country. They are insensitive to the local social and cultural values. They tend to exploit national resources. They create tensions in the host countries in the political, social and economic aspects. They foster excessive nationalism and anti-company feelings. They exercise arbitrary control over their operations in the host countries to the exclusion of local factors. They constitute crippling competition to the local enterprise. They possess strong economic power and thereby exert unfair pressures and gain unfair advantages. They tend to achieve economic domination over smaller economies

MNCS and Consolidated Financial Statements

From an economic point of view, the activities of these various legal entities are centrally administered from corporate headquarters. Thus, the intent of consolidated financial statements is to provide financial accounting information about the group of companies from an overall perspective. Consolidated financial statements first appeared around the turn of the 20th century in the United States. This was a time of great economic expansion during which a number of corporations grew into economic giants. The era witnessed a wave of corporate mergers. It is said that J.P. Morgan was so proud of his US steel company (the first billion-dollar company in the world) that he insisted on preparing and disseminating consolidated financial statements since the company's inception in 1901. Since holding companies first became important in the United States, it is not surprising that US accountants were the first experiment with consolidated financial statements. Holding companies became important in Great Britain and Netherlands in the 1920s, so consolidated financial statements appeared there somewhat later than in the United States. Today, they are required in both countries. The practice moves much more slowly in the other European and non-European countries. Consolidated financial statements combine the separate financial statements of two or more companies to yield a single set of financial statements as if the individual companies were really one. Multinationals are often required by the countries in which they do business to set up a separate corporation in each country. The point is that a legal entity is not necessarily the same as an economic entity

Accountability Accounting and Performance Evaluation in MNCS

Responsibility accounting merely defines spheres of reference (responsibility centers) that had control over costs and / or revenues and to which inputs (resources) and outputs (products, services, or revenues) could be traced. The concepts of responsibility accounting are devised to place performance evaluation into manageable contexts.

Theoretical Framework

Transnational Governance Theory (Supporting Theory).

These networks are formed by actors with the intention to influence policy (that is standard-setting) decisions. Transnational communications are effectively channels through which different actors convey their opinions and policy standpoints and attempt to translate them into influences on the decision. In order to gain a stronger representation and voice, actors may join hands with those who hold the same opinion as they do. Djelic & Quack (2010) further explained that the above actors do not operate in an isolated manner. They establish relations (Risse-Kappen, 2007) and form groups based on shared interests or policy ideas, known in transnational governance literature as 'transnational policy networks' (Nolke, 2003). To gain a clear picture of the decision- making arena, it is therefore important to understand this multiplicity of actors and how they do not simply influence standard-setting decisions, but in many cases determine regulatory actions (Djelic & Sahlin-Andersson, 2006). As far as the state actors are concerned, who could be representatives of the national governments or various bodies associated with the nation state or having quasi- state functions. Likewise, non-state actors may include actors such as industrial lobbies, professional bodies, privately funded domestic policy organisations, transnational agencies and various organisations with global policy remit. Transnational governance literature creates awareness about the ongoing transformation of national policy making arenas into effective *transnational spaces* comprised of actors of both domestic and transnational origin (Djelic & Sahlin-Andersson, 2006; Djelic & Quack, 2010; Risse-Kappen, 1995). Such spaces are not confined within any one nation's boundaries but represent a mixture of domestic and international policy agendas. Further, transnational governance as a concept draws attention to the relative decline in the dominance of the state in regulatory decisions and the rising significance of non-state actors, both domestically and internationally.

To study dynamics within networks implies tracing various forms of communications between actors, including, for example, direct and indirect or formal and informal interactions between national and transnational actors. It further analyses the dynamics within such transnational policy networks and how they operate to influence various aspects of the decision-making process behind convergence. These aspects include whether to implement IFRS/IPSAS and if so, under what conditions, including the terms and timing of possible implementation. Consequently, for the resolve of this study, the influence of multinational companies on accounting standards convergence is seen, through the theoretical prism of transnational governance, as taking place within an arena constituted of transnational policy networks converged around various issues of importance.

Empirical Review

Fashina & Adegbite (2014) was of the opinion that adoption of IFRS in Nigeria would be in the interest of Nigerian economy for reporting entities in Nigeria on global accepted, high- quality Accounting Standard by fully adopting the IFRS in phased transition with effect from 2013. The Central banh of Nigeria (CBN) and Securities and exchange commission (SEC) also adopted this date for compliance. IFRS to SMEs is to be mandatorily adopted as at January ,2014. Edirin & Okoro (2016) on the effect of IFRS on the financial statement of banks in Nigeria and looking into before and after IFRS adoption, found out among others that IFRS adoption significantly and positively affected the financial position of the sample banks in Nigeria and recommend as a matter of urgency to comply with the provision of IFRS and continuous training and retraining of Bankers, accountants and the preparer of financial statement.

Nyor (2012) in his own work 'challenges of converging to IFRS in Nigeria" postulated that Nigerian companies should converge to IFRS in view of the fact that it will enhance better accountability and transparency and improve quality of reporting. Because of cumbersomeness and the initial anticipated problems of the IFRS, the study carried out by him recommended that Nigeria should adopt IFRS for group accounts of listed companies only while Nigerian GAAP should still be mandatory for individual company's accounts of listed companies and optional for group accounts of non-listed companies as it is the practice with Germany.

CONCLUSION

Multinational corporations usually measure the performance of its branches in order to determine their overall performance. Different performance evaluation techniques are used depending on the peculiarity of the business. Issues such as inflation, exchange rates fluctuations, transfer pricing and other environmental factors affect performance evaluation of MNCs. There is significant relationship between IFRS adoption and the comparability quality of financial report of Nigeria banks. Adoption of IFRS has a substantial influence on the relevance principle of making decision by users of financial report of Nigerian banks. However, when accounting practices between countries are far apart there will be problems of understandability of these reports. As such, the focus of global harmonization of accounting practices. As discussed in the previous, one of the reasons for adopting IFRS in Nigeria is to reduce cost of preparing consolidated financial statements of Multinational corporations. MNCs are corporations with branches in more than one country and are required to provide consolidated financial statements irrespective of each individual country's accounting standards. These statements are prepared using the accounting standards of parent's country.

RECOMMENDED

The financial statements of banks should be prepared in accordance with the requirements of IFRS so as to improve the quality and public confidence of the financial statements. In other to improve the comparability of banks' financial statements, the banks should try to improve on the presentation of trend analysis, to aid understanding ability of the users of financial statements. Stop making use of ambiguous words so that the financial statements can be easily understood, interpreted and user will be able to compare financial statement to determine the changes. There should be effective communication that will aid better understanding of users in relation to financial information; this will bring about greater clarity.

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