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## Factors influencing accounting policy choices under IFRS in Airline-GSA companies

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### ABSTRACT

*The freedom of choice permitted by IFRS where accounting policy alternatives applies has resulted in undue flexibility leading to the adoption and application of accounting policy for selfish interest as in the case of tax liability and earnings management. This paper highlighted 8 such accounting policy choices where management may exercise their right. The objective of the study was to evaluate the factors influencing the choice of accounting policies in the Airline General Sales Agent companies. Correlational research design was employed. 201 senior staff of 10 GSA companies registered with the Association of GSA companies in Nigeria was used as the study population. The sample size consists of 5 GSAs with 121 staff who received copies of questionnaire. 101 useable copies of questionnaire were returned and analyzed using Correlation and One-Way ANOVA analysis methods. The result concluded that firm's size has no significant relationship with accounting policy choice ( $r = 254, p = 057 > .05$ ). Firm's earning motive and tax liability objective have significant relationships with accounting policy choice ( $r = 717, p = 000 < .05$ ); ( $r = 688, p = 000 < .05$ ). It was concluded that firm's earning and tax liability goals had influenced the choice of accounting policy in GSA companies in Nigeria. The study recommended that GSAs companies irrespective of the motives for choosing accounting policy should be mindful of the financial statements' true and fair view. Appropriate committees of International Accounting Standards Board should also look into certain items in the financial statements considered as critical policies but subjective. This would limit the freedom of choice and undue flexibility.*

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**Keywords:** Accounting policies, IFRS, Financial Statements, Airline GSAs, Nigeria

### 1. INTRODUCTION

The issue in this study was based on the wide range of accounting policies under IFRS. These policies available to organizations have various alternative treatments to the same transactions. Each of the alternatives also have equal chance of being adopted and applied to transactions, events and condition without contravening any section of the IFRS. The policy alternatives permitted by IFRS have to a large extent introduced freedom of choice and undue flexibility. The choice faced by management in the selection of alternative policies has led to adoption and application of accounting policies for self-interest (Odia & Ogiedu, 2013). An accounting policy includes techniques, measurement systems and procedures for presenting disclosures. Where the provision of IFRS specifically applies to a transaction or event, the accounting policy applied should be determined by reference to the specific standard (Gupta, 2010). IFRS 8 paragraph 10, states that where there is no specific standard, the organization's management should use its good judgement to develop a policy or set of policies to be applied. Such policies should results in financial information that is relevant to the economic decision-making needs of the users (Alayemi, 2015). In making these judgements, the management should take into account the requirements of IFRS on similar and related issues (Bahadir & Tolga, 2013). The GSA management exercising their judgement on the choice of accounting policy should primarily consider the definitions, recognition criteria and measurement concepts for the asset, liability, income and expenses (Ahart, 2011). Recent pronouncements of other standard-setting bodies, accounting literature and accepted industry practices, if there they do not conflict with IFRSs should also be considered (Ahart, 2011; Bahadir & Tolga, 2013).

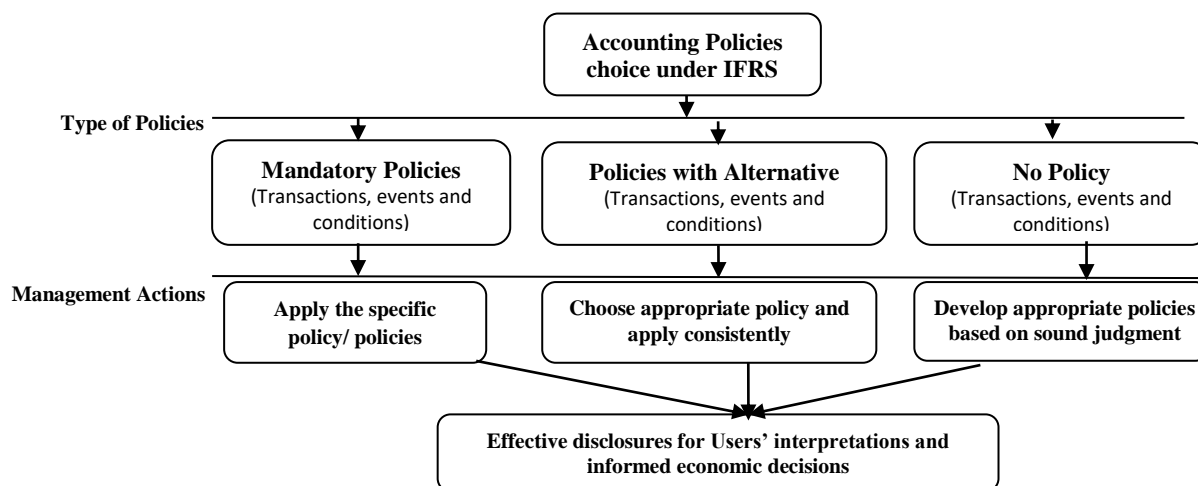
International Accounting Standards (IAS 1) requires that every reporting entity should disclose the accounting policy adopted in the preparation and presentation of the financial statements. Disclosures are of utmost importance as it aids proper understanding of the information provided in the financial statements. Alayemi (2015) noted that an entity should clearly state the accounting policies used in the financial reports on the following grounds: First, disclosure of accounting policies is important because some accounting standards allow alternative treatments for the same transaction or item. Second, it enables users of financial statements to compare the financial information of different entities in the same industry. This would be impossible if the accounting policies were not clearly outlined. Third, the user sees the impact of accounting policies on the income statement and financial position of the reporting entity for the period concerned. Accounting policy adopted by a firm should be consistently applied for

recording transactions, events and conditions of similar nature unless a standard or an interpretation specifically requires or permits categorisation of items for which different policies may be appropriate (Bahadir & Tolga, 2013; Alayemi, 2015).

The policy alternative choice provided by IFRS has permitted the selection and application of accounting policy based on: first, the operations within a limited knowledge emanating from technical incompetence. Management in some circumstances has adopted accounting policy familiar to them. This has led to the use of inappropriate policies in the preparation of financial reports which would result in the company's performance and position information asymmetry. Second, some organizations have also adopted accounting policy to protect their interest. Management may want to control to suit their need as in the case with earnings management, therefore would employ the policy or set of policies that would help to achieve their desire. The general objective of the study is to evaluate the factors influencing the choice of accounting policies in the Airline General Sales Agent companies. The specific objectives include the examination of the relationship between: firm's size, firm's earning motives and tax liability objective and accounting policy choice. The geographical region of the study is Nigeria. All GSA companies outside Nigeria and other companies associated with Airline companies were excluded. The gaps identified from the relevant literature reviewed indicated that proper definition of Airline GSA firms' position within the industry were missing and there was no empirical evidence on the factors influencing accounting policy choice under IFRS in the subsector in Nigeria. Therefore, this study is necessary to close the gaps. This research would immensely benefits GSA managements, industry regulators, Airline companies, Researchers, Analyst, and other stakeholders within the subsector.

**2. LITERATURE REVIEW**

Accounting policies are specific principles and practices applied by an entity in order to reflect the effects of transactions and events through recognition, selection and measurement bases. It enables an organization to present its assets, liabilities, gains, losses and changes in shareholders' funds (Robins, 2001; Vitez, 2011). Its purpose is to maintain standardization of disclosures in the financial statements. The accounting policies used by a reporting entity should specify how transactions and events were accounted for in the financial statements. A company is not only required to disclose all of its material accounting policies as notes to the financial reports but that the application must be consistent. This helps readers to clearly interpret a company's financial performance and position of the company (Collings, 2010). A review of a specific company's accounting policies can indicate whether management is conservative or aggressive in reporting earnings (Vitez, 2011; Bizmanuals, 2009). According to Collings (2010), accounting policies selected must in the opinion of management be appropriate to the circumstances and best suited to present fairly and reasonably its financial result and position. A company must adopt accounting policy which will allow its financial statements to give a true and fair view of its operations. Smith (2010) noted that adequate judgment is required in selecting appropriate accounting policy where policy alternatives are permitted by IFRS. A set of accounting policies selected should be consistently applied until there is a reasonable circumstance warranting the change. Shanker (2012) opined that accounting policies are integral to financial decision-making processes. Therefore, top leadership financial discussions have their foundations rooted in these policies. Appropriate accounting policy assists management in reporting accurate operating data and supports compliance with relevant laws and regulations. Policy choices under IFRS have three conditions as shown in figure 1.



**Figure 1: Accounting policy choices under IFRS.**  
**Source: Adapted from Bahadir & Tolga (2013)**

Figure 1 shows the types of policy condition under IFRS and the management action required. Where there is mandatory policies, management should apply them to the specific transactions, events and conditions. In the case of the standard provides alternative policies, the management should choose a policy or set of polices and apply them consistently. In a situation where the standard provides no policy, management should use their value judgement to develop one or more. However, management should take into account IFRS application in similar transactions (Healy & Wahlen, 1999; Smith, 2010). According to Wong and Wong (2010) where the standard provides for alternative policies, the onus on management to make appropriate choice of policy or a set of polices to be applied. Table 1 shows some of standards which have alternative policies and where management is required to use their best judgement.

**Table 1: Accounting policy options under IFRS**

S/N	Category	Types	Policy Alternatives	
(1)	Comprehensive income	Business income	Single statement approach or two statements approach	IAS 1
(2)	Expenses classification	Business expenses	Functions or nature	IAS 1
(3)	Inventories	Raw materials, subassemblies, work in progress, finished goods	Lower of cost or net realisable value	IAS 2
(4)	Depreciation of tangible assets	Motor van, furniture & fittings, plant & machinery etc	Straight-line, units of production diminishing or balance methods	IAS 4
(5)	Cash flows statement	Cash flows from operating activities	Direct or indirect method	IAS 7
(6)	Property, plant and equipment	Land, buildings, machinery, office equipment, vehicles, furniture and fixtures	Cost or revaluation methods	IAS 16
(7)	Intangible assets	Patented technology, computer software, databases and trade secrets; trademarks, newspaper mastheads, internet domains; video and audio-visual material (e.g. motion pictures, customer lists; television programmes); mortgage servicing rights; licensing, royalty and standstill agreements; franchise agreements; customer and supplier relationships (including customer lists); marketing rights; and import quotas.	Cost or revaluation methods	IAS 38
(8)	Investment property	Real estate property purchased to earning returns on the investment	Cost or fair value methods	IAS 40

#### **Author's field work (2016)**

A critical accounting policy is a policy for an organization considered to have a notable high subjective element. It has a material impact on the financial statements. It is mandatory to describe a critical accounting policy in detail in specific sections of a company's annual reports (Chris, 2008). The disclosure is necessary if the view presented is to be properly appreciated by the users of financial statement (Nse, 2012). An organization is at liberty to change its accounting policy whenever it is appropriate to do so. Collings (2010) stated that changes in accounting policies must be applied retro. However, a change of accounting policy that has a material effect in the current period and subsequent period should be disclosed with reasons and the effect of the change stated. If the policy is material, it should be disclosed and quantified respectively. Such change should include: first, a brief explanation of why the new accounting policy is more appropriate, second, where practicable, the effect of a prior period adjustment on the results for the preceding period, and third, where practicable an indication of

the effect of a change in accounting policy on the results for the current period. However, where the disclosures in (i or ii) above is not practicable, the company should disclose the fact together with reasons. Accounting policy disclosures must represent the entity's true financial position, fair performance and cash flows. It should also reflect the economic substance of transactions, other events and conditions as well as its legal form if necessary. It should embrace prudence, completeness in all material respect, and be free from bias.

A general sales agent (GSA) is a sales representative for an airline in a specific country or region. A GSA company is responsible for selling all products of the airline it represents. These include flight tickets and cargo space. The purpose of GSA is to have a third party arrangement to provide marketing and sales services to its principal under the airline's brand. This is usually in countries where the airline either operates a limited service to customers or does not have any service. The GSAs brings local infrastructure, market knowledge and sales processes which enable them to provide sales and marketing assistance to the Airline. This pattern of outsourcing saves the Airline the stress of building in internal capacity and incurring the administrative expenses in the country of GSA. The GSA commission is between 3% and 5% on all tickets and unit of cargo space sold in the region that it represents. All costs relating to running the GSA's business are the responsibility of the GSA including but not limited to insurance, rent, general office expenses and any travel expenses within the country or region needed to promote /sell the airline's products. An airline GSA is a trading outfit and not an airline organization. Therefore, its financial statements is prepared and presented as a trading and not specialize company.

This study is supported by the positive accounting theory which is the branch of academic accounting research that seeks to explain and predict actual accounting practices. Positive accounting theory originates as an academic school of thought by the work of Ross Watts and Jerold Zimmerman in 1978 and 1986 at the University of Rochester. Positive accounting theory states that a firm is viewed as a nexus of contract and accounting is one of the tools to facilitate the formation and performance of the contract. Under the view of this theory, three hypotheses evolve to mitigate contracting costs by establishing ex ante agreement among varying parties. The three hypotheses on which the prediction is based include the bonus plan, the debt covenant and political hypothesis (Watts & Zimmerman, 1986). Positive accounting theory suggests that through accounting policies adopted and applied by a firm, the above three hypotheses can be achieved. The theory aims at predicting management action when an organization is faced with accounting policies choice under IFRS alternatives. According to Lev (1977) earlier research provided a contrary theory. Watts and Zimmerman (1990) noted that a theory can be abandoned when an alternative theory with greater explanatory power emerges. This indicates that the competition between rival theories could be decided rationally. Today, positive accounting theory is the basis for manager choice of accounting policy.

Watts and Zimmerman (1986) conducted a study on choice of accounting policies and concluded that management experience, accountant qualification and training, firm's profit-related motive, tax liability objectives, and stakeholders' perceptions are considered explanatory variables moderating the choice and adoption of accounting policy in an organization. Tzovas (2006) investigated the factors that influence the accounting policy decisions of firms operating in Greece when tax accounting and financial accounting coincide. Emphasis was given to management's perceptions and the result shows that firms pursue profit-related objectives that may not coincide with the objective of minimization of firms' tax liability. Inoue and Thomas (1996) investigated the factors potentially influencing Japanese managers' choices of accounting policies. Finding shows that first; the factors affecting the choice of accounting policy in the U.S. are different from those in Japan. Second, the relationship between firms and the government, debt holder's interest's code, relationship between banks and firms, effective tax rate, internally finance ability, and foreign political costs. The study concluded that the choice of accounting policy in Japan is explained more by individual firm characteristics than by keiretsu membership or industry membership. Brown and Whittington (2007) investigated the choice of accounting policies which has implications for the market's understanding of corporate performance. The result shows that there is a significant relationship between accounting variables and UK share prices. Fekete, Damagum, Mustața, Mătiș, & Popa (2010) studied accounting policy choices of SMEs, particularly those related to the evaluation methods. The objective was to find some pattern in these decisions and to identify the main factors that trigger them. The study concluded that tax minimization objective and true and fair view (TFV) have significant relationship with accounting policy choices. Missonier-Piera (2004) studied the economic determinants that may affect multiple accounting method choices made by Swiss listed

companies. The empirical results exhibit that income-accelerating accounting method choices is positively associated with the recourse to bank and private loans and in Swiss context, managers may select accounting methods to decrease both debt and political costs as well as to increase their own compensation to some extent

Waweru, Ntui, & Mangena (2011) examined the factors that determine the choice of multiple accounting methods in Tanzania. The study investigated managers' decisions to choose accounting methods in a positive accounting theory perspective. Panel data covering 60 years from annual reports of 15 companies listed on the Tanzanian Stock Exchange was used. The study concluded that the significant factors responsible for choose accounting methods include company size, internal financing, proportion of non-executive directors, and labour force. Bahadir and Tolga (2013) studied the accounting choices made by Turkish listed companies in cases where IFRSs permit a choice between alternative accounting policies. 235 Turkish listed companies was the study population. The results show that companies choose different accounting policies concerning measurement model for plant, property and equipment and investment property which impair the comparability of financial information between companies. Furthermore, lack of disclosures relating to the chosen accounting policies were also identified in some cases. Zinkeviciene and Vainoraite (2014) carried out a research designed to identify factors that determine the management decisions to choose tangible fixed asset accounting method based on the positive accounting theory. Finding indicates that profit management, company size, industrial practice and human factors are responsible. Alayemi (2015) examined the effect of accounting policy adopted by the reporting entity on the analysis and interpretation of financial statements. It was concluded that since many accounting standards allow alternative treatments for the same transaction or item, an entity should clearly state the accounting policies used for the preparation and presentation of the financial statements which enable the users to understand and make informed economic decisions. From the relevant literature reviewed, the gaps identified include missing definition of GSA firms and their position within the airline industry. Also no empirical evidence was available on the factors influencing accounting policy choice under IFRS in the subsector in Nigeria. Therefore, further study was needed to address the gaps and contribute to the body of knowledge.

### Hypotheses development

Based on the literature reviewed, and emanating gaps, the following hypotheses were developed to enable the researcher investigate the factors responsible for choice of accounting policies in GSA companies in Nigeria.

**H01: There is no significant relationship between firm's size and accounting policy choice.** Holland (1998) noted that IFRS policy choices have strong association with firm size. He also said that some of the policy choices appear to be influenced from abroad by the parent companies. The choice of policy is perhaps made in order to increase uniformity and comparability especially by multinational organizations. Fekete, et al. (2010) suggested that indigenous companies might be less influenced. Therefore displays clearer national profiles of IFRS practice. This is in line with the result of Llukani (2013) who stated that small companies make more homogeneous choices within a country than large companies. This result has not been confirmed in GSA subsector. Therefore, conclusion on the relationship between firm's size (Fsize) and accounting policy choice ( $apc_1$ ) is yet to be confirmed, hence the null hypothesis one. The number of GSA branches and subsidiaries were the operational variable adopted in the measurement of firm's size. The linear equation 1 was used to measure the strength of the relationship between  $apc_1$  and Fsize.

$$apc_1 = \beta_0 + \beta_1(FSIZE) + \varepsilon_1 \text{-----} (1)$$

**H0 2: There is no significant association between firm's earning motives and accounting policy choice.** Healy and Wahlen (1999) stated that manager's bonus scheme is related to choices of accounting policy. He hypothesized that managers would find opportunities to control net income in an attempt to maximize their bonuses under the firm's compensation plans. Investors also tend to seek information about a firm that helps to predict future firm performance. If reported earnings are managed to a number that represents management's best estimate of persistent earning power, and the market realizes this, share price will quickly reflect this inside information (Friedlan, 1994). The rationale for this hypothesis is that, it is believed that where there is earning management, managers are likely to choose the accounting policy that will give them the required earning on paper. However, since this result is yet to be replicated in GSA firms, conclusion on the relationship between firm's earning motives and accounting policy choice is uncertain. Therefore, it was hypothesized that there is no significant

association between the sub variables. In order to evaluate firm’s earning motives, the tendency to window dress the financial statements was the operational variable used. This proposition was measured by linear equation 2:

$$apc_2 = \beta_0 + \beta_2(FEMO) + \varepsilon_2 \text{-----} (2)$$

**H03: The relationship between tax liability objectives and accounting policy choice is not significant.** Kim, Liu, and Rhee (2003) noted that tax liability objectives ensures that managers want to pay the minimum tax possible, therefore management wants to use the accounting policy that will reduce the tax liabilities. This assertion is supported by the findings of Llukani (2013). The underlying principle for this hypothesis is that, the direct link established between tax liability objectives and the accounting policy choice is yet to be confirmed in GSA companies in Nigeria. Based on this reason, it was hypothesized that the relationship that exists between tax liability objectives and choice of accounting policy is not significant. The tax liability objectives were captured by firm’s tax objective. The hypothesis was measured by the linear equation 3:

$$apc_3 = \beta_0 + \beta_3(TALO) + \varepsilon_3 \text{-----} (3)$$

### 3. RESEARCH METHOD AND MATERIALS

A correlational research design was employed. The study population consists of ten GSA companies registered with the association of GSA companies in Nigeria. The total permanent senior staffs in accounting and finance, operations and administration used were 201 employees. A judgemental sampling technique was adopted and the source list was made up of five companies with 121 staff representing about 60% of the population. The reasons for sample size which was based on the fact that only the selected five GSA companies have properly established office, adequate facilities and permanent employees with at least three years cognate experience. The population and sample size are shown in Table 2.

**Table 2: The study’s population and the source list**

S/N	Company	Status	Total Population		Source list	
			No. of staff	Percentage of total (%)	Sample	Sample %
1	Aviation Logistics and Managt. Ltd	GSA	29	15.8%	29	15.8%
2	Strategic Air Cargo Nig. Limited	GSA	22	6.8%	22	6.8%
3	Midebicath Global Logistics	GSA	16	10.3%	-	-
4	ToppComm Nigeria Limited	GSA	13	6.2%	-	-
5	APG Network	GSA	32	18.5%	32	18.5%
6	Delta Airlines GSA in Nigeria	GSA	21	11.6%	21	11.6%
7	Skylogistics GSA	GSA	16	8.9%	-	-
8	Landover Cargo Services	GSA	15	8.2%	-	-
9	Skyrouting Aviation Services	GSA	20	6.2%	-	-
10	Sky Logistics Limited	GSA	17	7.5%	17	7.5%
<b>TOTAL</b>			<b>201</b>	<b>100%</b>	<b>121</b>	<b>60.20%</b>

#### Author’s field work (2016)

The instrument used was 7 - point Likert scale questionnaire structured into section A - demographic profile of the respondents and section B – inferential factors. The scale rang from very relevant (7), relevant (6), slightly relevant (5) Average (4), slightly irrelevant (3) irrelevant (2), to very irrelevant (1). Accounting experts validated the instrument. The content validity was determined through experts’ examinations and the construct was done to assess whether the proposed variable indicators had significant factor loadings. The result exhibits the construct values of 69.8% 74% and 70.1% which is greater than 5%. This shows that the instrument is valid and the variables can be used for further analysis. Reliability and internal consistency was assured through a pilot study conducted in January, 2016. The R<sub>c</sub> obtained from the Cronbach’s Alpha coefficient computed for the three constructs between 74%, 71% and 68% which is greater than 0.5 for each of the variables. Karl Pearson’s Product-Moment Correlation and ANOVA Analysis were used for hypotheses confirmation. The factors influencing the choice of the accounting policies in Airline GSA in Nigeria were expressed in the equation as: Y =f(X). The model is specified as

$$APC = \beta_0 + \beta_1(FSIZE) + \beta_2(FEMO) + \beta_3(TALO) + \varepsilon \text{-----} (4)$$

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Y	=	APC, Accounting policy choice which covers: $apc_1, apc_2, apc_3$
X	=	Factors influencing the choice of accounting policy covering Fsize, Femo and Talo

Where:

**FSIZE** = Firm's size

**FEMO** = Firm's earning motives

**TALO** = Tax liability objectives.

$\beta_0$  = Intercept coefficient.

$\beta_1$  to  $\beta_3$  = Standardized regression coefficient for each of the independent variable.

$\varepsilon$  = Random disturbance terms assumed to be normally distributed with mean).

**A priori expectation = FSIZE > 0, FEMO > 0, TALO > 0**

#### 4. DATA ANALYSIS, INTERPRETATION AND DISCUSSION OF FINDING

121 copies of questionnaire were administered 101 useable copies were collected and analyzed. One-way ANOVA and Karl Pearson's Product-Moment Correlation were used. ANOVA was used for the preliminary data analysis. The mean score was compared with the scale of 1 to 7 in the instrument to determine the level of respondents' perceptions. Correlation was used to measure the strength of the relationship between the variables.

##### 4.1 Interpretation of Results - One-Way ANOVA and Correlation

**Hypothesis 1:** Table 3 indicated that the average perception of each GSA company were 4.15, 1.01, 5.81, 1.43, and 1.12 respectively indicating a low but mixed perception in each category on the influence of firm size (Fsize) on the accounting policy choice ( $apc_1$ ). The overall average perception of all categories obtained when collapsing all the items gave a mean score of about 3.23 with the F- statistics of 3.03. The P-value is .054 >.05. The differences in means perception of the five GSAs were not statistically significant. Therefore, firm size is assumed to be ineffective factor influencing the GSAs accounting policy choice in Nigerian GSA firms on the ground that the overall mean score of respondents opinion between the independent and dependent variables is 3.23 which falls on "irrelevant" option in the scale of 1 to 7 on the research instrument. The two GSA Companies that have the mean scores of 4.15 and 5.81 were Aviation Logistics and Management Ltd and APG Network with foreign affiliation. The firm's size becomes important in their circumstances due to the accounting policy decision made by parent companies. The centralized decision making is encouraged in the group to aid uniformity, comparability and consolidation of the group financial statements. The ANOVA result enabled the achievement of research objective 1. The correlation analysis in Table 6 tested the relationship between the variables. The result shows that the Fsize and  $apc_1$  is positively related but their relationship is weak and statistically insignificant ( $r = .254, p = .057 > .05$ ). This confirmed the result of the One - way ANOVA test in table 3. Based on the analysis results, the null hypothesis that states that there is no significant relationship between firm's size and accounting policy choice is accepted and the alternate not accepted. The finding of hypothesis 1 disagreed with the report of Fekete, et al. (2010), Llukani (2013), Zinkeviciene and Vaisnoraitė (2014), Waweru, et al. (2011).

**Hypothesis 2:** Table 4 shows that average perception of each GSA companies were 6.72, 6.17, 5.76, 5.99, and 6.87 respectively signifying high rate of perception in each category on the influence of firm earnings motives on the choice of accounting policy. The overall average perception of all GSA respondents gave a mean score of about 6.6 with the F- statistics of 6.54. The P-value is .000 < .05. The differences in means perception of the five GSAs were statistically significant. This result shows that firm earning motives is perceived to be an effective factor influencing the GSAs accounting policy choice in Nigeria. The overall mean score of respondents' opinion between the independent and dependent variables of 6.55 falls on "very relevant" in the scale of 1 to 7 on the research instrument. The ANOVA result enabled us to achieve the research objective 2. The correlation analysis result in table 6, indicated that the relationships between the FEMO and  $apc_2$  is positive and statistically significant ( $r = .717, p = .000 < .05$ ). Therefore, the null hypothesis stating that there is no significant association between firms' earning motives and accounting policy choice in Nigerian airline GSA companies is rejected and the alternate not rejected. This result of hypothesis 2 is in consonance with the findings of Friedlan (1994), Healy and Wahlen (1999), and Llukani (2013).

**Hypothesis 3:** Table 5 indicated that average perception of each GSA companies were 6.02, 6.89, 6.0, 6.55, and 6.23 respectively. This signified a high rate of perception in each category on the influence of

firms' tax liability objective on the accounting policy choice. The overall average perception of all GSAs respondents gave a mean score of about 6.53 with The F- statistics of 6.50. The P-value is  $.000 < .05$ . The differences in means perception of the five GSAs were statistically significant. This result indicated that firm tax liability objective is perceived to be an effective factor influencing the GSAs accounting policy choice in Nigeria. The overall mean score of the respondents' opinion between the independent and dependent variables is 6.52. This score falls under "very relevant" in scale of 1 to 7 on the research instrument. The ANOVA result enabled us to achieve the research objective 3. The correlation analysis result in table 6 indicates that the relationships between the TALO and  $apc_3$  is positive and statistically significant ( $r = .688$ ,  $p = .000 < .05$ ). Therefore, the analysis results confirmed that the null hypothesis which states that the relationship between tax liability objectives and accounting policy choice in Nigerian Airline GSA Companies is not significant is rejected and alternate not rejected.

#### 4.2 Discussion of Results

The result of the One-way ANOVA in table 3 and correlation analysis in table 6 agreed with hypothesis 1 which states that there is no significant relationship between firm size and choice of accounting policies in Nigerian Airline GSA Companies. This finding disagreed with the result reported by Waweru, Ntui, & Mangena (2011) and Zinkeviciene and Vaisnoraite (2014) who concluded that one of the significant factors responsible for the choice of accounting methods is company size. The reasons responsible for this disagreement may be traced to the fact that most GSA companies in Nigeria are indigenous firms without foreign affiliations. Uniformity and comparability of financial statements and parental controls are not required. However, the result agreed with Fekete, et al. (2010) who suggested that smaller companies might be less influenced from abroad, therefore might display even clearer national profiles of IFRS practice, and Llukani (2013) who stated that small companies make more homogeneous choices within a country than large companies.

The result of the One-way ANOVA in table 4 and correlation analysis in table 6 opposed with hypothesis 2. It shows that there is significant relationship between firm earning motive and choice of accounting policies in Nigerian airline GSA companies. The result of hypothesis 2 test agreed with the findings of Watts and Zimmerman (1986), Brown, Tzovas (2006), Whittington (2007) who concluded that firm's profit-related motive is considered explanatory variables moderating the choice and adoption of accounting policy in an organization. According to Llukani (2013), earnings management is a significant factor in selection of accounting policy where management wants the financial statements to behave in a manner that show some level profit to please the investors and put the share price on the high side. In the case of firm's merger and acquisition or outright sale, earnings management will put the companies on the bright side for effective bargaining. Most importantly, earnings management is a significant factor because managers' bonus plan is based on profit made or where an organization depends on loan to operate. This is because in most cases if not all, the financial institution gives loan or credit facilities only to companies making profit with reasonable liquidity (Friedlan, 1994; Healy and Wahlen, 1999; and Bahadir & Tolga, 2013).

The result of the One-way ANOVA in table 5 and correlation analysis in table 6 disagreed with hypothesis 3. The result shows that the relationship between tax liability objectives and choice of accounting policies in Nigerian Airline GSA Companies is statistically significant. This result agreed with the findings of previous studies: Watts and Zimmerman (1986), Tzovas (2006), Fekete, et al. (2010) and Waweru, Ntui, and Mangena (2011) who concluded tax liability objectives is one of the explanatory variables moderating the choice and adoption of accounting policy in an organization. From data elicited, all participants said that their respective GSA companies have adopted and applied one or more accounting policies and the policies were properly disclosed. This was confirmed from the scrutiny of all the GSA companies' financial statements. The effect of accounting policy used for preparing and presenting the financial statements by the reporting GSAs were clearly stated which allows effective analysis, proper interpretation and easy understanding of the financial statements (Alayemi, 2015). The empirical evidence from the study implies that the results apart from hypothesis one, which opposed the stated a priori expectation specified ( $FSIZE < 0$ ), hypotheses two and three are in line with a priori expectation ( $FEARO > 0$ ; and  $TALO > 0$ ).

#### 5.0 CONCLUSION

The results obtained from the data collected and analyzed in the proceeding subsection revealed the GSAs are not airline companies but rather they are marketing representatives of airlines whose revenue is

based on commission. GSAs may represent one or more airlines and the extent of involvement is based on the terms of their contract. The wide range of accounting policy options permitted by IFRS has given room for organizational freedom leading to self interest and operation within a limited knowledge. The empirical evidence indicated that Firm size has is not a statistically significant factor for the choice of accounting policy while firm's earning motive and tax liability objectives were found to have significant relationship with the choice of accounting policies in GSA companies in Nigeria. Also result presents a strong support for positive accounting theory. This study contributed positively as it provided a useful theoretical lens through which accounting policy choice in the GSA companies is viewed. It was also observed that where earning and fair view may be compromised. The study recommendations are as follows: First, the accounting policy adopted and applied by GSA companies should be clearly disclosed. Second, irrespective of the motives behind the choosing accounting policy, GSAs management should be mindful of the financial statements' true and fair view. Management and tax liability objectives are considered in the choice of accounting policy, the concept of true and fair view. Appropriate committees of International Accounting Standards Board (IASB) should also look into certain items in the financial statements considered as critical policies but subjective. This would limit the freedom of choice and undue flexibility.

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### ONE-WAY ANALYSIS OF VARIANCE (ANOVA)

**Table 3: One - way ANOVA results of Hypotheses 1**

Participants	N	Mean	Standard Deviation
Aviation Logistics and Management Ltd	22	4.1451	1.5449
Strategic Air Cargo Nigeria Limited	19	1.0102	1.1155
APG Network	30	5.8142	1.2345
Delta Airlines GSA in Nigeria	16	1.4309	1.0083
Sky Logistics Limited	14	2.1261	1.3212
<b>Total</b>	<b>101</b>	<b>3.2318</b>	<b>1.4230</b>
<b>F- statistics</b>	<b>3.0254</b>		
<b>P-value</b>	<b>0.054</b>		

SPSS output (2016)

**Table 4: One - way ANOVA results of Hypotheses 2**

<b>Participants</b>	<b>N</b>	<b>Mean</b>	<b>Standard Deviation</b>
Aviation Logistics and Management Ltd	22	6.7224	0.9859
Strategic Air Cargo Nigeria Limited	19	6.1663	1.4325
APG Network	30	5.7623	1.2256
Delta Airlines GSA in Nigeria	16	5.9875	0.8976
Sky Logistics Limited	14	6.8671	1.2111
<b>Total</b>	<b>101</b>	<b>6.6012</b>	<b>1.0213</b>
<b>F- statistics</b>	<b>6.5432</b>		
<b>P-value</b>	<b>0.000</b>		

SPSS output (2016)

**Table 5: One - way ANOVA results of Hypotheses 3**

<b>Participants</b>	<b>N</b>	<b>Mean</b>	<b>Standard Deviation</b>
Aviation Logistics and Management Ltd	22	6.0213	0.9533
Strategic Air Cargo Nigeria Limited	19	6.8886	1.5321
APG Network	30	5.9987	1.3211
Delta Airlines GSA in Nigeria	16	6.5472	0.7891
Sky Logistics Limited	14	6.2345	1.1002
<b>Total</b>	<b>101</b>	<b>6.5321</b>	<b>1.0114</b>
<b>F- statistics</b>	<b>6.5010</b>		
<b>P-value</b>	<b>0.000</b>		

SPSS output (2016)

**KARL PEARSON’S PRODUCT-MOMENT CORRELATION**

**Table 6: Correlation Analysis Tests for Hypotheses 1 - 3**

		<b>P</b>	<b>FSIZE</b>	<b>FEMO</b>	<b>TALO</b>
<b>FSIZE</b>	Pearson correlation	.254**	1		
	Sig (1 tailed)	.057	.059		
	N	101	101		
<b>FEMO</b>	Pearson correlation	.717**	.787**	1	
	Sig (1 tailed)	.000	.000	.000	
	N	101	101	101	
<b>TALO</b>	Pearson correlation	.688**	.691**	.697**	1
	Sig (1 tailed)	.000	.000	.000	.000
	N	101	101	101	101

SPSS output (2016)