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Consolidated Financial Reporting Disclosure and Firms' Value of Worldwide Companies in Nigeria

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Abstract: This study aimed at examining the effect of consolidated financial reporting disclosure and firms' value of worldwide companies in Nigeria. The researcher tends to achieve these objectives by investigating the relationship between debt policy and firms' value of listed non-financial worldwide companies in Nigeria; the second objective of the research is to examine the relationship between corporate size and firms' value of listed non-financial worldwide companies in Nigeria. The study adopted an ex-post-facto research design and secondary data was gathered to analyze the relationship between the variables. The population of the study consisted of one hundred and thirteen (113) of non-financial worldwide companies listed on the Nigeria Exchange Group as at 5th march, 2021. Purposive sampling technique was employed to select 76 non-financial listed multinational firms in Nigeria. Data for the study were gathered from annual reports of selected firms for the period of 11 years (2010-2020) and analyzed using Generalized Method of Moments (GMM) estimator. The GMM estimator result revealed that corporate size has positive and significant effect on firms value of listed non-financial worldwide companies in Nigeria with coefficient of 0.555 which is significant at 5% (p=0.00013), while debt ratio has negative and significant effect on firms value of listed non-financial multinational companies in Nigeria with a coefficient of -0.00867 which is significant at 5% (p=0.002). The study, therefore, concluded that consolidated financial reporting disclosure have significant effect on firms value of worldwide companies in Nigeria .The study recommends that managers of worldwide companies in Nigeria should begin voluntarily adopting consolidated financial reporting methods and also corporate annual reports in Nigeria should contain non-financial information about the company's long-term prospects as a way to educate stakeholders about the company's long-term viability as a going concern

Keyword: Financial Reporting; Financial Disclosure; Financial Statement; Consolidated Financial Reporting Disclosure; Firm's value

JEL Classification: L22

1. Introduction

The Consolidated Reporting Framework was initially released by the International Integrated Reporting Council (IIRC) (previously the International Integrated Reporting Committee). As of that year's August, the IIRC had been set up to provide a globally accepted framework for the communication of a company's value generation through time (Armbester & Roberts, 2021). In June of 2021, the IIRC merged with the Sustainability Accounting Standards Board to become the Value Reporting Foundation (VRF) (SASB). The merger was undertaken with the intention of providing investors and organizations with a comprehensive corporate reporting structure that addresses the full range of enterprise value

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drivers and requirements for global sustainable performance. Thus, the Framework is now one of the VRF's core resources, and the VRF is responsible for keeping it updated (Atkins & Maroun, 2020).

In the case of Cheng and Green (2021) following extensive public feedback, the International Integrated Reporting Committee (IIRC) issued its International Consolidated Reporting Framework in December 2013. As of February 2020, work has begun on updating the IIRC to address three key issues: (a) worries about the business model; (b) responsibility for the consolidated financial report; and (c) a vision for the organization's future. The third topic was intended to steer the IIRC's longer-term strategy and looked forward to the future of corporate reporting, namely at the relevance of extended assurance and technology improvements, but had nothing to do with the modifications themselves. To better comprehend the quality and integrity underlying the reporting process, differentiate between outputs and outcomes, and place greater focus on the balanced reporting of results and scenarios for the preservation or erosion, the IIRC amended this framework in January 2021.

Establishing criteria for issuing and managing debt is crucial to sound financial management, and this is best accomplished via the formulation of a debt policy. This document's goal is to facilitate the issuance of debt in a responsible and economical manner, which will ultimately result in a manageable debt load that safeguards the company's financial health (Churet & Eccles, 2019).

When it comes to the value of a company and the expenses associated with different types of capital, De Klerk and De Villiers (2022) argue that it has nothing to do with how the company chooses to allocate its debt and equity funding. They reason this way because they assume that all markets are well connected and functioning optimally. The debt strategy of a firm is an important part of valuing that company. In contrast to their earlier claim and the impotence thesis, De Villiers, Rinaldi, and Unerman (2020) argue that the firm's value may be maximized via the smart use of leverage. This spawned a plethora of hypotheses on how to prove the link between capital structure and business value. Various theories, like as the trade-off theory, the pecking order theory, and the agency costs theory, provide light on why a firm's capital structure matters so much. Pandey's (2019) trade-off theory suggests that there is a connection between the impact of debt financing on profits and the expenses associated with filing for bankruptcy. Since the marginal cost of bankruptcy rises as debt levels rise, it would seem that the cost of capital reduces as debt levels rise. You've reached a crossroads where the company must decide whether to take on more debt or more stock in order to maximize its value.

As a consequence of the global financial crisis, the stock market has been fraught with anxiety and uncertainty. The value and profitability of the firm, as well as its ability to achieve its strategic objectives, may be affected by environmental, social, and legal risk factors and uncertainties that are not directly related to financial markets. Since then, investors and regulators have pushed businesses to publish risk information and provide reliable data in an effort to allay these fears. With an ever-increasing number of variables and tangled complexity in the corporate environment, it is crucial for organizations to reveal the risks they face and how they are handled (Bao & Datta, 2020; Baimukhamedova et al., 2019). (Mazumder & Hossain, 2021) Numerous studies have examined how risk and uncertainty affect the efficiency and worth of businesses. In this setting, new concepts and techniques have been developed to identify, evaluate, and counteract threats to the company's success. In order to make educated judgments about the company's strategy and financial outcomes, shareholders are becoming more worried about how to convey these risks in a fair and trustworthy manner. For almost two decades, environmental considerations have been given more weight by firms as part of the financial reporting process in response to rising public concern (Claudia-Maria & Dragomir 2020; Nasih et al. 2019; El Idrissi et al. 2020). Since this is the case, yearly reports are starting to include integrated reporting disclosures. There is no mandate for enterprises to report on their social and environmental performance, although doing so may help them fulfill their environmental and social responsibility objectives (Alişkan 2021).

The research did not zero in on a particular industry, and its conclusions look too general and not specific since its sample was comprised of all the companies registered on the Nigerian Stock Exchange (NSE). It is important to take into account the specifics of each business as well as the general traits shared by all of them. Consequently, the link between debt policy and company value cannot be accurately portrayed by assessing firm value as the debt policy at the conclusion of the fiscal year. It is on the basis of these that the study is considered essentials attempt to fill these literature gaps by taking the debt policy and corporate risk as measures of firm value on non-financial companies listed in Nigeria exchange group. The study therefore aims at investigating the effect of consolidated financial reporting disclosure and firm's value of listed non-financial companies in Nigeria. The researcher tends to achieve the following objectives

The specific objectives are::

- investigate the relationship between debt policy and firms value of listed non-financial companies in Nigeria.
- examine the relationship between corporate risk and firms value of listed non-financial companies in Nigeria

2. Literature Review

2.1. Conceptual Review

2.1.1. Financial Reporting

Objectives of financial statements, qualitative aspects of financial statements, components of financial statements, identification of financial statement elements, and the notion of capital and capital upkeep are all under the purview of current financial reporting (NASB, 2010). The purpose of financial statements is to aid a variety of users in making informed economic decisions by providing information about an entity's financial position (statement of financial position), performance (statement of comprehensive income), and changes in financial position (statement of cash flows). Capital providers both current and future, workers, lenders, suppliers, consumers, and governments are all users of financial data (Armbester et al., 2021).

Reporting on the company's finances also reveals how well management has handled the resources given to it. Users of financial statements may utilize this and other information in the notes to the financial statements to better understand the amount, timing, and uncertainty of the entity's future cash flows and make more informed economic choices as a result. The information in financial statements concerning assets, liabilities, equity, income and costs, profits and losses, owner contributions and distributions in their ownership capacities, and cash flows all contribute to this goal. (Armbester et al., 2021) Some of the qualitative aspects of financial accounts are:

Understandability: Users should be able to interpret the information with a minimum amount of effort if they have a general understanding of business, economic operations, and accounting (Armbester et al., 2021).

Relevance: Users' ability to accurately assess past, present, and future events, or to confirm or revise their prior assessments, is a key factor in the economic choices they make. The significance of data varies depending on its character and the weight it carries. If the omission or misrepresentation of information in the financial statements might have a significant impact on the economic choices made by users, then the information should be regarded material (Armbester et al., 2021)

Reliability: Users may trust reliable information because it accurately portrays the subject matter it claims to cover or covers subject matter that users might reasonably anticipate to be covered. Faithful portrayal, content above form, impartiality, caution, and thoroughness are all contributors to trustworthiness. (Armbester et al., 2021)

Comparability: In order for users to make meaningful comparisons, information should be presented consistently through time and between entities. Providers of information must strike a balance between the qualitative qualities in a manner that best serves the goals of financial statements and makes them appropriate for a given setting. Generally speaking, financial statements that give a fair portrayal emerge from the application of the major qualitative qualities and the relevant accounting rules, (Armbester et al., 2021)

2.1.2. Elements of Financial Statements

The following elements of financial statements are directly related to the measurement of the financial position:

(a) Assets. Assets the entity has as a consequence of previous actions, from which the entity might anticipate receiving economic advantages in the future.

(b) Liabilities are "present liabilities of a business deriving from past events, payment of which is projected to result in an outflow of resources embodying economic benefits," as defined by the Financial Accounting Standards Board. (Bao & Datta, 2020)

(c) Equity (also known as shareholders' money) is the remaining stake in an organization's assets after its obligations have been paid off**.**

The following elements of financial statement are directly related to the measurement of consolidated financial reporting:

a) **Income**: Benefits accrued economically throughout the accounting period, whether in the form of inflows or upgrades of assets, or reductions of obligations that result in a gain in equity (other than those relating to contributions from equity participants). Earnings include both sales and investments (Bao. & Datta. 2020)

b) **Expenses:** Decreases in economic advantages throughout the accounting period, whether from the sale of assets, the use of assets, or the reduction of obligations that reduce equity, excluding dividends to equity participants (Bao, Datta & Bao, 2020).

c) **Debt Policy:** Debt Policy refers to the rules and laws that regulate how federal, state, and municipal governments handle debt issue, from the initial issuance process through the maintenance of a government's debt portfolio, as well as how they interact with and comply with internal and external legislation (Ana, 2021).

d) **Corporate risk**: The liabilities and threats to an organization are what are meant by the term "corporate risk." Business risk may be reduced via the use of a series of practices known as "risk management." Finding risk factors, assessing them, and mitigating them are all part of a risk management team's remit within a corporation (Ana, 2021).

Initial Recognition of Elements: When an item fulfills the recognition requirements and falls within the definition of an element, it is recognized and included in the relevant financial statements. The financial statements should only include elements (assets, liabilities, equity, income, and costs) for which it is both plausible that future economic gain would flow to or from the company and for which the cost or value can be reliably evaluated (Ana, 2021).

2.1.3. Consolidated Financial Reporting

User-friendly papers, consolidated financial reports are user friendly reports which comprises all the data a user may possibly require, from any agency, in any format, into one easy-to-read document. After conducting system queries, selecting data pieces, and running the report, the user is presented with a comprehensive, well-formatted document. By eliminating the need for authorized financial users to go through several reports, consolidated financial reporting boosts productivity and accuracy. Time is saved since it is not necessary to compile information from several locations, and money is saved because just the most important financial data is gathered and presented. There is less room for mistake when everyone is working off of the same report, which is made possible by consolidated reports that facilitate cross-team communication. In a recent study (Baiman. & Verrecchi, 2019),

2.1.4. Financial Disclosure

Financial disclosures are made public and tend to prioritize the interests of the State and workers above those of shareholders. The idea of stakeholders, which encompasses a wider range of interests, has surpassed the significance of shareholder ownership, altering the nature of disclosure. A social balance statement must be presented annually to the company's work council. There are both employees and managers on this board. Each social balance sheet must include data on employment and wage-related expenses (allowance packages) Employees are given with accommodation and transportation, as well as protection for their health and safety, training for their jobs, and other working and non-working circumstances (Atkins, Maroun, 2020).

The term "financial disclosure" refers to the practice of making all relevant information about a firm public, including financials, management, and other pertinent details. Without accurate, full, and transparent reporting of financial performance, the market cannot operate. Reading and comprehending all elements of financial reporting is essential for investors and anyone with a stake in the business. From there, the authors drew inspiration to write this article, which aims to do just that by expanding readers' knowledge of the need of full transparency in financial reporting. According to research (Deklerk & DeVilliers, 2022).

Shareholders, investors, and creditors are the intended recipients of the company's financial statements. The Financial Accounting Standards Board states that "Financial reporting should give information that is beneficial for existing and future investors and creditors and other users in making investment, credit, and similar choices sensibly." Secondary disclosures are given in the annual report for the benefit of stakeholders including workers, customers, the government, and the general public. To put it simply, the lack of understanding of the factors that go into investors' choices is to blame for the fact that other stakeholders get short shrift. The goal of financial reporting for investors and creditors is easier to discern since they may make an active choice about whether or not to invest in or provide credit to businesses. Using shareholders and other investors as the proper focus groups, we may define financial disclosures as the presentation of information necessary to accomplish optimal operations in efficient capital markets.

According to Brown and Dillard (2020), since more people are seeing financial reports, companies are more likely to prioritize the needs of their workers and the government above those of their shareholders. The shifting form of disclosure is a result of the declining relevance of shareholder ownership and the rising importance of the wider idea of Stakeholders. In order to comply with business policy, annual social balance sheets must be presented to the firm's work council. Staff and management alike are represented on this board. Employment, wage-related expenses, and other related topics are required components of any social balance sheet (allowance packages) Housing and transportation supplied by the employer, as well as health and safety protection, staff training, industrial relations, and other working circumstances. In 2020 (Atkins & Maroun, 2020), the authors of this study concluded that.

2.1. Firm's Value

The idea of "firm value" is used to describe the worth of a company. The intrinsic worth of a company as of a certain date. An amount assumed to be required to acquire a company or other enterprise. The worth of a business may be calculated using the same two metrics that are used to assess the worth of an asset: book value and market value. However, in most contexts, it is synonymous with a company's market cap. Firm Value, which may be determined using many methods, is a more all-encompassing alternative to market capitalization. A company's worth may be thought of as the aggregate of the claims of its creditors and shareholders. Therefore, the sum of the market value of its debt, equity, and minority interest might be a useful indicator of its size. The net worth would be calculated by first subtracting all liquid assets (Barth et al., 2016).

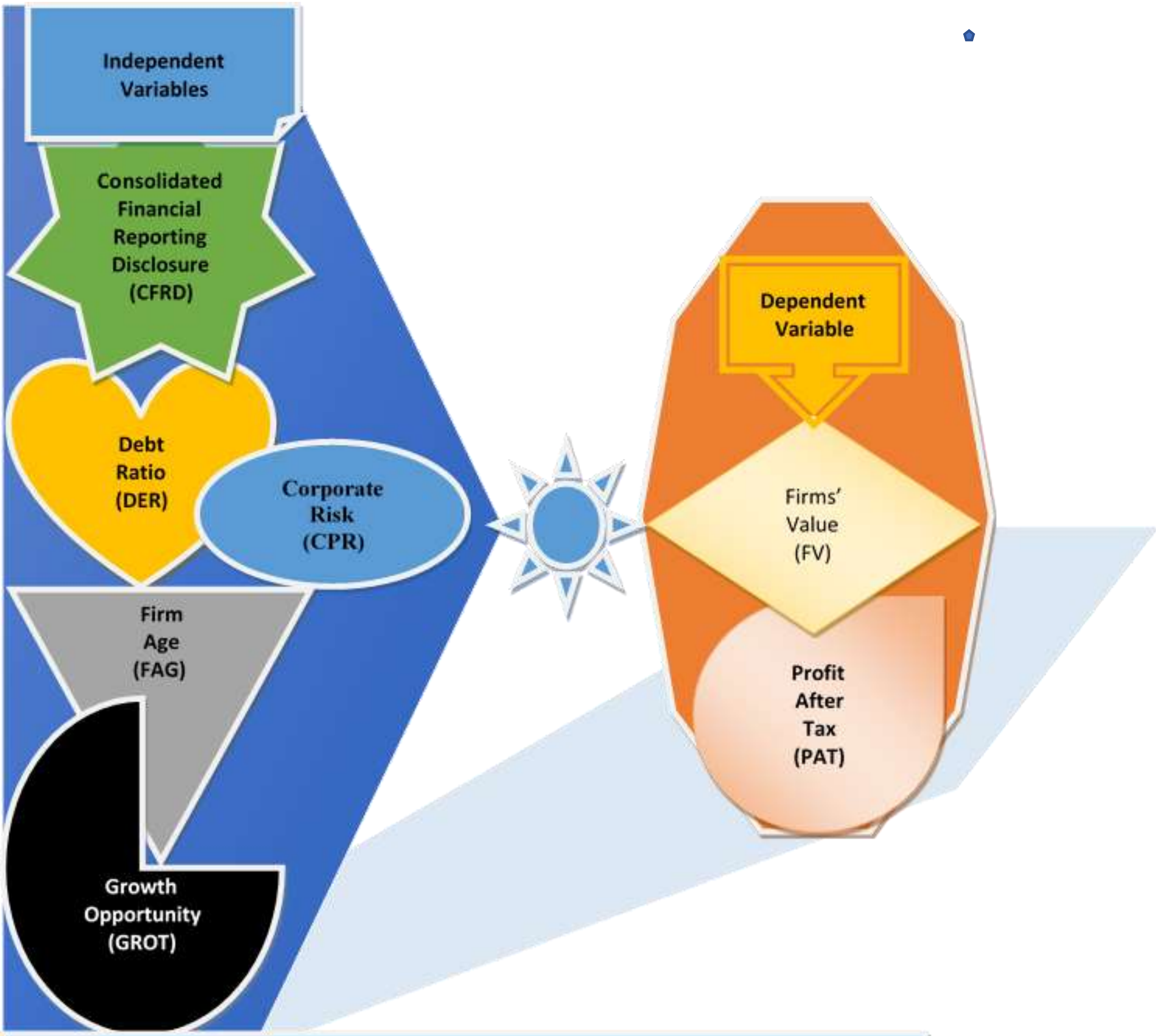
2.1.6. Impact of Consolidated Financial Reporting Disclosure and Firm Value

Integrating Consolidated Reporting into Financial Statements Because of integrated reporting, businesses are held accountable for their societal and financial impacts as well as their financial returns to investors and other stakeholders (IIRC, 2013).

If this report is targeted to the requirements of managers and shareholders, it may be useful (Frias-Aceituno et al., 2022). And it lets the company notify its stakeholders of its sustainability initiatives so that together they may find novel approaches to value creation (Macias & Farfan-Lievano, 2019). Companies' willingness to disclose their value creation and risk to investors via an increase in consolidated financial reporting content is encouraging (Lee & Yeo, 2016). Additional accountability measures are expected to increase investor interest (Retno & Priantinah, 2022). Consistent corporate openness may assist reduce knowledge asymmetry when it comes to stock offer price hikes, an argument shared by Lang and Lundholm (2021). By informing investors about the value the company has created over time, integrated reporting may help companies lessen the information gap between management and investors.

The effect of consolidated reporting on enterprise worth has been investigated by academics including Lee and Yeo (2016) and Barth et al. (2016). Consolidated reporting is required in South Africa, and related research there suggests that the disclosure of integrated reporting may increase the value of a company. As was discussed before, under a voluntary reporting system, integrated reporting is linked to the worth of a corporation.

2.1.7. Consolidated Financial Reporting Disclosure and Firms' Value of Worldwide Companies in Nigeria



Source: Researchers' Consolidated Financial Reporting Disclosure and Firms' Value of Worldwide Companies in Nigeria Model, (2022)

2.2. Theoretical Review

2.2.1. Signaling Theory

Signaling theory was propounded by Michael Spencer in 1973. This theory's emphasis on corporate responsibility disclosure indicates an effort to open lines of communication with stakeholders and the general public. Since this strategy is overseen by the business's upper management, it is sometimes referred to as a "service" the company offers. This might, in a manner that is compatible with signaling theory, drastically reduce the information gap (Ana, 2021; Spence, 2022).

Due of the imbalance in available data, signaling is used to communicate between parties (Watson et al., 2022). The theory behind this concept is that because a company's management has access to certain pieces of information that the general public does not, it has an obligation to disseminate this information to the public so that it may be used to produce signals by interested parties outside of the company. More information signaled to other parties should lessen information asymmetry between organizations and its stakeholders.

2.1.2. Static Trade-off Theory

StaticTrade-Off theory was propounded by Angelo and Masulius in 1990. According to proponents of this view, businesses should choose how much debt they want to carry and then strive to achieve that amount. Companies weigh the costs and advantages of using different levels of debt and equity financing when making their financing decisions, as suggested by the theory to which it gives its name. The fiscal advantages of debt are highlighted, as are the downsides of debt, such as financial difficulty and the possibility of bankruptcy. According to the static trade off theory of capital structure, businesses will strike a balance between debt and equity funding. However, it must be understood that a corporation can't permanently reduce its total cost of capital by using debt. Therefore, it is beneficial to increase the use of debt so that the firm's average cost of capital is reduced while the market value per share is increased via a mix of debt and equity (Titman & Wessels, 1988).

Public signals may reduce information asymmetry, optimize finances, and increase a company's worth, as stated by Baiman and Verrecchia (2019). The quality of company reports, for instance, is one such indicator, as is the standard of the products themselves and the procedures used to choose programs.

Several researchers have utilized signaling theory to analyze company disclosures that are made voluntarily. References: De Klerk and De Villiers (2022); De Villiers, Rinaldi, and Unerman (2020); Baimukhamedova et al., (2019) Offering details above what is required by law is a sign of confidence in the company's ability to compete. Therefore, the company communicated its efforts to reduce information disparity via consolidated financial reporting. Companies might potentially influence stakeholder decision-making by presenting management and business performance information in a cohesive fashion. We hope that giving shareholders easier access to more reliable signals would help reduce information asymmetry and ultimately increase the value of the firm.

2.3. Empirical Evidences

The effects of integrated reporting on shareholders' connections to manufacturing firms were studied by Olusanjo (2019). Descriptive and inferential statistics were used to examine the collected data.

Stakeholder interactions were shown to be greatly enhanced when integrated reporting methods were implemented.

Adegbie (2019) looked studied the correlation between integrated reporting and the worth of 38 firms in the consumer and industrial products production sectors. In their investigation, they used a retrospective research methodology and a selective sample strategy. Using Tobin's Q (TQ) as a proxy for financial transparency, they discovered that integrated reporting considerably influences corporate value. to a large degree and adversely affect Tobin's Q; the revelation of artificially created capital

Financial reporting transparency on business worth was investigated by Nurkumalasari (2019) for 14 Asian companies. Descriptive statistics and the partial least squares (POLS) regression method were used to evaluate the data. In circumstances of excessive leverage, the outcome demonstrated that financial reporting had little impact on business value.

Soumillon (2018) surveyed 63 South African companies to see how much information was really conveyed in their financial statements. Descriptive statistics and a combined ordinary least squares regression analysis were used in this investigation. The results demonstrated that financial reporting has no substantial effect on the value of a company.

To find out how revealing finances affects a company's worth, Bijlmakers (2018) conducted research. Descriptive statistics and the Partial Least Squares (POLS) regression method were used. It was discovered that financial reporting had no appreciable impact on the value of a company.

Suttipun (2017) examined accounting practices and results. Multiple-Least-Squares regression and correlation analysis. According to the results, environmental reporting has a detrimental impact on performance, but reporting on corporate social reporting concerns and capital has a beneficial effect.

3. Research Methodology

The study adopted an ex-post-facto research design and secondary data was gathered to analyze the relationship between the variables because data needed for the study already exists in line with (Okoro & Ihenyen, 2020). The population of the study consisted of one hundred and thirteen (113) of non-financial worldwide companies listed on the Nigeria Exchange Group as at 5th march, 2021. Purposive sampling technique was employed to select 76 non-financial listed multinational firms in Nigeria. Data for this were sourced from annual financial reports of selected companies for the period of 11 years 76 non-financial worldwide companies purposively selected from 2010 to 2020and analyzed using Generalized Method of Moments (GMM) estimator. The period was chosen because the most recent version of Nigeria's corporate governance code came out in 2018, and to cover COVID-19 pandemic period. The GMM estimator was used to analyse data collected.

Table 1. List of Selected Non-Financial Listed Firms for the Study

Sectors	Population	Sample	Percentage %
Agriculture	5	4	80
Conglomerates	5	5	100
Construction & Real Estate	9	2	22
Consumer goods	20	16	80
Healthcare	10	6	60
ICT	9	4	44
Industrial goods	15	10	67
Natural Resources	4	4	100
Oil & gas	11	8	73
Services	25	17	68
Total	**113**	**76**	

Source: Authors' Compilation, (2022)

3.1. Variables Measurement

Dependent variable: the study made use of Profit after tax as a proxy to measure the dependent. Variable which is firms value. Profit after tax which is measured by total market value plus debt value of company to total asset value of companies (Nurkumalasari, 2019)

Independent variable: the study made use of **debt ratio, corporate risk** as a proxy to measure the independent. Variable which is integrated consolidated financial reporting disclosure.

corporate risk = Standard deviation of the earnings before interest and tax divided by total assets (Yinusa, Ismail, Yulia, & Olawale, 2019). **Debt Ratio =** Total debt divided by total assets (Gonzales, 2013)

Control Variables: the study made use of **FirmAge** and **Growth Opportunity** as control variable

Firm Age=Different between current years minus year of listing on the stock exchange. (Kapoor & Goel, 2016)

Growth Opportunity=Natural log of the book value of equity divided by the market value of equity (Ugrin et al. 2017)

This study adapted the general form of the panel data models as specified below and this model aided in the testing of the study's stated hypothesis as well as the achievement of the stated objective. The model's functional specification is written as follows:

PAT = f (DER+CPR+ FAG + GROT) (3.1)

The econometric specification is as follows:

$(PAT)it = b0 + b_1(DER)\ it + b_2(CPR)\ it + b_3(FAG)\ it + b_4(GROT)\ it + \varepsilon itq$ (3.2)

Where:

PAT = Profit after Tax, DER = Debt Ratio, CPR = Corporate Size, FAG = Firm Age, GROT = Growth Opportunity.

$_0$ = Intercept for X variable of company

$b_1 – b_9$ = Coefficients for firms' explanatory variables, indicating the nature of their relationship with the dependent variable (or parameters),

4. Results

4.1. Descriptive Statistics

The dependent variable, PAT, had a mean value of -5.23 (as shown in Table 3), while the standard deviation (a measure of dispersion around the mean) was 0.41. The skewness of the series, a measure of dispersion around the mean, was 1.62, which is positive. This indicates that the PAT has a long right tail, and that most of the influencing variables, such as the DER, CPS, and FA, also have long right tails. Furthermore, PAT was skewed since its Kurtosis, a measure of the peakness or flatness of the distribution, was 4.02 instead of the anticipated 3.0 for normally distributed data series. Standard deviations for DER, CPS, FA, and GO mean scores were 1.93, 0.82, 126.09, and 13.41, respectively. The very high standard deviation of 126.09 shows that the value of FA varied greatly amongst the firms in the sample. The similarities across the businesses were evident in the wide ranges between the highest and lowest figures. Most of the research variables, especially DER and FA, were highly selected, as shown by the kurtosis values. All variables in the research except for GO were favorably skewed.

Table 3. Descriptive Statistics of Variables

Variables	Maximum	Minimum	Mean	SD	Kurtosis	Skewness
PAT	1.81	-4.37	-5.23	0.41	4.02	1.62
DER	38.70	0.002	1.46	1.93	84.56	11.09
CPS	6.80	2.75	4.75	0.82	2.59	0.17
FA	27.44	-176.19	6.41	126.09	319.79	14.11
GO	16.00	1.00	6.58	13.41	1.77	-0..23

Source: Authors computation, (2022).

Where: **PAT** = Profit after Tax, **DER** = Debt Ratio, **CPS** = Corporate Size, **FA** = Firm Age, **GO** = Growth Opportunity

4.2. Correlation Analysis

Multi-collinearity is tested by looking at the correlation in Table 4. All correlation coefficients in the study were less than 0.8, which is below the threshold for a multi-collinearity issue proposed by prior research (Gujarati & Porter, 2003; Khanh & Thu, 2009). (2019). This strongly suggests that the multi-collinearity issue does not present.

Table 4. Pearson Correlationcoefficient Matrix

Variables	PAT	DER	CPS	FA	GO
PAT	1.000				
DER	-0.088	1.000			
CPS	0.029	-0.079	1.000		
FA	0.059	0.113	-0.103	1.000	
GO	-0.004	-0.041	0.074	0.059	1.000

Source: Authors' Computation, (2022)

Where: **PAT** = Profit after Tax, **DER** = Debt Ratio, **CPS** = Corporate size, **FA** = Firm Age, **GO** = Growth Opportunity

4.3. Robustness Test

The results of the Variance Inflation Factor analysis are shown in Table 5. (VIF). Mean VIF for all variables is 1.22, with DER having the highest value calculated (1.13). A VIF result between the cutoff and the threshold of 10 may be indicative of multicollinearity. However, there was no substantial issue of multicollinearity among the research model variables, since all VIF values were below the threshold of 5.

Table 5. Variance Inflation Factor

Variables	VIF	Tolerance
DER	1.13	0.887567
CPS	1.09	0.915762
FA	1.07	0.937750
GO	1.01	0.987725
MEAN	**1.22**	

Source: Authors' Computation, (2021)

Where: **DER** = Debt Ratio, **CPS** = Corporate Size, **FA** = Firm Age, **GO** = Growth Opportunity

4.4. Panel Unit Root test of the Variables

According to Table 6, employing the more robust Levin, Lin, and Chu test, all variables are stationary at the 5% level of significance (Westerlund & Breitung, 2009). After finding no evidence for a unit root across all panels, we cannot conclude that the data were generated under conditions of homogeneity assuming stationarity.

Table 6. Panel Unit Root test of the Variables

Variable	Statistic	P-Value
PAT	3.0738	0.0011
DER	-4.3126	0.5600
CPS	3.7693	0.0011
FA	9.7447	0.0043
GO	7.1753	0.0030

Source: Authors' Computation, (2022)

Where: **PAT** = Profit after Tax, **DER** = Debt Ratio, **CPS** = Corporate Size, **FA** = Firm Age, **GO** = Growth Opportunity

4.5. Effect of Consolidated Financial Reporting on Profit after Tax

Table 7 of the GMM output shows that DER has a negative and statistically significant influence on PAT (= -0.00867; P>|t|=0.002 0.05). The effects of CPS and GO on PAT are shown to be positive and statistically significant (=0.0555; 0.00013 P>|t|=0.024; 0.0000.05).

Results from diagnostic tests (Wald test, Sargan test of instrument validity, and Arellano-Bond test for higher order serial correlation AR (2)) are shown in the bottom section of Table 7. Good model fit was shown by a Wald chi2 statistic of 5467.20 at a significance level of 0.000. The probability value of the Sargan test statistic is 0.435, and the value is 54.67. The Z-statistic for the second order autocorrelation test AR (2) is 1.1432 with a probability value of 1.3720, as shown by the Arellano-Bond test for zero autocorrelation in first-differenced errors. Since this is the case, we are unable to reject the no autocorrelation null hypothesis. Accordingly, the lack of autocorrelation in the model is not a concern. As a consequence, the diagnostic statistics supported the validity of the finding for policy inference.

Table 7. Consolidated Financial Reporting on Profit after tax

Explanatory variables and other statistics	PAT Model (Two Step)
PAT_{t-1}	**0.1155****
	(0.000)
DER	**-0.00867****
	(0.002)
CPS	**0.0555****
	(0.024)
FA	-0.0048
	(0.561)
GO	**0.00013****
	(0.000)
Constant	**0.6314****
	(0.000)
Wald chi2 Statistic	5467.50 (0.000)
Sargan Test	54.67 (0.273)
First order autocorrelation test	-1.8312 (0.0671)
Second order autocorrelation test	1.1432 (1.3720)
Firms	76
Observations	760

Source: Authors' Computation, (2022)

Note: **, means significant at 5%. Bracket ( ) are p-values

Where: **PAT_{t-1}** = Lagged of Profit after Tax, **DER** = Debt Ratio, **CPS** = Corporate size, **FA** = Firm Age, **GO** = Growth Opportunity

4.6. Discussion of Findings

The negative effect that debt ratio has on profit after tax is consistent with the findings of Akintoye (2008), Simon-Oke and Afolabi (2011), and the study's authors. This finding suggests that companies that disclose their financial information in a consolidated fashion are more likely to discover whether or not they are making a profit and to expose any problems they face before they have a chance to harm the company's value. Stulz (1990) had no stance one way or the other, although he did say that debt might have an impact on a company's worth (even in the absence of corporate taxes and bankruptcy cost). He came up with a concept in which debt financing helps with both the over- and under-investment issues. The use of debt in the formation of an optimum capital structure with the goal of maximizing shareholder value is proposed as having major policy implications for finance managers.

5. Conclusion

This research provides empirical evidence on how PAT in international businesses is affected by the publication of consolidated financial statements. Firm characteristics including business risk, growth potential, and corporate scale all correlate positively with high Profit after tax, but the debt ratio has a negative and substantial effect on PAT. To preserve and promote investor wealth and economic prosperity, the research suggests that regulators like Nigeria's securities and exchange commissions should be cautious and guarantee that international corporations participate in consolidated financial reporting transparency.

5.1. Recommendation

The Financial Reporting Council of Nigeria (FRCN) should mandate integrated reporting for all enterprises listed on the Nigerian Stock Exchange, and managers of multinational corporations operating in Nigeria should voluntarily adopt consolidated financial reporting methods.

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