



## DETERMINANTS OF INTANGIBLES ASSETS DISCLOSURE IN ANNUAL REPORT: EVIDENCE FROM NIGERIAN QUOTED COMPANIES

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### ABSTRACT

*This study investigates the possible factors that can influence companies in Nigeria to disclose intangible assets in their annual reports to stakeholders. The study used 65 randomly selected quoted companies over a period of five (5) years (2006-2010). In identify the possible firm's specific characteristics that would influence Nigerian companies' decision to disclose intangible assets for its stakeholders; descriptive statistics, correlation, and binary logistic regressions were the tools statistically employed. In all, the result shows that the probability for most Nigerian companies to disclose intangible assets are weakly associated with companies in services oriented industry, companies with foreign activities, profitable companies, companies that uses big-audit firms, older firms but highly significant to companies with debt stakeholders. This study therefore conclude that stakeholders with intangible assets disclosure concerns should not pay strong attention to firm's specific characteristics as most of them might not explain the reason why companies in Nigeria disclose intangible assets.*

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**Keywords:** Intangible assets, Binary logistic, Auditor type and industry type.

### INTRODUCTION

The objective of preparing a company's financial statement is to make known the company's performance. Specifically, it provides information about a company's financial performance, financial position, and cash flows (Krstić and Đorđević, 2010). However, if the financial statement must effectively meet this objective, it must provide adequate information that relates to the various items or components (capital and recurrent) of the final accounts. Also, it is observed that firms and organizations in Nigeria prepare financial statements at the end of their accounting year or any period usually yearly i.e. twelve (12) months. In preparing these financial statements, assets and liabilities are reported at their net book values to determine the financial performance and position of the firm and ultimately, the net worth of the business. However, one vital aspect of these financial reporting which is unduly neglected in the balance sheet is the reporting of intangible

assets. Furthermore, it has been observed that more often than not, a company's market value is usually greater than its book value and the disparity can be attributed to the non-disclosure of intangible assets in the company's balance sheet (Bukh *et al.*, 2005). (Ragini, 2012) also tow the same line of reasoning as he asserts that the role of intangibles and their associated benefit can be assessed from the changing market-to-book value differences. That is, the magnitude of the difference in market values and book values of companies is an indication of the impact of intangibles in these companies.

Based on the above, it is evident that intangible assets are both large and important, however, current financial statements provide very little or no information about these assets (Lev, 2003), as a result, financial statements are incomplete; with users of the information not having accurate and complete knowledge about the intangibles owned and managed by a firm. (Dutz *et al.*, 2012) opine that a common findings in literature is the overwhelming importance attached to intangibles and any attempt to ignore them in financial reporting will lead to distortions and incomplete performance measurement. According to (Jose *et al.*, 2010), one of the components that must have adequate disclosure is intangible assets. In their opinion, the traditional accounting system does not fully reflect the value relevance of all productive assets that generate substantial income for the organization. Krstić and Đorđević (2010) further buttress the aforementioned weakness in the traditional model of financial reporting. They noted that the model has not been able to effectively provide relevant information that pertains to a company's intangible assets. As such, this weakness led to the development of standards (IAS 38) to capture how intangible assets can be measured and reported.

International Accounting Standard (IAS, 38), place business organizations under an obligation to recognize intangible assets in balance sheet. Also, the United State financial Accounting Standard Board (FASB, 86) mandated the capitalization of software (intangibles) development cost incurred from the point of "technological feasibility".

The defunct Nigerian Accounting Standards Board (NASB, 2010), adopted (SAS No 31), which states that proper classification, measurement and recognition of intangibles are essential for the understanding of financial statements, as any incorrect treatment of these may have a significant effect on the reported result of the entity concerned. Also, it encourages that internally generated intangible should be equated to its monetary term when accounting for it in the financial statement.

Intangible asset as defined by SAS 31 is an identifiable non-monetary asset without physical substance. Knowledge, know – how, human capital, information data, reputation and organizational practices, etc are examples of intangible assets as they cannot be touched, grasped, easily costed, counted and quantified (Blaug and Lekki, 2009). Accounting Standard Codification 350 (ASC 350) anchors its definition of intangible assets on physical substance and accordingly defines it as any other financial asset that lacks physical substances while IAS 38 also asserts that intangible assets

are identifiable, non-monetary assets, without physical substance. From the definitions, it is evident that the keywords in recording intangible assets are that they must be identifiable and recognizable.

This research however seeks to evaluate; the extent of financial reporting of intangible assets by Nigeria firms, and to provide answers to the following questions viz is there any benefit of reporting of intangible assets? What are the determinants of financial reporting of intangible assets? To what extent does: auditor type; industry type; profitability; leverage; company age; and company with foreign activities relate to voluntary disclosure of intangible assets in financial statement?

## LITERATURE REVIEW

The Nigeria economy is fast growing with firms and organizations struggling to survive and keep up with the high competition in their industries. Economists consider that the main feature of this new economic environment is the essential role played by intangibles as a fundamental determinant of value creation of business companies (Meritum, 2001).

Intangible assets have become the focus of companies, financial analysts, investors, accountants, and regulations alike in recent time and this has initiated attempts to understand and narrow the gap between a company's book and market value (Barton, 2005).

This chapter provides some empirical insights to the factors that might explain the level of voluntary disclosure of intangible assets by firms. It examines some studies by authors and researchers both direct and indirect that help to throw more light on this issue.

### Concept of Intangible Assets

The debate on the recognition of intangibles is upcoming and heated. According to Zeghal and Maaloul (2011), the lack of recognition of intangibles has affected the value-relevance of financial information. As such, if financial statements must become value relevant in this modern time, recognition of intangibles in the statements must be of essence. Similarly, (Kampanje, 2012) asserts that the increasing importance of intangibles can be attributed to information age, an age where information is what drives performance and not just the possession of physical assets. He further noted that businesses are being challenged by the rapid industrialization and globalization to develop and acquire intangible assets as a survival strategy and means of gaining competitive advantage amidst the dynamic business environment. Thus, the significance of intangible assets as well as its appropriate recognition and measurement for the purpose of adequate financial reporting is of paramount necessity. Furthermore, (Lee, 2010) asserts that a measure aimed at improving financial reporting is the adoption of fair value estimates in the measurement of intangibles. Thus, the understanding of the concept of intangibles is of immense importance.

Definitions of intangible assets seem to draw from the definition as given by the International Accounting Standard Board. [Ghamari et al. \(2012\)](#) in their study, described intangible assets as assets that are latent, non-monetary and do not have a physical nature while IAS 38 defines intangible assets as assets that are identifiable, non-monetary assets, and without physical substance. The standard asserts that intangibles should be recorded and recognized if they fall within the bounds of the definition given and if the assets meet the recognition criteria. The recognition criteria is twofold viz the probabilities that the expected future economic benefits attributable to the asset will flow to the entity; and that the cost of the asset can be measured reliably. Furthermore, the definition of asset by the standard is given as anything that is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract or arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

NASE 31, also tow the same line of definition as IAS 38. The classes of intangible asset based on NAB 31 include; brand names, masthead and publishing, computer software, license and franchises, copyrights, patents and industrial property rights, services and operating rights, recipes, formulae, models, designs and prototypes, intangible assets under development. ([Collings, 2011](#)) in his review opine intangible assets to comprise assets such as licenses and quotas, patents and copyrights, computer software, trademarks, franchises, and marketing rights. Still on the types of intangibles, [Wyatt and Abenethy \(2003\)](#) tend to focus on four broad classifications of intangibles: acquired intangible assets- this includes acquired identifiable intangible assets (IIA) such as acquired patents and trademarks, brands, and purchased goodwill that is acquired in business combinations; research and development (R&D)- this includes expenditures associated with R&D activities performed within the firm. Expenditures for exploration, evaluation and development costs in mining and other resource-based firms are usually accounted for separately to R&D because of the specific risk profile of these expenditures; internally generated intangible assets (IGI)- this includes identifiable intangible assets produced by the firm, and internal goodwill that is not easily attributable as to its source of value. Identifiable intangible assets and internal goodwill relate to such things as the firm's information systems, its administrative structures and processes, market and technology knowledge, trade secrets, customer and supplier networks; intellectual property- these are a sub-set of acquired and internally generated intangible asset classifications that have legal or contractual rights (i.e. patents, trademarks, designs, licenses, copyrights, firm rights, mastheads).

Despite the long list of assets that might be categorized as intangibles, it is argued that not all these have allowable recognition on the financial statement. According to [Collings \(2011\)](#), IAS 38 prohibits the group of intangible deemed as internally generated from being recognized on the balance sheet. He further opines that customer lists, brands, mastheads, and publishing titles are examples of intangibles that should not be recognized on the statement. Also, IAS 38 specifically

mentions the use of either the cost model or revaluation model in the measurement of intangibles. It however noted that for the revaluation model to be used there must be an active market and the revaluation must be at fair value. For a market to qualify as active, the items traded in it must not be heterogeneous, effective buyers and sellers are ever present in the market and information about the prices are available to the public.

### **Determinants of Intangible Asset Disclosure**

There are numerous determinants or motives for firms' disclosure of intangible assets in their annual financial reports. In this sub-heading, a review of literature on some of the popular determinants which includes auditor type, industry type, profitability, leverage, company with foreign activities and age of the firm is given. These variables and their relationship with intangible asset disclosure as discussed below.

#### **Auditor Type**

An auditor is an independent person appointed to examine the organization records and financial statement to form an opinion on the accuracy and correctness of the financial statement of the firms (Oladipupo, 2005). Firms audited by big four (4) auditing firms (i.e. high standard and well known auditing firms in the country) are likely to voluntarily disclose more information about intangible than those that are audited by non-big four (4) auditors (Oliveira *et al.*, 2006). Therefore, bigger audit firms encourage their clients to disclose more information in annual reports (Hossain *et al.*, 1995). Oliveira *et al.* (2006) argued that large auditing firms might encourage their clients to disclose more information, as they want to preserve their reputation, develop their expertise, and ensure that they retain their clients.

H1: There is a positive relationship between auditor type and disclosure of firm's intangible asset.

#### **Industry Type**

Membership of a given industry is argued to affect levels of voluntary disclosure through political cost, signaling, proprietary cost, and legitimacy theory. Firms belonging to industries with high levels of intangibles are likely to voluntarily disclose information about intangible (Oliveira *et al.*, 2006). The level of intangible assets voluntary disclosure is higher for emerging market companies in either IT-related or consumer services and product industries (Kang and Gray, 2006). Also in their work, industry type is considered from the IA perspective. IA relating to technology and brand names are arguably the most important, or at least the best known, specific assets which are intangible (Barth *et al.*, 2001). For example, previous literature has found that companies operating in high-tech industry sector (information technology/telecommunications services) recognize more technology-related expenses and R&D. On the other hand, in the consumer product industry sector, brands are regarded as a key competitive factor, which influences consumer preferences for a product and therefore the sales of the company (Stolowy *et al.*, 1999), and subsequently are disclosed more often by companies in the consumer product sector.

H2: There is a positive relationship between industry type and disclosure of firm's intangible asset.

### **Profitability**

As cited by Lu and Tsaic (2010), there are evidence that higher intangible values are significantly associated with higher profitability. The higher the profit, the higher voluntary disclosure of intangible assets by firms and this attract potential investors to their firm. Also, the voluntary disclosure of intangible assets shows the true profit of a firm and enhances profitability of the firm thereby increasing its cost of share capital in the market drawing more shareholders to invest.

H3: There is a positive relationship between firm's profitability and disclosure of firm's intangible asset.

### **Leverage**

Higher leverage (usually measured by the ratio of total liabilities/total equity) suggests higher agency costs, due to the potential size of wealth transfer from debt-holder to shareholders. Thus firms with higher leverage have more incentive to disclose information voluntarily, thereby hoping to reduce agency costs (Oliveira *et al.*, 2006); (Kang and Gray, 2006). Kang and Gray (2006) also proposed an alternative hypothesis that there is a negative relationship between leverage and intangible assets voluntary disclosure by emerging market companies based on the following two premises. First, IA and their subsequent voluntary disclosure may not be as relevant to existing creditors as they are to shareholders and potential future investors. That is, it may not be the level of debt that is significantly related to the level of IA disclosure; rather, it is the amount of equity in the capital structure that is positively associated with the voluntary disclosure. In other words, it is possible that there is a negative association between leverage and IA voluntary disclosure.

Second, it is proposed that the association between leverage and IA disclosure may be influenced by the underlying conceptual status of the debt market in emerging economies.

H4: There is a positive relationship between leverage and disclosure of firm's intangible asset.

### **Company with Foreign Activities**

Managers of companies operating in several geographical areas have to control a greater amount of information, due to the higher complexity of the firm's operations (Cooke, 1989). They are prone to increase their voluntary disclosure to show their international presence to stakeholders as a perceived good signal. The extent of voluntary disclosure of intangibles information is positively related to the internationalization of firm (Oliveira *et al.*, 2006).

H5: There is a positive relationship between company with foreign activities and disclosure of firm's intangible asset.

### **Age of Company**

This is concerned with the age of company from its conception. It is proposed that "older" and therefore more established companies are more likely to have a chain of value creating IA as part of their operating activities since these companies have had more time to establish their customer and supplier networks, contribute towards communities, and set up opportunities such as alliances with

research centers and universities to benefit from these ventures. As such, they would engage in voluntary disclosure practices to inform various stakeholders of their IA.

Another argument, which supports a positive relationship between age of the company and the level of IA voluntary disclosure, is based on the premise that established companies are more likely to consider expanding their operations or to provide investment opportunities in the global market. That is, these companies perhaps would consider global markets as a way of raising capital, and therefore engage in higher level of voluntary disclosure practices (Kang and Gray, 2006).

H6: There is a positive relationship between firm's age and disclosure of firm's intangible asset.

## DATA AND METHODOLOGY

In this research the population relates to all companies quoted on the Nigerian Stock Exchange market from 2006 to 2010. As at November 2010, there were 263 securities listed on the Exchange, made up of 41 Government stocks, 6 Industrial Loans stocks (Debenture/Preference) and 216 Equity/Ordinary shares of companies (NSE, 2011). The Sample on the other hand refers to the representation, which approximates the characteristics of the population. The sample for this research consists of 65 companies' financial statements from 2006 – 2010 i.e. five years. From these firms, their annual financial statement will be examined to ascertain the voluntary disclosure of intangible assets in Nigeria. The sample technique that was used in this research is "random sampling technique". This technique was used to draw the sample firms so that all the firms have equal chance of being represented or chosen and no bias in selection. The data collection is basically secondary data for this research work. These secondary data were gotten from the annual financial statement of sixty-five (65) quoted Nigeria companies for five years from 2006 to 2010.

Binary logistic regression is a statistical method whose objective is to obtain a functional relationship between a transform qualitative variable called logit and the predictor variables, which can be either quantitative or qualitative. The Binary Logistic regression is based on the use of Maximum likelihood estimator (MLE) and when compared to the OLS does not assume linearity, normality distribution, heteroscedaticity and hence in general has less stringent assumptions (Salvatore and Reagle, 2001).

The choice of binary logistic regression models to relate the explanatory variables to the probability of firms willingness to engage in voluntary disclosure of intangible assets is based on the limited nature of the dependent variable and the inability of the OLS multiple regression model to yield reliable coefficients and inference statistics in situation where the dependent variable is binary (0 and 1). The binary logistic regression model unlike others is based on the use of dichotomous dependent variable, in which an observation score one if it is presence and zero otherwise. This study did not use the ordered logit nor multinomial logistic regression since the ordered is use when

the dependent variable is ranked and the multinomial is used for nominal dependent variables (Greene, 2003).

**Model Specification**

In the light of the research hypotheses and literature in the earliest section, a multiple regression model is specified in equation (1). By definition, multiple regression econometric models is one that seeks to explain change or variation in the values of one variable called the dependent variable (voluntary disclosure of intangible assets) on the basis of change in other variables known as the independent or explanatory variables (auditor type, industry type, profitability, leverage, company with foreign activities, age of company). The assumption is that the dependent variable is linear function of the independent variables. The multiple regressions with an error term (e) are expressed in equation (1):

$$DISINTAG = \alpha_0 + \alpha_1 AIT + \alpha_2 IT + \alpha_3 P + \alpha_4 L + \alpha_5 CFA + \alpha_6 AGE + e \dots (1)$$

**Table-1.** Definition of variables and expected signs

Variables	Apriori Sign	Explanation\Measurement
DISNTAG		Disclosure of intangible assets by firm 1= if firm disclose any intangible asset. 0 = if no intangibles was disclosed.
Auditor type(AIT)	+	The type of auditing firm providing service to the firm AIT = 1 if a big 4 auditor AIT = 0 if otherwise
Industry type(IT)	+	The type of industry the firm is operating under. IT = 1 if firm belongs to a high intangibles intensive industry. IT = 0 if otherwise.
Profitability(P)	+	Net profit before tax/total asset ratio
Leverage(L)	+/-	Total liabilities/equity(debt/creditor)
Company with foreign activities(CFA)	+	Company's investments outside the country
Age of company(AGE)	+	The number of years the company have existed from the year of incorporation. AGE = 2010-year of incorporation

**DISCUSSION OF RESULTS**

This study investigates the reasons why companies in Nigeria disclose any form of intangible asset in their annual report. The population for this study consists of only quoted Nigerian companies that have 2006 to 2010 annual financial reports. We selected the sample of 65 Nigerian quoted firms over a five years period 2006 to 2010. In identify the possible firm's specific characteristics and exogenous factors that would influence firm's decision to disclose intangible asset in the financial reports we conducted descriptive statistics, correlation matrix and firm observable binary regressions.



The variable for this study include a dummy dependent variable which takes the value of “1” for Firms that disclose intangible assets in their financial report (DINSTAG) and “0” otherwise. The independent variables were- Industry type dummy (IT), Firms Auditor type (AIT), Leverage(L), Firm profitability(PAT), Firm Age(AGE) and Firm with foreign activities (CFA).The below is the descriptive statistics from 64 sampled quoted companies in Nigeria.

**Table-2.** Descriptive Statistics

<b>Variables</b>	<b>Mean</b>	<b>Std. Dev</b>	<b>Jarque-Bera</b>
DINSTAG	0.14	0.35	248.8(0.0)*
AIT	0.69	0.46	47.5(0.0)*
IT	0.49	0.50	42.3(0.0)*
P	1561159	6544900	11290.8(0.0)*
L	5164508	30216062	248228.1(0.0)*
CFA	0.35	0.48	43.78(0.0)*
AGE	34	15.5	11.2(0.0)*
N	64(254)	64(254)	64(254)

Table 2 shows the mean (average) for each of the variable, their standard deviation (degree of dispersion) and Jarque-Bera (JB) statistics (normality test). The results provided some insight into the nature of the selected firms that was used in this study. The descriptive statistics in general revealed that there is no sample selection bias or outlier in the data that would impair the generalization from this study.

In examining the relationship among the variables, the study employed the pearson correlation coefficients (correlation matrix) and the results are presented in table 3.

**Table-3.** Correlation Matrix Table

	<b>DINSTAG</b>	<b>AIT</b>	<b>IT</b>	<b>P</b>	<b>L</b>	<b>CFA</b>	<b>AGE</b>
DINSTAG	1						
AIT	0.02	1					
IT	-0.17	-0.09	1				
P	0.07	0.15	0.023	1			
L	-0.06	0.12	-0.14	0.17	1		
CFA	0.04	0.12	-0.24	0.15	0.17	1	
AGE	-0.12	0.24	0.344	0.05	-0.10	0.03	1

In table 3, the focus was on the correlation between the intangible asset disclosure (DINSTAG) and the individual explanatory variables. The result shows that disclosure of intangible assets for the selected firms are positively associated with audit firm type (AIT= 0.02), profitability (P = 0.07) and firms with foreign activities (CFA= 0.04) while Firms industry type (IT = -0.17), Firms leverage (L = -0.06) and Firms Age (AGE = -0.12). A close look at the value of the Pearson correlation coefficient results revealed that all the variables are weakly associated with firm’s decision to disclose intangible asset in their annual financial reports.

**Table-4.** Binary Regression Results

	<b>Expected Sign</b>	<b>Coefficient Logistic</b>
C		-0.99 (-2.7) [ 0.0064]*
AIT	+	0.06 (0.19) [ 0.8506]
IT	+	-0.28 (-0.87) [ 0.3821]
P	+	1.33E (0.54) [ 0.59]
L	+	-1.27E (-5.22) [ 0.00]*
CFA	+	(0.03)[ 0.9787]
AGE	+	-0.01 (-0.59) [ 0.5548]
McFadden R-Squared		0.003
LR Statistics (9 df)		123.1(0.0)
Log Likelihood (LL)		-102.5
Probability distribution		Logistic
N		65(254)
Obs with Dep = 1		219
Obs with Dep = 0		35

**Note:** ( ) is Z-statistic, [ ] is probability value, \* is 5% level of significance

From the results above the McFadden R-squared value from the binary logistic regression results shows that about less than one percent of the outcome of the dependent variable is can be jointly predicted by all the independent variables. The poor performance of the McFadden R-squared shows that intangible reporting practices of the selected firms in Nigerian cannot be predicted by firm's specific characteristics. This means that most Nigerian firms that might disclose intangible assets in their annual report do so without considering most of their specific characteristics. The LR statistic for the model revealed that the overall model is statistically significant and valid in explaining the outcome of the dependent variable. The reported firm observable binary logistic regression model was based on Maximum Likelihood Huber/White Heteroskedasticity-consistent standard errors and covariance. This means that the regression results reported adjusted for heteroskedasticity problem, which was found using the White Heteroskedasticity test (See Appendix for detail). The observable firm binary logistic regression results as presented in table 4 are interpreted as follows; Firm Auditors Type (AUDIT), appears to be consistent with apriori expectation but was statistically insignificant in explaining firm's decision to disclose intangible assets in financial reports to stakeholders. This result accepts hypothesis (H1), which suggests that firm's intangible asset disclosure and choice of auditors should have a positive relationship. The statistical insignificant relationship between the Big-4 auditing firms and the likelihood of Nigerian firms to disclose intangible assets supported the views of [Singhvi \(1971\)](#), [Raffournier \(1995\)](#) and [Giner \(1977\)](#) that Big 4 or large auditing firms does not have any influence on firms' disclosure decisions. Industry Type dummy (INDT), appears to be consistent with apriori expectation, but was statistically insignificant in influencing firm's decision to disclose intangible assets. This result supports hypothesis (H2), which suggests that firm's intangible asset disclosure and industry classification should have a positive relationship. The slope coefficient of this variable suggest that Nigerian companies in services industry are less likely to disclose intangible assets in financial reports for it stakeholders (*ceteris paribus*). Firm's profitability (PAT) also appears to be a statistically insignificant and positively associated with the probability for a firm to disclose

intangible assets in financial reports. This result accepts Hypothesis (H3), which suggests that firm's intangible assets disclosure and profitability should have a positive relationship. This means that if the profitability of Nigerian firm increased they are likely to disclose intangible assets. (4) Leverage (LEV), was found to be statistically significant and negatively associated with the probability for firm's to disclose intangible assets for stakeholders. This result reject hypothesis (H4), which suggests that firm's intangible assets disclosure and leverage should have a positive relationship. This means increases in the debt of Nigerian firm reduced the likelihood for them to disclose intangible asset. This finding might be true for Nigerian creditors, since most long and short term creditors in Nigerian are not interested in intangible asset reporting but rather on how their debt will serviced. Company Age (AGE), was also found to be a negatively related to intangible asset disclosure but there relationship was statistically insignificant in influencing firm's decision to disclose intangible assets. This result rejects hypothesis (H6), which suggests that firm's intangible assets disclosure and firm age should have a positive relationship. The slope coefficients value, which is not consistent with apriori expectation, suggests that holding other things constant, older firms are less likely to disclose intangible assets to stakeholders than young firms. This might be true because most newly established firms are more eager to adopt best reporting practices and standards than old firms (5) Firm with foreign activities (CFA), appears to be positively but statistically insignificant in explaining the probability for Nigerian firms to disclose intangible assets. This result supports hypothesis (H5). The slope coefficient value is consistent with apriori expectation and suggests that holding other things constant; firms with foreign activities are more likely to disclose intangible assets to stakeholders than firms without foreign activities.

## CONCLUSION

This study investigated the possible factors that can influence companies in Nigeria to disclose intangible assets. The selected 65 companies in this study were drawn from all quoted Nigerian companies that have maintained 2006 to 2010 annual financial report. In identify the possible firm's specific characteristics and exogenous factors that would influence Nigerian firm's decision to disclose any form of Intangible assets for its stakeholders; the researcher conducted descriptive statistics, correlation and firm observable binary logistic regressions. In all, the results shows that the probability for most Nigerian firms to disclose intangible assets in their financial reports are weakly associated with companies in services oriented industry, companies with foreign activities, profitable firms, firms that uses big-audit firms, older firms but highly significant to firms with debt stakeholders. This study therefore made the following recommendation. (1) It will be interesting to establish from the study that firms in services oriented industry, companies with foreign activities, profitable firms, firms that use big-audit firms and older firms are less likely to disclose intangible assets in their financial reports but the reporting this assets is highly significant related to firms with debt stakeholders. This study therefore recommended that stakeholders' that are interested in intangible assets disclosure pay less attention to firm specific characteristics except leverage which

has a potential influence on firm intangible disclosure practices. This is very vital, because firms disclosing intangible assets in Nigeria cannot attribute that their specific characteristics. (2) In this study, it is also recommended that less confidence should be placed on Nigeria firms that uses big-4 auditing firm on issues relating to intangible asset disclosure. This is because most managers in Nigeria who choose to disclose less questionable information in their annual reports will seek out big auditors services to again greater reporting quality. (3) The study yet recommends that further research be undertaken in these areas especially in understanding why firms disclose intangible assets in their annual reports since most of the variables adopted in this study poorly explained why firms choose to report intangible assets. This study also suggests that different disclosure measurement index and new explanatory variables can be research into to improve our understanding of intangible asset disclosure in Nigeria. This academic project has examined the reasons why Nigerian firms disclose intangible assets. Like most previous studies that identify services oriented industry, companies with foreign activities, profitable firms, firms that use big-audit firms, older firms and leverage as a major determinant of firm's decision to disclose intangible assets, in this study and using Nigerian data, a totally different result except for leverage was found. Though most of the variables maintained their apriori expectation but they were not statistically significant in influencing the selected firm's decision to disclose intangible assets in their annual reports. Finally this research call for further research to be conducted in the area of intangible assets disclosure especially with consideration to other forms of intangibles items in the financial reports, as this would help to provide better understanding of corporate firm's disclosure strategy and patterns.

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