

## The value relevance of accounting disclosures among listed Nigerian firms: IFRS adoption

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(Received: January 15, 2016; Revised: October 22, 2016; Accepted: November 1, 2016)

### Abstract

This study determined the value relevance of assets and liabilities after the adoption of IFRS among listed Nigerian firms. Ohlson Model (1995) model of stock price regressions tested the relationship between assets and liabilities with the stock price, which has been widely adopted by accounting researchers. A sample of 126 firms listed in Nigeria stock market is used for the study. Data is collected from Thomson Reuters and Bank Scope Data Streams for non-financial and financial firms, respectively. The findings provide empirical evidence, established on unique Nigerian environment, statistical significance difference on the value relevance of assets, and liabilities prepared and disclosed under IFRS. Robustness test, as well as yearly trend analysis, produce collaborating evidence. The significance of the study's findings presents statistical significance value relevance increase based on the unique Nigerian adoption of IFRS as an emerging market.

### Keywords

Assets, Disclosures, IFRS, Liabilities, The stock market, Value relevance.

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## Introduction

The current study investigated the effect of the adoption of International Financial Reporting (IFRS) in Nigeria on the quality of accounting information among Nigerian listed firms. To find out the effect of IFRS, we examined the relationship between assets and liabilities with stock prices with audit “Big 4” as a control variable for the pre- and post-adoption of IFRS among listed Nigerian firms in the stock market.

The financial market in Nigeria underwent a severe crisis in the year 2008-2009, even though, it was a global issue in the period. During the period, the Nigerian capital market lost more than 60% of its capitalisation (Oladipupo, 2010; Sanusi, 2010) Moreover, the financial crisis affected the majority of the industries in the capital market, mainly the banks (Mohammed & Lode, 2015). As explained by the World Bank (2011), the collapse of the market in the period was generated as a result of non-updates of accounting standard, causing the weaknesses of the accounting and auditing standards, non-disclosures of accounting information, and non-compliance with accounting regulations by the Nigeria firms. At the time, companies explored the flaws of the accounting and auditing standards to the advantage of their firms, ignoring the consequences to the capital market and investors (Mohammed & Lode, 2012a).

The fundamental problem with the shortcomings of the accounting and auditing standards coupled with international demand for the adoption of IFRS necessitated the need for adoption of IFRS among Nigerian firms. Even though the economic, business environment and legal system of emerging economies are different from developed countries, yet, there was a lot of pressure to harmonize accounting reporting with developing countries (Prather-Kinsey & Shelton, 2005). Harmonization of accounting reporting with IFRS will enhance more disclosures of accounting information to the investors. Disclosures in a financial statement provide users of accounting information with relevant information that can be substantial for economic decisions(Prather-Kinsey & Shelton, 2005).

The most significant Nigerian acts that regulate Nigerian

companies to disclose relevant financial reporting comprises the Company and Allied Matter Act (CAMA) of 1990 and Financial Reporting Council Act of 2011 (Nigerian Accounting Standards Board (NASB) Act of 2003). Several accounting regulations have been issued by the NASB (now FRC) from 1984-2009 for Nigerian companies as Statement of Accounting Standards (SAS) (These standards issued are from SAS1 to SAS32). However, the majority of these standards for the financial reporting requirements were adopted from the International Accounting Standards (IAS), though, not updated like IAS (Mohammed & Lode, 2015).

The study on capital market research, immediately after the study of Ball and Brown (1968), presented many studies showing an association between market price and accounting numbers. As soon as their research was conducted, several types of research on value relevance were conducted which include disclosures on balance sheet items such as assets and liabilities, earnings statements using Ohlson Model (1995).

Nevertheless, previous research on value relevance concentrated on the UK and US stock markets only (see Barth & Clinch, 1996 Barth et al., 1999; Barth, 1994). Due to the rising significance with the more demand of financial reporting within the international capital markets, additional research examined the value relevance of financial reporting in markets considered to be non-US developed markets (Graham et al., 2000), and thereafter studies emerged in other emerging markets (see Chen et al., 2001; Kargin, 2013; Mironiuc et al., 2015; Umoren & Enang, 2015; Păşcan, 2015).

Now that Nigeria has adopted IFRS, which previous literature reported having more disclosures than Nigerian domestic accounting reporting, would there be a substitute for quality (relevance) of financial reporting to the investors? Several studies in Nigeria answered this question, however, with mixed reporting (see Mohammed & Lode, 2012b, 2015a; Mohammad et al., 2015; Omokhudu & Ibadin, 2015; Uthman & Abdul-baki, 2014).

This question for the current study addressed the level of the effect on IFRS on the value relevance from the sample of 126 firms that are

listed in Nigerian capital market. The stock price regression method produced by Ohlson (1995), frequently adopted in value relevance studies and empirically tested, was used for the study (see Barth et al., 2001; Gordon, 2001; Mechelli & Cimini, 2014). The dependent variable for the study was the stock price while independent variables were the assets and liabilities as measured for the study.

The study also employed panel data throughout the regression analysis. In the panel, full samples for the variables were provided which were also divided into pre- and post-adoption of IFRS. The period of 2009-2011 (three years) was the pre-adoption of IFRS and post-adoption IFRS adoption was from 2012 to 2013 (two years). The incremental value relevance in this study was defined from the increase in explanatory power of  $R^2$ , consistent with other value relevance studies (see Francis & Schipper, 1999; Graham et al., 2000). The Chow test (1960) was used to verify the statistical significance differences between the two periods.

The result of the findings from the regression analysis, assets, and liabilities have significant relationships with the stock price in the pre- and post-adoption of IFRS. Furthermore, incremental value relevance of accounting information was also noticed after the IFRS adoption from  $R^2$ . Liu, Yao, and Yao (2012) reported that findings from the value relevance of accounting information between two periods support the differences on the accounting information value relevance. Therefore, results from the analysis presented incremental value relevance at pots-adoption of IFRS among Nigerian firms.

The Chow test (1960) for statistical significance differences between the two periods provided evidence of significant statistical differences between the two periods. Several studies on the incremental value relevance reported evidence in decline on value relevance after IFRS adoption (see Dontoh et al., 2004; Francis & Schipper, 1999). The current study presented different results by providing evidence on the incremental value relevance after IFRS adoption in an emerging market that has unique reporting environment from developed markets.

### **Nigerian accounting reporting and IFRS**

Compared to accounting standards in UK and US, Nigerian accounting standards have recently been developed. As of 2009, for instance, the UK accounting board had issued 102 FRS, US issued 137 FASB standards, while the Nigerian NASB had issued 33 accounting standards. Also, compared to the UK, the Nigeria stock market and the stock issuers regulations were developed more recently.

On the other hand, trading in the UK has occurred since 1801, trading on the Nigeria Stock Exchange (NSE) began in 1960 as Lagos state stock exchange and in 1977 it became NSE. One of the oldest stock exchanges in the world is the London stock exchange that has been in existence for more than 300 years while the Nigerian stock exchange is less than 60 years old. In the UK, a considerable number of value relevance studies provide evidence of a relationship between firm value and accounting information (Green et al., 1996). The recent adoption of IFRS and security regulation in Nigeria, however, increases the question that at what point Nigerian security pricing effects Nigerian accounting information.

One of the critical discussions on the Nigerian domestic accounting standards is the adoption of IAS of UK in the Nigerian context. Although there are several updates on IAS, the Nigerian accounting standard receives little update like IAS (World Bank, 2010). The Nigerian stock market has been reported to be the second largest stock market in Africa after South Africa stock exchange by the NSE in 2013. However, the report of the world bank in the year 2010 provided evidence of non-update, non-compliance, and disclosures of accounting information by the Nigerian listed firms.

### **Value relevance studies in Nigeria**

Studies on value relevance in Nigeria has been conducted even before the IFRS adoption. The literature from Nigerian studies before the IFRS adoption provided value relevance of accounting information (see Adaramola & Oyerinde, 2014; Mulenga, 2015), and after the adoption of IFRS many other value relevance studies in Nigerian

context were conducted (Mohammed & Lode, 2012b, 2015; Muhammad et al., 2015; Omokhudu & Ibadin, 2015; Onalo et al., 2014; Umoren & Enang, 2015; Yahaya et al., 2015). These studies adopted (Ohlson, 1995) and secondary data for the value relevance studies. Also, studies on value relevance on voluntary IFRS adoption has been conducted by Tanko (2012) for banks and Abubakar (2015) for high tech companies. Uthman and Abdul-baki (2014) adopted survey data on professionals on the value relevance of accounting information.

The majority of value relevance literature conducted in Nigeria at pre-adoption and post-adoption of IFRS were based on book value and earnings, dividends, and cash flows (see Muhammad et al., 2015; Mulenga, 2015; Omokhudu & Ibadin, 2015; Onalo et al., 2014; Tanko, 2012; Umoren & Enang, 2015; Yahaya et al., 2015) and on assets, liabilities, and non-performing loans (see Mohammed & Lode, 2015; Muhammad & Lode, 2015). All the study findings reported value relevance of accounting information.

Among the studies, only Mohammed and Lode, in their studies, used to control variables such as size and leverage, consistent with other value relevance studies (see Okafor et al., 2016; Oswald, 2008; Rao, 2014). However, several studies on the value relevance of accounting information ignored the use of Audit “big 4” for their studies. Utilization of audit big 4 in the literature for value relevance research has been limited, even though firms with higher quality auditors provide a high quality of accounting information after IFRS (see Balsam et al., 2003; Teoh & Wong, 1993).

All the value relevance studies used adjusted  $R^2$  or  $R^2$  to determine the value relevance of accounting information after IFRS adoption. The test for statistical significance difference between the explanatory power of two periods is now commonly adopted in the value relevance of accounting information. However, Nigerian value relevance studies ignored the method and concluded that accounting information is value relevant.

**Table 1. Summary of value relevance studies in Nigeria**

<b>Author(s)</b>	<b>Year</b>	<b>Period</b>	<b>Analysis</b>	<b>Samples</b>	<b>Variables</b>	<b>Value Relevance</b>
Abubakar Adaramola & Oyerinde	2015 2014	2005-2011 1992-2009	Ohlson model Ohlson Model	6 High-tech firms 66 firms	Intangibles assets EPS, BV, Div & Cashflos	Intangibles assets Improved
Ernest & Oscar	2014	2007-2011	Ohlson Model	10 frims	book value, EPS & Leverage	EPS
Mohammed & Lode	2015	2009-2013	Ohlson Model	15 banks	Total Assets, Liabilities & Non-performing loans	Total Assets, Liabilities & Non-performing loans
Mohammed & Lode	2015	2009-2013	Stock Return model	15 banks	Total Assets, Liabilities & Non-performing loans	Total Assets, Liabilities & Non-performing loans
Omokhudu & Ibadin	2015	1994-2013	Ohlson Model	40 non-financial firms	book value, Earnings, Cash Flows & Dividend	Earnings, Cash Flows & Dividend value relevant
Onalo et al.	2014	2008-2013	Ohlson Model & Stock return	9 banks	Earnings management & time loss	Earnings management & time loss
Tanko	2012	2007-2010	Ohlson model	5 Banks	Earnings management & time loss	Earnings management
Umeron & Enang	2015	2010-2013	Ohlson Model & Stock return	21 banks	BV & EPS	Book value(BV)
Uthman & Abdul-baki	2014	Nil	Survey method	Professionals	Professional	IFRS enhance value relevance
Yahaya et al.	2015	2004-2013	OLS	21 banks	Profitability & growth	Growth

## Literature review

The initial term of the word value relevance was first used in the research by Amir, Harris and Venuti (1993). After that, different researchers found the work of Amir et al. exciting. For example, Barth (1994) examined whether investments securities are value relevant using two distinct measurement methods of historical cost and fair value of assets and earnings to stock prices. Similarly, Barth, Beaver and Landsman (1996) reported investment securities and loans under fair value disclosures to have significant explanatory power above book values. In contrast, Nelson (1996) investigated whether there is an association between fair value disclosure and market to book ratio and found value relevant of fair value securities. Then again, Khurana and Kim (2003) reported historical cost to have more informative than

the fair value measurements for loans and deposits but the fair value of the available-for-sale securities to be more informative than historical costs. According to Beisland (2009), most of the value relevance studies were linked to market efficiency as they explained the relationship between stock price and accounting numbers.

The value relevance of financial reporting literature after the IFRS adoption is considered inconclusive. For instance, Jermakowicz, Prather-Kinsey and Wulf (2007) reported likewise, using German firms incremental value relevance under IFRS or US GAAP. In contrast, Callao, Jarne and Laínez (2007) do not support an increase in the value relevance of accounting information after IFRS adoption among Spanish firms. Tsoligkas and Tsalavoutas (2011) examined the value relevance of accounting numbers after the IFRS adoption in Europe and reported different results.

Horton and Serafeim (2010) empirically reported value relevance of positive earnings before disclosures while negative earnings adjustment become value relevant after IFRS disclosure only. The work of Clarkson, Hanna, Richardson and Thompson (2011) concluded a decline in value relevance after IFRS adoption among European firms from Common Law countries, however, an increase in value relevance in Code law countries is observed. The study of Henry, Lin and Yang (2009) indicated significant differences between results of firms reporting under IFRS and companies reporting under U.S GAAP, notwithstanding convergence. Similarly, Chiu and Lee (2013) concluded that accounting quality prepared under IFRS and US GAAP for US companies are comparable to each other, except earnings exhibit less asymmetry than US GAAP accounting numbers. However, Kim (2013) concluded that Russian firms that reported under IFRS provided better accounting quality than those reported under Russian GAAP.

Vijitha and Nimalathasan (2014) investigated the value relevance of book value, price earnings, return on equity, and earnings per shares for the period of 2008-2012. They reported a significant positive relationship between stock price and return on equity without significant impact on stock price. However, book value and earnings

per share provided similar findings, except earnings price ratio that presented negative and weak relationship with stock price. Study on the value relevance of compliance with the mandatory adoption of IFRS was carried by Tsalavoutas and Dionysiou (2014), their study reported value relevance of mandatory compliance with the adoption of IFRS.

Furthermore, they indicated that  $R^2$  coefficient for net income was higher under high compliance firms compared to those firms with lower compliance with IFRS. De George, Ferguson and Spear (2013) suggested that firms that have greater exposure to audit complexity report higher increase in cost for compliance with the IFRS adoption. Tsalavoutas, André and Evans (2012) on the Greece stock market examined whether IFRS affects on the combined incremental value relevance of market equity valuation and net income. The study found a significant change in value relevance of the explanatory power of value relevance after IFRS adoption.

A new flow of study investigated the relevance of accounting information in emerging markets. The arguments of the research rest on the limited sources and market imperfection of reliable data attributed to the emerging market when matched with developed economies. Lopes (2002) revealed that the possible failure of stock price to provide all available information for firms altogether could be because accounting numbers become powerful (relevant) and credible for decision making compared to the developed market.

Chen et al. (2001) investigated the value relevance of book value and earnings in Chinese Stock Market and reported both book value and earnings are value relevant after IFRS adoption. Similar results were provided by Hellstrom (2006), Kabir, Laswad and Islam (2010), Kargin (2013), Suadiye (2012) and Pourheydari, Aflatooni and Nikbakhat (2008).

Hellstrom (2006) investigated the value relevance of new accounting reporting under IFRS compared to the Czech Republic domestic accounting standards. The study concluded that book value and earnings value relevant are lower than the Sweden book value and earnings due to the more advanced economy than the Czech Republic.

However, value relevance of accounting information was reported after the IFRS adoption.

The study of Kabir, Laswad and Islam (2010) revealed greater value relevance of total assets, liabilities, and net profits after IFRS adoption. They also reported an increased value relevance in profit and equity after adjustment of investment property, other intangibles under IFRS and a decrease from the adjustments for share-based and employee benefits and share-based payments. However, using another data from 2002-2009, they discovered absolute discretionary accruals to be significantly higher under IFRS. But, they reported significant differences from the discretionary accruals to predict earnings one-year-ahead cash flows among IFRS and domestic standard in New Zealand.

Kargin (2013) determined the effect of IFRS transition on value relevance among Turkish listed firms using the period of 1998 to 2011. The study findings specified that value relevance was improved at the IFRS period (2005-2011) for the book values while no incremental value relevance was observed in value relevance of earnings. Similarly, Suadiye (2012) examined the impact of IFRS on the value relevance of accounting information in the listed firms from the Istanbul Stock Exchange for the period of 2000-2009 (nine years). The study found a significant relationship between both book value and earnings during the transition to IFRS. Pourheydari, Aflatooni and Nikbakhat (2008), using Tehran Stock Exchange (TSE), reported evidence of value relevance of combined book value, earnings, and dividends. Furthermore, the study reported an increase in value relevance of book value and earnings and book value, and dividends to be approximately equal. They also reported a decrease in value relevance during the period of study.

There is no agreed empirical and competing evidence from the literature that suggests accounting information disclosed and prepared under IFRS could provide more value relevance due to its orientation that supports greater area for judgment and greater importance on fair values. Additionally, the majority of the theoretical discussions exposed that disclosures in accounting are value enhancing under

IFRS since the adoption of IFRS requires more disclosures; it could be possible of incremental value relevance after mandatory IFRS adoption. Nigeria, being the second largest capital market after South Africa in Africa, required to have greater value relevance of assets and liabilities at IFRS adoption for investors to participate more in the market.

Given that, the most significant understanding is if the net importance of reporting more disclosure could be either positive or negative specifically, assets and liabilities disclosures under IFRS. There are fewer studies that have found incremental value relevance of accounting information during the IFRS transition (Huian, 2015). The study of Schadewitz and Vieru (2007), and Francis and Schipper (1999) suggested decline in value relevance of financial reporting after IFRS adoption, while Christensen, Hail, and Leuz (2013) argued for a little or no effect on the improvement of value relevance after IFRS adoption.

Due to these findings, the following hypotheses are suggested:

**H1:** Assets and liabilities disclosures in emerging market provide more value relevant of accounting information after the IFRS adoption among firms in Nigeria.

**H2:** Assets disclosures in emerging market provides more value relevant of accounting information after the IFRS adoption among firms in Nigeria.

**H3:** Liabilities disclosures in emerging market provides more value relevant of accounting information after the IFRS adoption among firms in Nigeria.

## **Methodology**

In the previous studies, different models have been used to established the incremental value relevance of accounting disclosures among firms (see Gjerde et al., 2011; Ioannis & Dionysia, 2014; Kargin, 2013; Karunaratne & Rajapakse, 2010). Two major approaches have been used for the value relevance studies. These approaches are the stock prices regression developed by Ohlson (1995) and stock return models by Easton and Harris (1991). Price regression examines

whether accounting measures are reflected in the stock price (Barth et al., 2001). According to Jianwei and Liu (2007) price model has more advantages over return model, and more unbiased earnings coefficients are yielded as stock price revealed cumulative earnings information effect (Kothari & Zimmerman, 1995). Therefore, this study concentrates on only stock price regression model. Hence, the study adopts methodology used by (Barth & Clinch, 1996; Barth, 1994; Kargin, 2013).

The sample for the study is consisted of 126 firms with 630 observations for the full sample. The period was divided into two periods using 2009-2011 (three years) as pre-adoption of IFRS and 2012-2013 (two years) as post-adoption of IFRS consistent with Kadri, Ibrahim and Aziz (2010). The number of observations for the pre-adoption is 378 observations and 252 observations after the adoption as in Table 2.

**Table 2. Study samples 2009-2013**

Year	Full Sample	Non-Financial	Financials
PRE-ADOPTION 2009-2011			
2009	126	70	56
2010	126	70	56
2011	126	70	56
Total	378 Observations		
POST-ADOPTION 2009-2011			
2012	126	70	56
2013	126	70	56
Total		252 Observations	
<b>POOLED DATA</b>		<b>630 OBSERVATIONS 2009-2013(Five years)</b>	

Source: Authors work 2016

### **Price regression model**

Price regression is a summary measure of relevant accounting information to investors. The measure in the model is a relationship between firms share prices with accounting disclosures of assets and liabilities. The basic concept of this approach is that stock prices are the function of Total Asset (TA), Total Liabilities (TL), and Audit four “Big 4” AUD as a control variable. One important aspect of this research is to scale all independent variables by the total number of shareholding (Barth et al., 2001; Venkatachalam, 1996) to reduce

scale<sup>1</sup> effect. We run our data as a panel data for the period of five years using three years before adoption and two years after adoption as in Kadri et al. (2009).

### a) The regression model

The following regression model is formulated for the study;

$$SP_{it} = \alpha_{it} + \beta_1 TA_{it} + \beta_2 TL_{it} + \beta_3 AUD_{it} \quad \dots \quad (1A)$$

$$SP_{it} = \alpha_{it} + \beta_1 TA_{it} + \beta_3 AUD_{it} \quad \dots \quad (1B)$$

$$SP_{it} = \alpha_{it} + \beta_2 TL_{it} + \beta_3 AUD_{it} \quad \dots \quad (1C)$$

The study draws its model from the following variables

$SP_{it}$  = Share Price of Firm  $i$  in Fiscal Year end  $t$

$TA_{it}$  = Assets per share of Firm  $i$  Fiscal Year end  $t$

$TL_{it}$  = Liabilities per share of Firm  $i$  Fiscal Year end  $t$

$AUD_{it}$  = Auditors “1” for “Big 4” auditors and “0” otherwise, as dummy variable

The study measured the relevance of accounting information based on the  $R^2$  for stock prices. The two explanatory powers of  $R^2$  statistical significance differences between pre-adoption and post-adoption of IFRS were measured as reported by Chow test (1960), consistent with Graham et al. (2000), Harris et al. (1994), and Ball et al. (2000). The standard deviation of estimated  $R^2$  of the pre- and post-adoption of each model is computed as suggested by Chow test<sup>2</sup> (1960).

### Descriptive statistics

Table 3 provided a descriptive statistic for the pooled data sample and the different regressions performed for the assets and liabilities. The variables in Table 3 for the panel data descriptive statistics is for the period of pre- and post-adoption of IFRS using the full sample. The result under pre-adoption period presented a mean value of the SP with NGN17.714 lower than the post-adoption of IFRS reported NGN21.37. The mean value for TA under pre-adoption of IFRS was

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1. Scaling means to deflate or divide by a common dominator in order to remove firm specific issues and to improve comparability.
  2. The estimated  $R^2$  is a function of sample size, the number of independent variables, and the true  $R^2$ .

NGN21.1659 lower than the post-adoption means of TA NGN26.2027. The mean value of TL under pre-adoption has 14.9879 lower than the post-adoption of IFRS that presented a mean of NGN25.1907. The AUD mean value under pre-adoption provided a mean of NGN0.8492 less than the post-adoption means of AUD 0.8532.

The higher means under the IFRS adoptions, signifying greater value relevance of accounting information. The incremental value relevance of accounting information could be attributed to the higher mean under IFRS. This could be possible, because, during 2012 in Nigeria, there was a drastic growth of the Nigerian capital market that attracted many investors. This is evident by the growing figure of investors in the Nigerian economy. The increase in the number of investors improved the bond registration of the Nigerian domestic currency with JP Morgan currency index in the year 2012. Also, the local bond reported a large boost in 2013 in Nigeria because of the inclusion in the sovereign bonds of Barclay's Emerging bond index. Also, the period of 2013, NSE reported that market capitalisation during the period recorded an appreciation of 13.55% in December 2012 with consistent growth of about 0.61% on a daily basis (NSE, 2013).

The growth has contributed in attracting investments from foreign investors with estimated assets in the country of about USD 5.6 billion in bonds during the two periods (Peter & Nnorom, 2013) Another possible explanation could be that firms were recovering from the financial crisis in the period coupled with merger and acquisition of companies, particularly banks in Nigeria.

Although, stock price model presented greater means, the results of statistical difference provided no differences between the two periods, using Ranksum test<sup>1</sup>, popularly called Mann-Whitney two sample statistic<sup>2</sup> (t-test) (Wilcoxon, 1946; Mann & Whitney, 1947); The value of the skewness and kurtosis provided in the table is the acceptable limit of -1 to +1 for skewness and -3 to +3 for kurtosis.

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1. Ranksum tests the hypothesis of two independent groups means

2. Stata command: Ranksum variable, by (group). Group means years of adoption

**Table 3. Descriptive statistics for variables of assets and liabilities and selected assets and liabilities**

	PRE-ADOPTION 2009-2011			POST-ADOPTION 2011-2013			T-test			
	Variable	Obs	Mean	Std.Dev	Min	Max	Ske	Kurt	Obs	p-value
AUD	TL	TA	SP							
378	378	378	378							
0.8492	14.9879	21.1659	17.7114							
0.3583	73.4875	42.8743	61.7596							
0.00	0.0188	0.7518	0.44							
1.000	996.7195	356.6106	898							
0.96	0.77	0.77	0.62							
2.81	3.68	3.68	2.81							
252	252	252	252							
0.8532	25.1907	26.2027	21.37							
0.3546	191.8297	47.5186	77.58							
0.000	0.023	1.0044	0.48							
1.000	2591.51	331.5361	1100							
-1.00	0.78	0.78	0.34							
1.98	3.27	3.27	2.45							
-0.137	0.9392	1.5065	0.0823							
0.5545	0.174	0.0662	0.5328							

Note: All variables in the table are based on the annual report published by firms listed in the stock market. SP= share prices three months after the fiscal year for firm i. TA= is the total assets, TL=total liabilities, CA=current assets, FA=fixed assets, CL=current liabilities, NCL=non-current liabilities. All variables are for firm  $i$  at the end of year  $t$ , All variables are deflated by the total outstanding shares at the end of the fiscal year except SP, AUD = Auditors “1” for “Big 4” and “0” otherwise. All variables provide no statistical significance. Only CA under-price model provides mean significant differences from the t-test for the mean differences.

Converted to NGN156=USD1 and in billions of Naira

### Pearson's correlations

Table 4 presented Pearson's correlation between variables used in estimating the pre-adoption and post-adoption models, respectively. Both the pre-adoption and post-adoption TA, and AUD were positively correlated with share prices. The variable TL reported a negative and significant correlation with stock prices. Variables (TA and TL) are statistically significant at 1% level for both pre- and post-adoption periods, except for AUD that is significant at 1% under pre-adoption and 10% significant level in the post-adoption of IFRS. The significant associations between the two periods are as expected. The correlation of variables TA and TL with share price is greater under

pre-adoption of IFRS. This could be as a result of the adoption of IFRS by all firms in the period of 2012.

**Table 4. Pearson's correlation for total assets and total liabilities**

<b>PRE-ADOPTION 2009-2011</b>				
<b>Var</b>	<b>SP</b>	<b>TA</b>	<b>TL</b>	<b>AUD</b>
SP	1			
TA	0.3079***	1		
TL	-0.1231***	0.0057	1	
AUD	0.0682***	0.0965	0.0801	1
<b>POST-ADOPTION 2012-2013</b>				
<b>Var</b>	<b>SP</b>	<b>TA</b>	<b>TL</b>	<b>AUD</b>
SP	1			
TA	0.4044***	1		
TL	-0.1414***	-0.0273	1	
AUD	0.09130*	0.044	0.0505	1

Significant level \*\*\*1%, 5% \*\* & 10%\*

### **Yearly cross-sectional data**

Table 5 below is the results of yearly cross-sectional regression from the Model 1 of price on TA and TL. Ordinary least Square (OLS) estimation is used to determine the coefficients estimates. The R-Squared ( $R^2$ ) ranges from 18.17% to 26.29% from 2009 to 2010, respectively, then drops to 18.34% in 2011, then it increases to 22.41% in 2011 and also improves to 23.75% in 2013 for the cross-sectional data. The increase is considerably noticed from the year of IFRS adoption. The mean values for both TA and TL also increase and decrease just like the  $R^2$ . However, the coefficients of TA were positives, and TL is negatives and significant for all the years of pre-adoption (2009-2013) to the after the adoption of IFRS. The years 2009 and 2010 do not provide any issues with White's (1980) heteroscedasticity. However, the White's (1980) test was significant for the years 2011, 2012, and 2013. This demonstrated the presence of heteroscedasticity. The robust standard error was employed to remove heteroscedasticity in the models. All models with p-values that are significant are based on the Whites robust standard error. The

Variance Inflation Factor (VIF) for Multicollinearity is evaluated within the maximum of 1.02. This indicated VIF is not an issue in the model.

**Table 5. Cross-sectional regression data from 2009-2013**

		$SP = \alpha_0 + \beta_1 TA_{it} + \beta_2 TL_{it} + \beta_3 AUD_{it}$						
		$\alpha_0$	$\beta_1$	$\beta_2$	$\beta_3$	R2	F-sta	P
Coef	2009	0.2280	0.0141	-0.0021	0.6327	0.1817	13.66	0.000
t-vale		0.84	4.17	3.93	2.03			
p-value		0.404	0.000	0.000	0.045			
White's test		3.500	0.899					
Vif			1.02	1.00	1.03			
Coef	2010	0.5072	0.0178	-0.0016	0.5156	0.2629	33.87	0.000
t-vale		1.83	5.41	8.81	1.67			
p-value		0.070	0.000	0.000	0.098			
White's test		5.950	0.653					
Vif			1.02	1.00	1.02			
Coef	2011	0.4769	0.0125	-0.0012	0.6718	0.1834	75.91	0.000
t-vale		1.54	2.45	12.8	2.07			
p-value		0.125	0.016	0.000	0.041			
White's test		37.500	0.000					
Vif			1.01	1.00	1.01			
Coef	2012	0.4158	0.0147	-0.0035	0.6758	0.2241	14.44	0.000
t-vale		1.38	4.67	4.02	2			
p-value		0.170	0.000	0.000	0.047			
White's test		25.46	0.0013					
Vif			1.01	1.00	1.01			
Coef	2013	0.6405	0.0168	-0.0032	0.7066	0.2372	9.70	0.000
t-vale		2.27	3.35	3.44	2.26			
p-value		0.025	0.001	0.001	0.026			
White's test		25.4700	0.0013					
Vif			1.01	1.00	1.01			

Significant level \*\*\*1%, 5% \*\* & 10%\*

SP=  $\alpha_0 + \beta_1 TA_{it} + \beta_2 TL_{it} + \beta_3 AUD_{it} + \mu_{it}$

Variable definitions for Table 15: SP= Share price of firm three months after the year end t.

TA=Total assets TL=Total liabilities. AUD = Auditors “1” for “Big 4” and “0” otherwise.

$\beta$ = Coefficient of the explanatory variables. variables. R<sup>2</sup>= R-squared the panel. P-values are estimated based on the White's (1980) corrected error for heteroscedasticity. All variables per share are for of firm i at the end of fiscal year t.

## Regression analysis

What the regression results in Table 6 is based on the White's test (1980), heteroscedasticity robust standard error. The Multicollinearity, known as the Variance Inflation Factor (VIF), is within the acceptable limit of VIF<10, in fact, the highest VIF was 1.01. Therefore, multicollinearity is not an issue.

The results in Table 6 and Table 7 are for pooled data, pre- and post-adoption of IFRS for the TA and TL with control variables AUD. Table 6 contains full samples for Model 1A. To further examine the explanatory power of each of the variables, Table 6 is divided into two models in Table 7, as Model 1B for TA and AUD and Model 1C for TL and AUD.

The findings of the pooled data in Table 6, Model 1A, provided regression analysis of positive coefficients for TA and AUD ( $TA=0.0147$  and  $AUD=0.6498$ ) at significant levels of 1% association with the stock price as expected. The variable TL was negative with coefficient -0.0015 at a significant level of 1% relationship with the stock price. The explanatory power of  $R^2$  for the period explained 20.52% variance with the stock price in the pooled data. To examine the explanatory power of each of the variables, the Model 1B provided a greater combined explanatory power of  $R^2$  of 18.97% than Model 1C TL with an explanatory power of 4.79%. This assumed that Model 1B Table 7 has an overlapping incremental information contain than the Model 1C. The possible explanation of the higher explanatory power of Model 1B could best be described investors reliance on the assets valuation model in making investment decisions. Also, greater use of assets by the investors could also explain the lower explanatory power of liabilities.

The pre-adoption period in Table 6, when compared with the post-adoption, there was greater explanatory of  $R^2$  than the pre-adoption period (pre-adoption=19.96% and post-adoption=23.26%). The variables under pre-adoption in Table 6 regression presented TA and AUD with coefficients 0.00143 and 0.6647 all at significant levels of 1% association with the stock price. The variable TL had a negative coefficient of -0.0014 at a significant level of 1% relationship with the stock price. The explanatory power of  $R^2$  explains 19.96% variance with the stock price.

The post-adoption period in Table 6 presents that TA and AUD were both with positive coefficients of 0.0158 and 0.6141 all at significant levels of 1% association with stock price respectively. The variable TL was negative with coefficient -0.0032 at a significant

level of 1% relationship with the stock price. The explanatory power of  $R^2$  for the period explained 23.26% greater than the pre-adoption of IFRS. This proved that there is incremental value relevance of accounting information after the adoption of IFRS. The Chow test (1960) did support statistical significance between the two periods (value relevance,  $F=6.05$  at a significant level  $p\text{-value}=0.000142$ ). Therefore, differences in value relevance between the two periods can be supported. This needs to be handled with greater care, because the time limit for the study is not equally distributed and some firms exempted from the study as either outlier or not having complete disclosures for the study. Also, the period of financial crisis and economic turmoil of the country would be contributing a factor of no differences in value relevance of accounting information between the two periods. Therefore, we accept the Hypothesis.

**H:** assets and liabilities disclosures provided more value relevance of accounting information after the IFRS adoption among Nigeria firms.

**Table 6. Panel A: Price model 1A, regression analysis TA and TL**

Price <sup>1</sup>	1A: $\alpha_0 + \beta_1 \text{TA}_{it} + \beta_2 \text{TL}_{it} + \beta_3 \text{AUD}_{it}$				
	$\alpha_0$	$\beta_1$	$\beta_2$	$\beta_3$	$R^2$
<b>POOLED SAMPLE 2009-2013</b>					
Coef	0.4655***	0.0147***	-0.0015***	0.6498***	0.2052
Tvalue	3.66	7.51	-5.43	4.59	
p-value	0.000	0.000	0.000	0.000	
Whites Chi	27.69	0.0005			
<b>PRE-ADOPTION 2009-2011</b>					
Coef	0.3480**	0.0143***	-0.0014***	0.6647***	0.1996
Tvalue	2.13	5.32	-6.97	3.67	
p-value	0.034	0.000	0.000	0.000	
<b>POST-ADOPTION 2012-2013</b>					
Coef	0.6276***	0.0158***	-0.0032***	0.6141***	0.2326
Tvalue	3.09	5.53	-5.01	2.72	
p-value	0.002	0.000	0.000	0.007	
VIF	1.01	1.00	1.01		
Chow test (1960)	F=6.05				P=0.000142*

Significant level \*\*\*1%, 5% \*\* & 10%\*

SP=  $\alpha_0 + \beta_1 \text{TA}_{it} + \beta_2 \text{TL}_{it} + \beta_3 \text{AUD}_{it} + \mu_{it}$

Variable definitions for Table 15: SP= Share price of firm three months after the year end t. TA=Total assets TL=Total liabilities. AUD = Auditors “1” for “Big 4” and “0” otherwise.  $\beta$ = Coefficient of the explanatory variables. variables.  $R^2$ = R-squared the panel. P-values are estimated based on the White’s (1980) corrected error for heteroscedasticity. All variables per share are for of firm i at the end of fiscal year t. Chow test (1960) statistical significance differences between the two periods

To also examine the differences of value relevance between the variables, full samples were further divided into two models as Model 1B and 1C in Table 7. Model 1B pooled samples has variables TA and AUD regression analysis with positive coefficients (TA=0.0146 and AUD=0.6665) all at significant levels of 1% association with stock prices. The explanatory power of the  $R^2$  in the period was 18.97%. Model 1C pooled data generated TL with negative coefficients of -0.0014 at a significant level of 1% association with the stock price, and AUD was positive with coefficients 0.8376 at a significant level of 1% relationship with the stock price. The  $R^2$  for the period explained 4.79% variance with the stock price. The  $R^2$  for the Model 1C was lower than the Model 1B. This explained assets to have higher utilisation than liabilities by the investors.

The pre-adoption in Table 7 is for Model 1B presenting TA and AUD with positive coefficients of 0.0142 and 0.6889 all at significant levels of 15 associations with stock price respectively. The explanatory power of  $R^2$  for the period explained 18.045 variances with the stock price. The Model 1C presents negative coefficient of -0.0013 and the positive coefficient for AUD of 0.8412 all at significant levels of association with the stock price. The explanatory power of  $R^2$  for the period explained 5.01% variance with the stock price.

The post-adoption periods in Table 7 for Model 1B show that TA and AUD variables have positive coefficients of 0.0159 and 0.6183 at significant levels of 1% association with stock price respectively. The explanatory power of  $R^2$  for the period explained 21.70% greater than the pre-adoption of IFRS. The post-adoption of IFRS for Model 1C had TL with a negative coefficient and AUD with a positive coefficient of -0.0034 and 0.8286 all at a significant level of 1% associations with stock price respectively. The explanatory power of  $R^2$  for the period explained 5.17% variance with the stock price. The  $R^2$  for the post-adoption of IFRS period, although not much sequential differences, is greater than the pre-adoption of IFRS.

The explanatory power of Model 1B reported larger  $R^2$  than Model 1C for the pooled data, pre-and post-adoption of IFRS. This could be

explained by the greater reliance on assets by the investors for decision making. However, the lower explanatory power of  $R^2$  of Model 1C could also be attributed to the higher explanatory power of Model 1B. The Chow test (1960) statistical significance for the two periods do support value relevance increment (Model 1B=0.26435 and Model 1C=0.2946) between the two periods (Model 1B value relevance,  $F=5.03$  at significant level  $p\text{-value}=0.00021$  and model B, value relevance,  $F=4.56$  at a significant level  $p\text{-value}=0.00241$ ). Therefore, hypotheses H2 and H3 cannot be rejected.

**Table 7. Panel B: Price model 1B and model 1C, regression analysis TA and TL**

Price <sup>1</sup>	1B: $\beta_1TA_{it} + \beta_3AUD_{it}$			IC: $\beta_2TL_{it} + \beta_3AUD_{it}$		
	$\beta_1$	$\beta_3$	$R^2$	$\beta_2$	$\beta_3$	$R^2$
<b>POOLED SAMPLE 2009-2013</b>						
coef	0.0146***	0.6665***	0.1897	-0.0014***	0.8376***	0.0479
tvalue	7.52	4.7		-4.98	5.46	
p-value	0.000	0.000		0.000	0.000	
<b>PRE-ADOPTION 2009-2011</b>						
coef	0.0142***	0.6889***	0.1804	-0.0013***	0.8412***	0.0501
tvalue	5.30	3.81		-6.62	4.2	
p-value	0.000	0.000		0.000	0.000	
<b>POST-ADOPTION 2011-2013</b>						
coef	0.0159***	0.6183***	0.2170	-0.0034***	0.8286***	0.0517
tvalue	5.62	2.74		-6.01	3.49	
p-value	0.000	0.007		0.000	0.001	
Chow test (1960)	$F=5.03$		$P=0.00021^{**}$	$F=4.56$		$P=0.00241^{**}$

Significant level \*\*\*1%, 5% \*\* & 10%\*

$$SP = \alpha_0 + \beta_1 TA_{it} + \beta_3 AUD_{it} + \mu_{it}$$

$$SP = \alpha_0 + \beta_2 TL_{it} + \beta_3 AUD_{it} + \mu_{it}$$

Variable definitions for Table 4: SP= Share price of firm three months after the year end t. TA=Total assets TL=Total liabilities for AUD = Auditors “1” for “Big 4” and “0” otherwise.  $\beta$ = Coefficient of the explanatory variables.  $R^2$ = R-squared the panel. P-values are estimated based on the white's (1980) corrected error for heteroscedasticity. All variables per share are for of firm i at the end of fiscal year t. Chow test(1960) statistical significance differences between the two periods

The results of the findings of the study are consistent with studies of Barth, Beaver and Landsman (1996) and Venkatachalam (1996) by reporting the positive and significant relationship between assets and

liabilities respectively. They also provided evidence that fair value measurements provide better accounting information than the historical cost. The findings are also similar to the results of Omokhudu and Ibadin (2015) that book value and earnings provided more value relevance of accounting information after IFRS adoption in Nigeria.

### **Robustness test**

#### **Regression analysis for financial and non-financial firms**

To ensure the robustness of our findings, the data was divided into non-financial and financial firms in Table 8. The findings in the non-financial firms are similar to the full samples for the pooled data, pre- and post-adoption in term of signs and significance except for the AUD variables. The  $R^2$  for the periods after the adoption is greater than the pre-adoption of IFRS. The explanatory power of  $R^2$  for both non-financial and financial firms are within the range. For instance, full sample for pooled data presented 20.52% higher than non-financial firms with 19.09%, but lower than financial firms 21, 12%. Pre-adoption period full sample 19.96%, non-financial 18.62% and financial 22.57% explanatory power. Post-adoption for full sample 23.26%, non-financial 21.82% and financial 26.15% explanatory power of association. All variables under financial firms provided significant associations with a stock price like Model 1A. The results of the robustness provided incremental value relevance of accounting information after the IFRS adoption. The Chow test (1960) statistics provided significance differences between the two periods has been consistent with the Model 1A. In this case, hypotheses H1, H2, H3 cannot be rejected.

The reason for the higher explanatory power of financial firms could be attributed to the fact that they constitute a greater percentage of market capitalisation than any other sector in the Nigerian capital market. Another reason may be connected to having more regulations in Nigeria than any other sector because of its significance to the Nigerian economy.

**Table 8. Price regression model 1, financials and non-financials firms TA and TL**

Price <sup>1</sup>	Non-Financial				Financials				R <sup>2</sup>	
	1D: $\alpha_0 + \beta_1 TA_{it} + \beta_2 TL_{it} + \beta_3 AUD_{it}$				1D: $\beta_1 TA_{it} + \beta_2 TL_{it} + \beta_3 AUD_{it}$					
	$\alpha_0$	$\beta_1$	$\beta_2$	$\beta_3$	R <sup>2</sup>	$\beta_1$	$\beta_2$	$\beta_3$		
	POOLED SAMPLE				POOLED SAMPLE					
coef	1.2647***	0.0138***	-0.0013***	0.3167	0.1909	0.0137***	-0.0062***	0.3683**	0.2112	
tvalue	4.94	7.67	-5.20	1.18		3.33	-2.82	2.58		
p-value	0.000	0.000	0.000	0.240		0.001	0.005	0.010		
	PRE-ADOPTION 2009-2011				PRE-ADOPTION 2009-2011					
coef	1.0871***	0.0147***	-0.0012**	0.3921	0.1862	0.0120****	-0.0067**	0.2995**	0.2257	
tvalue	3.17	6.32	-7.01	1.09		2.75	-2.35	1.68		
p-value	0.002	0.000	0.000	0.276		0.007	0.020	0.095		
	POST-ADOPTION 2012-2013				POST-ADOPTION 2012-2013					
coef	1.5149***	0.0129***	-0.0032***	0.1861	0.2182	0.0237***	-0.0052***	0.4063 <sup>#</sup>	0.2615	
tvalue	4.04	4.69	-13.49	0.47		5.20	-3.400	1.74		
p-value	0.000	0.000	0.000	0.640		0.000	0.000	0.085		
Cramer-test(p-value)					0.3770				0.41683	

Significant level \*\*\*1%, 5% \*\* & 10%\*

SP=  $\alpha_0 + \beta_1 TA_{it} + \beta_2 TL_{it} + \beta_3 AUD_{it} + \mu_{it}$

Variable definitions for Table 15: SP= Share price of firm three months after the year end t. TA=Total assets  
 TL=Total liabilities. AUD = Auditors “1” for “Big 4” and “0” otherwise.  $\beta$ = Coefficient of the explanatory variables. variables. R<sup>2</sup>= R-squared the panel. P-values are estimated based on the White’s (1980) corrected error for heteroscedasticity. All variables per share are for of firm i at the end of fiscal year t. Chow test(1960) statistical significance differences between the two periods

## Conclusion

Before 2008, the Nigerian capital market was doing well. The financial institutions, particularly the banking sector, had the greatest growth among the sectors in the stock market. As a result of the global turmoil of 2008-2009, firms in Nigeria suffered grave consequences in the stock exchange market, with several companies either merged or acquired by bigger companies. The crisis within the period led to the collapse of capital market by more than 70% resulting in the sack of several management teams of the banks in Nigeria according to CBN report in 2009. The CBN had to inject about NGN 620 Billion (USD 4 Billion) to stabilize the economy and return investors and market confidence (Sanusi, 2010). Through this rescue effort by the CBN, Nigerian capital market became stable and improved by the year. After that, more regulations were introduced by the Nigerian government for the stock market.

Therefore, present study addresses whether the adoption of IFRS has provided incremental value relevance of accounting information after the IFRS adoption. The result of our study shows that accounting information has improved significantly after the adoption of IFRS among Nigerian firms. The results from Chow test (1960) for statistics significant differences suggested incremental value relevance of accounting information after IFRS adoption. The result of our findings is consistent with other studies in both developed and emerging economies, showing incremental value relevance of accounting information after IFRS adoption. The results of this study were in line with other value relevance studies in Nigeria by reporting value relevance of accounting information after IFRS adoption using explanatory power ( $R^2$ ). Although, all the previous studies do not provide statistical significance differences between the two periods. Additionally, control variables effect on the adoption of IFRS does not provide in their studies. Lastly, the robustness test conducted for the study shown that it was driven by the non-financial firms. The results of both full sample and non-financial firms are similar in sign and explanatory power showing that the study result was robust enough.

Several literature reported a decline in value relevance of accounting information over a period in developed and developing economies. This study contributed to the value relevance studies that accounting information did not decrease over a period in the Nigerian context. The variables assets and liabilities in the study provided empirical evidence that investors utilised them in valuation method in Nigerian market. Also, assets and liabilities are to boost the confidence of investors as well as support share price, particularly during the financial crisis in Nigeria. Audit “big 4” employed in the study demonstrated that accounting information improved the quality of auditors. This is consistent with previous literature that several factors could influence information content of accounting numbers such as audit “big 4”, size, firm age, and many others (Al-Hares et al., 2012). Therefore, the findings revealed that value relevance of accounting information was driven by the audit “big 4” effects in the Nigerian context. The robustness test confirmed that non-financial

firms are the driving force for the study. This is not surprising because financial firms had the feeling of greater impact on the 2008-2009 financial crisis.

This study faced with limitations of using 126 firms listed in Nigerian stock market instead of the full 194 firms in the year 2013. The study used only stock price method for the valuation ignoring stock return. A future study could look at stock return model for the similar research. The study focused on the assets and liabilities only. Furthermore, studies could be extended using more data from different sectors in Nigeria, using aggregated data from the balance sheet, net income, and expenditure, cash flows, and earnings components to determine the relationship between with both stock price and return.

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