Global Scientific and Academic Research Journal of Multidisciplinary Studies
ISSN: 2583-4088 (Online)
Frequency: Monthly
Published By GSAR Publishers
Journal Homepage Link- https://gsarpublishers.com/journals-gsarjebm-home/

INTERNATIONAL FINANCIAL REPORTING STANDARDS AND VALUE RELEVANCE OF ACCOUNTING INFORMATION OF DEPOSIT MONEY BANKS IN NIGERIA

BY

[1*]Gift Orokwele OGONDA, [2]Ebikefe Kenneth OKIAKPE, PhD

[1]Department of Accountancy, Faculty of Management Science Rivers State University, Nkpolu-Oroworukwo, Port Harcourt.

[2]Department of Accounting, Faculty of Management, Niger Delta University, Wilberforce Island. P.M.B 071, Yenagoa, Bayelsa State, Nigeria.

Article History

Received: 02/05/2022
Accepted: 22/05/2022
Published: 24/05/2022

Vol – 1 Issue – 2

PP: - 8-17

Abstract

The broad objective of this research was to empirically examine the effect of IFRS on value relevance of accounting information. This study employs a longitudinal panel research design. The population of this study covers all quoted banks listed on the Nigerian Stock Exchange. As at the study period, there were only 15 quoted banks on the Nigerian Stock Exchange and this also forms the sample for the study. Secondary data was been used for this study. The data was retrieved from corporate annual reports of the sampled banks for 2010-2017 financial years. The researcher utilizes only corporate annual reports because they are readily available, accessible and also provides a greater potential for comparability of results. More so, they are produced annually and kept in public sphere. The Ordinary least square regression (OLS) was used for the data analysis. The study findings revealed that while IFRS adoption has a statistically significant influence on Earnings per share and Dividend per share value relevance; it has no statistically significant influence on Book value per share value relevance. The study recommends that investors and indeed users of accounting information should still be confident in relying on accounting information prepared by corporate entities in making investment decisions. The study recommends that there is need for companies to comply fully with all IFRS standards in the preparation of financial reports since IFRS adoption was found to have positive effects on value relevance.

Keywords: *IFRS, Earning per share, dividend per share, value relevance, book value per share.*

Introduction

Years back, accounting practitioners have focused increasingly on evaluating the relevance of accounting information. It believed ancient method of financial statements had lost their usefulness with the transition from an industrialized economy to modernized economy. The stream of researches investigating this relationship has been termed "value relevance" of accounting information. Dahmash, *et al.*, (2009) posit that value relevance measures the joint response of earning or some other measures of the accounting and market returns to information arrival. Thus, value relevance represents the association between the information impounded in the accounts and the information impounded by the market. Nilsson (2003) defines value relevance from four perspectives: First, the predictive view of value relevance posits that an accounting number is relevant if it can be used to predict future earnings, dividends, or future cash flows. Second, the information view of value relevance sees value relevance as measured in terms of market reactions to new information. Third, the fundamental analysis view of value relevance posits that accounting information is relevant in valuation if portfolios formed on the basis of accounting information are associated with abnormal returns, and fourth, the measurement view of value relevance posits that accounting information is value relevant if it has the ability to capture or summarize information that affects equity values. The key focus of value relevance research deals with the usefulness of financial statement information in explaining equity market values. Value relevance research measures the usefulness of accounting information. Value relevance studies use various valuation models to structure their tests and typically use equity market value as the valuation benchmark to assess how well particular accounting amounts reflect information used by investors.

In the past, standards for financial accounting and reporting by public companies were developed by the Nigerian Accounting Standards Board now, the Financial Reporting Council of Nigeria (FRCN). Since adoption of IFRS, the FRCN and the Securities and Exchange Commission (SEC) have been active in monitoring the technical content and timing of standards implementation to Nigerian public companies. IFRS is becoming the dominant financial reporting regime on the international scene as it is either required or permitted in more than 100 countries. In the post – IFRS period, although the underlying economic reality remained the same with that of the pre – IFRS period, the adoption of IFRS since 2012 in Nigeria brought up too many changes, in terms of financial reporting. In the IFRS regime, fair value accounting has been proposed as an alternative measurement system to historical cost accounting and it is now being used extensively in measuring financial instruments. The usefulness of fair values is a key factor in value relevance research (Barth, 2006).

IFRS aim to provide financial statements that enhance the information available to the shareholders. These changes may alter the valuation properties of accounting data reported in financial statements. The implementation of fair value accounting leads to firm values that are closer to the "intrinsic" values. Under the IFRS regime, the firm value reflected in the financial statements appears to be lower than or equal to the "intrinsic firm value" (Barth, 2006). This implies that the accounting data reported using IFRS will be more value-relevant. Though theoretically, the expectation is that, IFRS with its emphasis on more disclosures and fair value basis, should result in more relevant accounting information. The objective of this research is to provide empirically/examine the effect of IFRS on value relevance of accounting information in Nigeria.

Statement of the Research Problem

The effect of IFRS adoption on accounting figures and numbers, in general, tends to be ambiguous. As a matter of fact, there is no compelling evidence yet regarding the persistence of significant differences in accounting number and their value relevance following IFRS adoption. Papadatos and Bellas (2011) found out that, there is inconsistency in existing empirical findings, and relationship between implementation of IFRS and accounting information may not be in the same direction for every country or firm. For example, in Germany, Hung and Subramanyam (2007) reported that book value (net income) is accorded a significantly larger (smaller) valuation coefficient under IFRS than under German General Accepted Accounting Principles (GAAP).

The considerable diversity in empirical findings regarding the effect of IFRS adoption on value relevance accounting numbers indicates that there is need for more empirical evidence. Also, we find that most studies in this area are from developed economies. The empirical evidence for most developing countries especially from this part of the world is largely inadequate to draw any conclusions that may be peculiar to developing economies and this is a gap in existing research.

Conceptual Framework

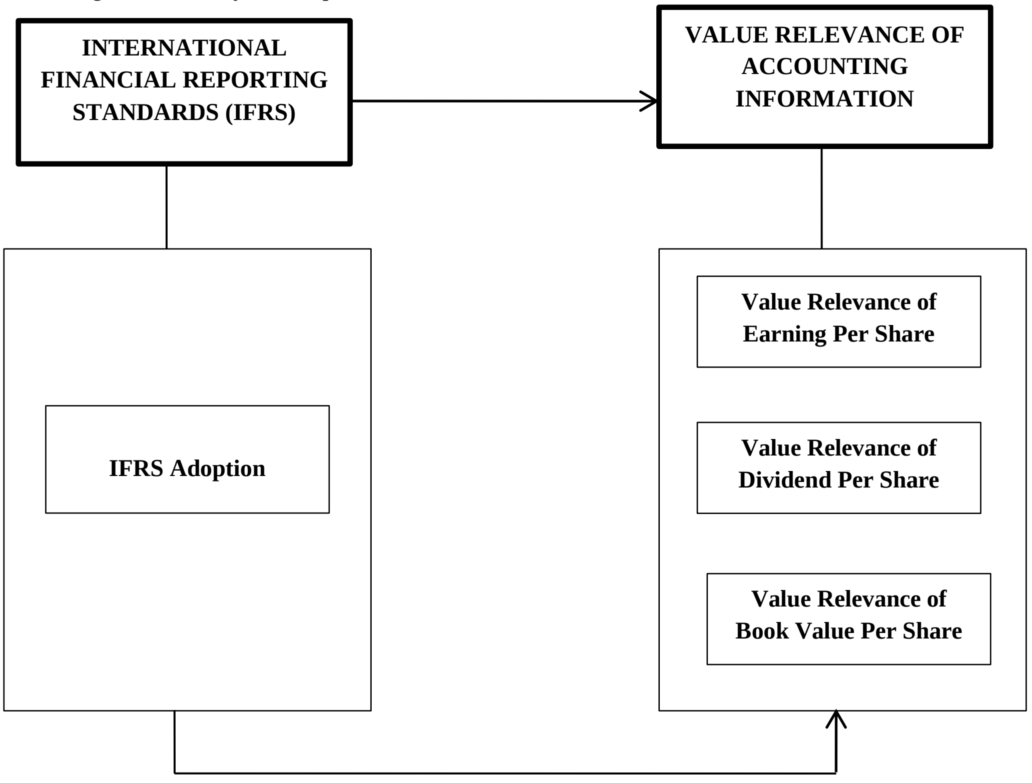

Fig. 1.1: Conceptual Framework Model Showing the Relationship between IFRS and Value Relevance of Accounting Information
Source: Kajola, et al. (2009)

AIMS AND OBJECTIVES OF THE STUDY

The broad objective of the study is to examine the effect of IFRS on the value relevance of accounting information in Commercial Banks of Nigeria. The specific objectives are to;

i. Examine if IFRS adoption significantly improve value relevance of earnings per share.
ii. Determine if IFRS adoption significantly improve value relevance of dividends per share.
iii. Evaluate if IFRS adoption significantly improve value relevance of book value per share.

RESEARCH QUESTIONS

i. Does IFRS adoption significantly improve value relevance of earnings per share?
ii. Does IFRS adoption significantly improve value relevance of dividend per share?
iii. Does IFRS adoption significantly improve value relevance of book value per share?

RESEARCH HYPOTHESES

H_1: IFRS adoption has no significant influence on value relevance of Earnings per share

H_2: IFRS adoption has no significant influence on value relevance of Book Value per share.

H_3: IFRS adoption has no significant impact on value relevance of Dividends per share.

THEORETICAL UNDERPINNING

Efficient Market Theory and Prospect Theory were discussed below;

Efficient Market Theory

It was Fama (2010) who in an article titled “Efficiency Capital Market”, presented the efficient market theory in terms of expected returns. According to this theory, stock prices reflect all available information at a point in time so that the returns on investment are consistent with the risk (Jhinga, 2005). However, the efficient market hypothesis (EMH) states that market is one where stock (share or security) prices adjust rapidly to the new information and their current prices reflect all the available information. The EMH is also called an information efficient market which measures how quickly and accurately the market reacts to new information which is immediately incorporated into shares prices. However, the assumptions of EMH are as follows: First, there is a number of market participants and they analyse the value stock independent of each other. Second, the new information about stocks comes to the capital market in a random manner, and each information is generally independent of others. Third, the market participants (buyer and seller) adjust stock prices quickly to new information. Fourth, the current stock prices reflect all current available information at any point in time and lastly, the expected returns implicit in the current prices reflect its risk (Jhinga, 2005).

Prospect Theory

Prospect theory assumes that losses and gains are valued differently, and thus individuals make decisions based on perceived gains instead of perceived losses. Also known as the "loss-aversion" theory, the general concept is that if two choices are put before an individual, both equal, with one presented in terms of potential gains and the other in terms of possible losses, the former option will be chosen.

Prospect theory belongs to the behavioral economic subgroup, describing how individuals make a choice between probabilistic alternatives where risk is involved and the probability of different outcomes is unknown. This theory was formulated in 1979 and further developed in 1992 by Amos Tversky and Daniel Kahneman, deeming it more psychologically accurate of how decisions are made when compared to the expected utility theory (Kajola, et al. 2009).

Concept of International Financial Reporting Standards (IFRS)

The International Financial Reporting Standards, usually called the IFRS Standards, are standards issued by the IFRS Foundation, and the International Accounting Standards Board (IASB) to provide a common global language for business affairs so that company accounts are understandable, and comparable across international boundaries (Izedonmi & Ibadin, 2013). They are a consequence of growing international shareholding and trade and are particularly important for companies that are dealing in several countries. They are the rules to be followed by accountants to maintain books of accounts which are comparable, understandable, reliable, and relevant as per the users internal or external (Grossi & Soverchia, 2011).

International Financial Reporting Standards (IFRSs) are standards, interpretations, and the Framework adopted by International Accounting Standards Board, International Financial Reporting Standards (IFRSs) are products of private sector initiatives towards the harmonization and internationalization of financial reporting in response to the demands of business globalization and regional convergence. The International Accounting Standards Committee (IASC), a body of professional accountancy bodies of independent countries, formed in June 1973 by the International Federation of Accountants, produced the first set of international standards known as the International Accounting Standards, (IAS) between 1973 and 2001 (Benson, 1976). The IASB after the change in 2007 from IASC to IASB published its standards in a series of pronouncements called the International Financial Reporting Standards (IFRS). The IASB also adopted the body of standards issued by IASC, and those Standards continue to be designated “International Accounting Standards”, (IAS).

In 2010, the Federal Government of Nigeria accepted the adoption of International Financial Reporting Standards (IFRS) in Nigeria. The adoption of IFRS also facilitated the name change of the local accounting standards setter, the Nigerian Accounting Standard Board (NASB) to the Financial Reporting Council (FRC) that will ensure that corporate entities align with the globally accepted, high-quality accounting standards by fully converting the current National Accounting Standards to International Financial Reporting Standards (IFRS) (David, 2013). He further stressed that the phase transition to the adoption of IFRS proposed by the FRC will see in Phase 1, Publicly Listed Entities and significant Public Interest Entities (mostly companies quoted in the Nigerian Stock Exchange prepare) Financial Statements to comply with IFRS by 31st December 2012. Phase 2, is mandatory adoption by other Public Interest Entities from January 2013 and IFRS for Small and Medium-sized Entities (SMEs) by 31st December 2014 to complete the phase transition.

The Concept of Value Relevance of Accounting Information

According to Barth *et al*., (2010), for financial information to be value relevance, it is a condition that accounting numbers should be related to current company value. If there is no association between accounting numbers and company value, accounting information cannot be termed value relevance and, hence, financial reports are unable to fulfill one of their primary objectives. Put succinctly, Barth et al (2010) state that: "Value relevance research examines the association between accounting amounts and equity market values".

According to Penman (2010), accounting earnings is considered the source of information used by investors and analysts in financial markets, because it allows them to have an idea about the real performance of companies and helps them for valuation. Within this context, Penman (2010) considers that accounting earnings is relevant, only if it is able to predict its future value, which means that investors buy current earnings and sell future earnings. According to Beaver (2012), value relevance research investigates the association between a security price-dependent variable and a set of independent accounting variables. There are several approaches to this definitional explanation. Francis and Schipper (1999), and Nilsson (2003), define it from four perspectives: The predictive view of value relevance: that accounting number is relevant if it can be used to predict future earnings, dividends, or future cash flows, the information view of value relevance: That Value relevance is measured in terms of market reactions to new information, fundamental analysis view of value relevance: That accounting information is relevant in valuation if portfolios formed on the basis of accounting information are associated with abnormal returns and, the measurement view of value relevance: That financial statement is measured by its ability to capture or summarize information that affects equity values.

Shehzad and Ismail (2014) carried out a study to investigate the value relevance of accounting information in the banking sector of Pakistan. The study employed the pooled regression technique on nineteen (19) private banks from the period of 2008 to 2012. Their findings showed that earning per share is more value relevant than book values, while accounting data explains a high proportion of the stock price. The relevant information is such that it influences the economic decisions of users by helping them evaluate past, present, and future events. Pathirawasm (2010) investigated the value relevance of earnings, book value, and return on equity on share price in CSE. Sample of the study includes 129 companies selected from 6 major sectors in the CSE. Cross-sectional and time series cross-sectional regressions are used for the data analysis. Findings from the study revealed that earnings, book value, and return on equity have positive value relevance on market value of securities. The most valve relevant variable is the earnings while the least value relevant variable is the return on equity in Sri Lanka. The explanatory power of the model has increased over the sample time. New technology adoption at the CSE in 2007 has considerably increased the value relevance of accounting-based earning information (EPS and ROE) in Sri Lanka. However, the incremental value relevance of the BVPS is negative during the period considered for the study.

REVIEW OF EMPIRICAL STUDIES

The empirical review of Prior Studies carried out on international financial reporting standards and value relevance of accounting information of deposit money banks in Nigeria are seen below:

Park (2015) carried out a study to compare the stock price relevance of the Ohlson model and the extended Ohlson model which is added in debts ratio and size to the Ohlson model. And this research also compares the stock price relevance of those models according to the business cycle and the industry in Korea. The 10,946 firms are sampled out of the firms listed on the Korean Stock Exchange from 1991 to 2013. The results are as follows; First, both the basic model and the extended models are prone to have stock price relevance, and the debt ratio affects the stock price in reverse U shape. Second, the stock price relevance and the changes of the stock price relevance are different among the industry in both the basic model and the extended model. Third, the significance of coefficients and the stock price relevance changes aren't so different in the business cycle stage.

Pervan and Bartulović (2012) based on the sample of 97 corporations analyzed the value relevance of accounting information on the capital markets of Southeast Europe: Croatia, Slovenia, Serbia, and Bosnia and Herzegovina. In the first part of the research, they analyzed and compared value relevance on the following capital markets: Ljubljana Stock Exchange, Zagreb Stock Exchange, Sarajevo Stock Exchange, Banja Luka Stock Exchange, and Belgrade Stock Exchange. The research results have shown that the accounting information are value relevant on all the observed markets but also that there are certain differences in the value relevance among countries. In the second part of the research, they tested the hypothesis level of transparency if positively related with value relevance i.e. higher transparency of annual report should result with higher value relevance of accounting information.

For this purpose, Ohlson (1995) model was used in order to examine the hypothesis. Results from the study showed that financial statement information is related to stock prices in

Vietnam, the results also showed that this relationship is statistically meaningful, though somewhat weaker than in other developed and emerging markets. In addition, there is sign that earnings and book value are reflected in stock prices with a time lag and the value-relevance of earnings becomes much higher during stock market boom periods.

Halonen, *et al*., (2013), conducted a research in order to measure the value relevance between accounting data and stock prices from OMX (Sweden) Large gap between 2007 2010. The results revealed that value relevance from the balance sheet, measured by BVPS, has increased as compared to EPS. The results also show that accounting data explains a high proportion of the stock price. Gee-Jung (2009) in a paper investigated the relative and incremental value relevance of book value, earnings and cash flows in security prices in Korea. They utilized a generalized version of the Ohlson (1995) model. The results of the paper indicated that book value is the most value-relevant variable and cash flows have more value relevance than earnings. Black and White (2003) compared value relevance of book value and earnings in Germany, Japan and the USA. Research results showed that value relevance of book value is higher than value relevance of earnings in Germany while the results are less robust for Japanese companies. More precisely, for the Japanese sample book value is more value relevant than earnings only in the case of companies that reported negative earnings. Results also showed that value relevance of earnings is higher than value relevance of book value for the sample of USA companies.

King and Langli (2008) conducted comparative value relevance analyses on the capital markets of Germany, Norway, and the United Kingdom. Results have shown that accounting information are value relevant in all three observed markets. Also, results have shown that accounting information are the least related to share prices in Germany (R2 amounts 40%), the best relation with share prices was evidenced for UK capital market (R2 amounts 70%) and explanatory power of the accounting variables in Norway was 60%. Ali and Hwang (2010) compared value relevance of accounting information for 16 developed countries in the period from 1996 to 2005 in order to determine differences in the value relevance between countries that belong to continental or to Anglo-Saxon model of corporate governance. Research results have shown that value relevance of accounting information is lower in countries that belong to continental corporate governance system and which are characterized by a strong bank orientation in raising external capital.

Bolibok (2014) in a paper examined the value relevance of fundamental accounting data announced by the banks listed on the Warsaw Stock Exchange. The study is based on the linear regression analysis, derived from the Ohlson residual income valuation model, using the data from annual financial reports of 17 banks listed on the Warsaw Stock Exchange over the period 2000–2012. Findings from the study indicate that the book value of equity and perpetuity of residual incomes calculated on the basis of accounting net earnings of the listed banks in Poland are highly value relevant, which suggests the possibility of the implementation of the constructed regression model as a simple tool supporting the decision making processes of the equity investors.

Beisland (2013) carried out a study to investigate how the recent financial crisis influences the value relevance of accounting information. The empirical analyses show that the book values of equity explained most of the cross-sectional variation on stock prices during the crisis. Still, the earnings response coefficient increased. The analysis suggests a separation between the information content of book values and earnings. The findings are however consistent with book values being highly relevant as a proxy variable for liquidation values, whereas earnings, in contrast to the balance sheet capture information about future earning capabilities of firms.

Nijam and Jahfer (2018) investigate the impact of International Financial Reporting Standard (IFRS) adoption on value relevance of accounting information in Sri Lanka by comparing value relevance of accounting information in pre- and post-IFRS adoption periods. It explains market value per share (MVPS) using earning per share (EPS) and book value of equity per share (BVEPS). The pre-IFRS period is designated as 2010 through to 2011, and the post-IFRS period is designated as 2012 through to 2014. The sample comprises 188 firms and 935 firm-year observations which nearly constitute to all firms listed in Colombo Stock Exchange except those not having at least two annual reports before and after the year 2012 and those having extreme and incomplete data. It is found that both BVEPS and EPS significantly and positively explain MVPS during the periods followed by IFRS adoption although EPS was not a significant predictor of MVPS prior to IFRS adoption.

Umoren, *et al*., (2018) investigate the value relevance of accounting information (book value and earnings) on the market price of shares before and after the adoption of the International Financial Reporting Standards (IFRS) in Nigeria. It also examines whether the relevance of accounting information in Nigerian financial companies has decreased or increased over time. It used a judgemental sample of 10 quoted Nigerian Banks for 10 years (2007 – 2016) and the ordinary least square (OLS) regression. The result of the data analysis showed an insignificant relationship between book value per share (BVS) and market price per share (MPS) as well as an insignificant relationship between earnings per share (EPS) and market price per share (MPS) before (P=0.57 and 0.59 respectively) and after (P=0.76 and 0.54 respectively) the adoption of IFRS in Nigeria. A comparison of the results for the periods before and after adoption indicates that the book value per share and earnings per share of banks are not more sensitive to share prices under IFRS than under the previous Nigerian SAS.

Alnodel (2018) investigate whether the adoption of International Financial Reporting Standards (IFRS) increases the value relevance of accounting information for insurance firms listed in the Saudi stock market. The study employs the

Ohlson model (1995) and the Easton– Harris valuation model (1991) in order to examine the association among stock market value and book value and earnings per share. The data was collected for 21 insurance companies listed in the Saudi stock market during the period 2007–2014, which covered pre- / post-IFRS periods. The results reveal that the book value of equity becomes less value relevant whereas earnings are more value relevant. Further analysis suggests that the increase in the value relevance of accounting information is positively influenced by companies' attributes, especially profitability and size rather than IFRS adoption.

Ahmed, *et al*., (2018) study examines whether IFRS adoption has improved the value relevance of accounting information in the financial statements of Nigerian listed oil and gas companies. The population of the study comprises of all fifteen (15) listed oil and gas companies in Nigeria. The study sampled eight (8) oil and gas companies in Nigeria. Data were collected from the annual reports and accounts of the sampled firms, specifically, financial statement figures of 2009 and 2011 (pre-adoption period) and 2012 and 2014 (post-adoption) were utilized. The result indicates that book value of equity per share and earnings per share of oil and gas industry are relatively value relevant to share prices under IFRS than under the previous Nigerian SAS. Results further revealed that book value of equity per share and earnings per share shows value relevance increase during post-IFRS period. The study concluded that value relevance in post IFRS adoption is more statistically significant than pre IFRS adoption period. .

Agostino, *et al*., (2011) investigated the market valuation of accounting information in the European banking industry before and after the adoption of IFRS, the latest version of International Accounting Standards (IAS). In a value relevance framework, we apply panel methods to a multiplicative interaction model in which the partial effects of earnings and book value on share prices are conditional on the adoption of IFRS. According to empirical evidence, the IFRS introduction enhanced the information content of both earnings and book value for more transparent banks. By contrast, less transparent entities did not experience a significant increase in the value relevance of book value.

Gjerde, *et al*., (2008), examined firms listed on stock exchanges within the European Economic Area they were required to report consolidated financial statements according to IFRS from 2005. The firms that adopted IFRS in 2005 were also required to restate their 2004 financial statements from national GAAP to provide comparable accounting figures. These two sets of financial statements for 2004 are thus based on identical underlying economic activities and are fully specified according to two different reporting regimes. The sample consists of 145 restatements from NGAAP to IFRS for firms listed on the Oslo Stock Exchange in Norway. We tested whether the IFRS accounting figures correlate more strongly with stock market values than the corresponding NGAAP figures. The study found little evidence of increased value-relevance after adopting IFRS when comparing and evaluating the two regimes unconditionally. On the other hand, when evaluating the change in the accounting figures from NGAAP to IFRS, the study found evidence that the reconcilement adjustments to IFRS are marginally value-relevant due to increased relevance of the balance sheet and the normalized net operating income. The considerable diversity in empirical findings regarding the effect of IFRS adoption on accounting numbers indicated that there is a need for more empirical evidence. Also, we found that most studies in this area are from developed economies. The empirical evidence for most developing countries especially from this part of the world is largely inadequate to draw any conclusions that may be peculiar to developing economies and this is a gap in existing research.

METHODOLOGY

Research Design

This study employs a longitudinal research design. A longitudinal design involves repeated observations of the same variables over long periods of time unlike the cross-sectional design which examines variables at a point in time. Longitudinal studies are often used to study events throughout several periods. In a longitudinal study, researchers conduct several observations of the same variables over a period of time (Gujarati 2007).

Population and Sample

The population of a research study is defined as the census of all items or objects that possess the characteristic or that have the knowledge of the phenomenon being studied. The population of this study covers all quoted banks listed on the Nigerian Stock Exchange. As at the study period, there were only 15 quoted banks on the Nigerian Stock Exchange and this also forms the sample for the study

Sources of Data

Secondary data will be used for this study. The data was retrieved from corporate annual reports of the sampled banks for 2014-2020 financial years. The researcher utilizes only corporate annual reports because they are readily available, accessible and also provides a greater potential for comparability of results. More so, they are produced annually and kept in public sphere.

Method of Data Analysis

The data analysis methods deals with the various statistical analysis involved in the description of the collected data and consequently, making decisions and possible inferences about the phenomena represented by the data. In this study, descriptive statistical methods will be employed and they include numerical techniques such as the means, standard deviation, range, and frequency distribution. For the estimation of the models, the method of data analysis that will be employed in this study is the Ordinary Least Squares (OLS) Regression. The choice of regression is due to the fact that the study is interested in cause and effect relationships and since secondary data is available, regression is best suited for the analysis. The OLS technique is also credited to have the celebrated BLUE (Best, linear, unbiased, estimate) properties of the population parameters (Gujarati 2007).

Model Specification

The model was adapted from the Ohlson (1995) Model which consists of two major indicators from financial reports, book value per share (BVPS) and earnings per share (EPS) to test the value relevance of financial reporting in many studies.

$P_{jt} = \beta_0 + \beta_1 BVPS_{jt} + \beta_2 EPS_{jt} + e_{jt}$ (1)

Where P_{it} is the stock price of firm *i* at time *t*

$BVPS_{it}$ is the book value of equity of firm *i* at time *t*, divided by common shares outstanding,

EPS_{it} is Income divided by common shares outstanding of firm *i* at time *t*.e_{jt} is an error term with mean zero and standard deviation Based on the model above, cash flow per share (CFPS) were included Dividend per share (DPS) to the Ohlson (1995) Model because the study predicts that cash flow and Dividend may provide additional information about the firm's equity value.

$MPS_{pre\text{-}ifrs} = \beta_0 + \beta_1 EPS_{pre\text{-}ifrs} + \beta_2 DPS_{pre\text{-}ifrs} + \beta_3 BVPS_{pre\text{-}ifrs} + \beta_4 CFPS_{pre\text{-}ifrs} + \varepsilon$ (2)

$MPS_{post\text{-}ifrs} = \alpha_0 + \alpha_1 EPS_{post\text{-}ifrs} + \alpha_2 DPS_{post\text{-}ifrs} + \alpha_3 BVPS_{post\text{-}ifrs} + \alpha_4 CFPS_{post\text{-}ifrs} + \varepsilon$

RESULT AND DISCUSSION

Table 4.4 Regression Results

Aprori sign	**Model 1**	**Model 2**	**Model 3**
C	-1.3606	5.715	-0.2169
+	(1.3892)	(1.5043)	(1.2975)
	{0.3531}	{0.0126}	{0.8738}
EPS	0.5865		
+	(0.4367)		
	{0.2122}		
EPS*IFRS	8.227*		
+	(4.7126)		
	{0.0148}		
BVPS		-1.06653	
+		(0.4141)	
		{0.4497}	
BVPS*IFRS		-0.1114	
+		(0.2976)	
		{0.723}	
DPS			0.5514
+			(0.2367)
			{0.0473}
DPS*IFRS			3.9482*
+			(0.2333)
			{0.0456}
R^2	0.3735	0.855	0.734
Adjusted R^2	0.095	0.682	0.415
S.E. of regression	2.3055	2.894	1.7235
F-statistic	4.3418	4.933	21.302

P(f-stat)	0.016	0.040	0.00
D.W	2.09	2.10	1.94

Source: Researchers Compilation (2019) * significant at 5%.

Hypothesis Testing

H1: IFRS adoption has no significant influence on Value Relevance of Earnings per share (EPS).

Model 1 shows the regression result for value relevance of EPS. EPS was found to exert a positive (0.5865), but not statistically significant (p=0.4367) effect on MPS at 5% level, but when interacted with the IFRS dummy, we observed an increase in the slope coefficient to 8.227 and is now statistically significant(p=0.0148) at 5%. This implies that the IFRS adoption has an enhancing effect on value relevance of EPS. Hence we reject the hypothesis that IFRS adoption has no significant influence on earnings per share (EPS) value relevance.

H2: IFRS adoption has no significant influence on Value Relevance of Book value per share (BVPS).

From the regression result, BVPS was found to exert a negative (-1.0665) but notstatistically significant (p=0.4497) effect on MPS at 5% level. When the IFRS dummy was introduced to capture IFRS adoption, we observed that BVPS was still negative, and also not statistically significant (p=0.723) at 5%. This implies that the IFRS adoption has not improved significantly, the value relevance of BVPS. Hence, we accept the hypothesis that IFRS adoption has no significant influence on Book value per share (BVPS) value relevance. **H3: IFRS adoption has no significant influence on Value Relevance of Dividend per share (DPS).**

DPS was found to exert a positive (0.5514) and statistically significant (p=0.0473) effect on MPS at 5% level. When the IFRS dummy was introduced, we observed an increase in the slope coefficient to 3.9482 and is also statistically significant (p=0.0473) at 5%. This implies that, though DPS was value relevant without IFRS, with the introduction of the IFRS adoption dummy, the value relevance is stronger than it was without the IFRS. Hence, we can conclude that IFRS has an enhancing effect on value relevance of EPS. Hence we reject the hypothesis that IFRS adoption has no significant influence on Dividend per share (DPS) value relevance.

DISCUSSIONS

On the overall, our results reveal that IFRS adoption has not improved significantly, the value relevance of BVPS. However, though DPS was value relevant without IFRS, with the introduction of the IFRS adoption dummy the value relevance is stronger that it was without the IFRS. Hence we can conclude that IFRS has an enhancing effect on value relevance of EPS. For, EPS, IFRS adoption was also found to have had a significant influence on earnings per share (EPS) value relevance. The trend of studies evaluating the effect of IFRS on value relevance have also been mixed replicative of the outcome of the study. For example, El Shamy and Kaled (2005) for Kuwaiti show that earnings and book values are significantly positively related to stock prices both jointly and individually after IFRS. Clarkson, Hanna, Richardson, and Thompson (2011) for Europe and Australia found that the adoption of IFRS has had a greater impact on the financial statements of some countries and IFRS increases the relevance of earnings and book value.

However, Kargin (2013) for Turkish listed firms indicated that value relevance of accounting information has improved in the post-IFRS period (2005-2011) considering book values while enhancements have not been observed in value relevance of earnings. Latridis (2010) for the UK reveal that the implementation of IFRS lowered the scope for earnings management, led to more value-relevant accounting measures. Tsalavoutas et al. (2012) for Greece found no significant change is found in the explanatory power of value relevance between the two periods. Schadewitz and Vieru (2007) for Finland found that only the earnings were positively value relevant. In Bahrain, Bahrain, Mousa, and Desoky (2013) revealed that for the stock return model there was a slight difference in the value relevance of accounting information after the adoption of IFRS. Umoren and Enang (2015) for Nigeria indicated that the earnings of banks and equity value relatively value relevant to share prices under IFRS than under the previous Nigerian SAS. Yahaha, Onyabe, and Usman, (2015) for Nigeria found that IFRS adoption has improved the value relevance of accounting numbers.

CONCLUSION

The key focus of value relevance research deals with the usefulness of financial statement information in explaining equity market values. Value relevance research measures the usefulness of accounting information. IFRS is becoming the dominant financial reporting regime on the international scene as it is either required or permitted in more than 100 countries. IFRS aim to provide financial statements that enhance the information available to the shareholders. This implies that the accounting data reported using IFRS will be more value-relevant. Though theoretically, the expectation is that IFRS with its emphasis on more disclosures and fair value basis should result in more relevant accounting information. The broad objective of this research was to empirically examine the effect of IFRS on value relevance of accounting information. The study findings revealed that, while IFRS adoption has a statistically significant influence on Earnings per share and Dividend per share value relevance, it is not statistically significant for Book value per share value relevance.

RECOMMENDATIONS

Based on the findings of this study, the following recommendations are suggested.

1. The study finding shows that EPS and DPS accounting information still appears relevant after IFRS adoption. Thus the study recommends that investors and

indeed users of accounting information should still be confident in relying on accounting information prepared by corporate entities in making investment decisions

2. The study recommends that there is need for companies to comply fully with all IFRS standards in the preparation of financial reports since IFRS adoption was found to have positive effects on value relevance.

REFERENCES

1. Agostino, M., Drago, D., & Silipo, D. B. (2011). The value relevance of IFRS in the European banking industry. *Review of Quantitative Finance and Accounting*, 36(3), 437–457.
2. Ahmed, A., Ilu, S., & Bahamman, S, (2018). Effect of the adoption of international financial reporting standards (ifrss) on value relevance of accounting information of Nigerian quoted oil and gas companies. *Journal of Accounting and Financial Management 4(*6)12-30
3. Ali, A., & Hwang, L. (2010). Country-specific factors related to financial reporting and the value relevance of accounting data. *Journal of accounting research*, 38(1), 1-21.
4. Alnodel, A., (2018). The impact of IFRS adoption on the value relevance of accounting information: evidence from the insurance sector. *International Journal of Business and Management.* 13(2) 138-156
5. Barth, M. E. (2006). Fair Value Accounting: Evidence From Investment Securities and the Market Valuation of Banks. *The Accounting Review*. 69 (January):125.
6. Barth, M. E., Beaver, W. H., & Landsman, W. R. (2010). The relevance of the value relevance literature for financial accounting standard setting: Another view. *Journal of Accounting & Economics*, 31, 77-104.
7. Beisland, L. A. (2008). Predictive ability and value relevance of accounting measures. Working paper. University of Agder.
8. Benson, H. (1976). The story of international accounting standards. *Accountancy magazine*, 87(995), 34-39.
9. Bolibok, P. (2014). Application of the Ohlson model for testing the value relevance of accounting data in Polish banking sector. *Journal of Business and Finance*, 65, 463- 471.
10. Dahmash, F. N., Durand, R. B., & Watson, J. (2009). The value relevance and Reliability of reported goodwill and identifiable intangible assets. *The British Accounting Review*, 41(20), 120-137.
11. Fama, E. (1970). Efficient capital markets: A review of theory and empirical work. *Journal of Finance*, 25, 383-417.
12. Gjerde, O., Knivsfla, K. H., & Saettan, F. (2008). The value relevance of adopting IFRS: evidence from 145 NGAAP restatements. *Journal of International Accounting, Auditing, and Taxation*, 17, 92-112.
13. Grossi, G., & Soverchia, M. (2011). European commission adoption of IFRS to reform financial reporting, Abacus, 47, 525-552.
14. Gujarati, D. (2007). Basic econometrics; McGraw – Hill International, New York.
15. Halonen, E., Pavlona, J., & Pearson, R. (20013). Value relevance of accounting information and its impact on stock prices: Evidence from Sweden. Retrieved from www.ResearchGate.org on 2nd March 2019.
16. Hung, M., & Subramanyam, K. R. (2007). Financial statement effects of adopting international accounting standards: The case of Germany. *Review of Accounting Studies*, 12(4), 623-657.
17. Izedonmi, F., & Ibadin, P. (2013). Internation public sector accounting framework, regulatory agencies, and standard-setting procedures: A Critique European Journal of Business and Management. 5(6) 2222-2839.
18. Jhinga, M. L. (2005). *Modern microeconomic* Vrinda publication (p) Ltd, India
19. Kajola, S. O., Adedeji, S. B., & Okewale, J. A. (2009). Management Accounting. 1st Edition Ago-Iwoye CESAP Publishers
20. King, R. D., & Langli, J. C. (2008). Accounting diversity and firm valuation. *The International Journal of Accounting*, 33(5), 529-567.
21. Nguyen, V. D. (2010). Value-relevance of financial statement information: A flexible application of modern theories to the Vietnamese stock market. Deposen Working Paper Series No. 2010/02.
22. Nijam, H., & Jahfer, A, (2018). IFRS adoption and value relevance of accounting information: evidence from a developing country. *Sage Journals, 19 (6)* 1416-1435
23. Nilsson, H. (2003). Essays on the value relevance of financial statement information. Print &Media.
24. Ohlson, J. (1995). Earnings, book values, and dividends in equity valuation. *Contemporary Accounting Research*. 11(2), 661-687.
25. Papadatos, K., & Bellas, A. (2011). The value relevance of accounting information under Greek and international financial reporting standards: The Influence of firm-specific characteristics.

International Research Journal of Finance and Economics, 76, 6-23

26. Park, C. (2015). The stock price relevance of accounting information according to business cycle and industries. *Scientific Cooperation International Journal of Finance, Business,Economics, Marketing and Information Systems,* 1(1), 41-50

27. Penman, S. H. (2010). Financial statement analysis and security valuation. Boston, Mass., McGraw-Hill/Irwin.

28. Pervan, I., & Bartulović, M. (2013). Impact of transparency level on the value relevance of accounting information: an empirical analysis for SEE countries. *International Journal of Mathematical Models and Methods in Applied Sciences,* 8(16), 955-962.

29. Shehzad, K., & Ismail, A. (2014). Value relevance of accounting information and its impacts on stock prices: A case study of listed banks at Karachi Stock Exchange. *Journal of Economics Information,* 3(1), 40-48.

30. Umoren, A., & Akpan, P., & Ekeria, E, (2018). Value relevance of accounting information in Nigerian listed financial companies. *Advances in Research. 16*(2) 1-8.