THE IMPACT OF INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS) ON VALUE RELEVANCE OF ACCOUNTING INFORMATION: EVIDENCE FROM NIGERIA

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EVIDENCE FROM NIGERIA

BY

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Othman Yeop Abdullah Graduate School of Business,
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(International Accounting)

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Kedah Darul Aman
ABSTRACT

Value relevance as a field of study has been growing rapidly and gaining attention by many scholars. Value relevance was also viewed as extent of association between accounting information and market value. Therefore, the main objective of this study is to investigate the value relevance of accounting information among listed companies in Nigeria. The study also examined the impact of IFRS on value relevance of accounting information of Nigerian listed companies where, 68 listed companies in NSE were used as the sample of the study over the period of 6 years (2009-2014). It investigated the pre-IFRS period from 2009-2011 and post-IFRS period from 2012-2014. The study used pooled OLS model to analyze the data extracted from Thompson Reuters online data stream.

Furthermore, the study found that accounting information of listed companies in Nigeria as value relevant using the Ohlson model where, both book value of equity and earnings are positively and significantly related to market value of equity. More also, the study found that value relevance of both earnings and book value of equity has increased in the post-IFRS period.

Keywords: value relevance, accounting information, IFRS, Ohlson model, NSE
ABSTRAK


Tambahan pula, kajian itu mendapati bahawa maklumat perakaunan syarikat yang tersenarai di Nigeria sebagai nilai yang berkaitan dengan menggunakan model Ohlson di mana, kedua-dua nilai buku ekuiti dan pendapatan yang positif dan signifikan dengan nilai pasaran ekuiti. Lebih juga, kajian ini mendapati bahawa perkaitan nilai perolehan dan nilai buku ekuiti telah meningkat dalam tempoh selepas IFRS.

Kata kunci: nilai relevan, maklumat perakaunan, IFRS, model Ohlson, NSE
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<td>ATS</td>
<td>Automated Trading System</td>
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<tr>
<td>ASEA</td>
<td>African Stock Exchange Association</td>
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<tr>
<td>BOFIA</td>
<td>Banks and Other Financial Institution Act</td>
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<td>BVPS</td>
<td>Book Value per Share</td>
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<tr>
<td>CAMA</td>
<td>Company and Allied Matters Act</td>
</tr>
<tr>
<td>CBN</td>
<td>Central Bank of Nigeria</td>
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<tr>
<td>CVM</td>
<td>Brazilian Securities Commission</td>
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<tr>
<td>EPS</td>
<td>Earnings per Share</td>
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<td>EMH</td>
<td>Efficient Market Hypotheses</td>
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<td>EU</td>
<td>European Union</td>
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<td>FASB</td>
<td>Financial Accounting Standard Board</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>FIBV</td>
<td>World Federation of Exchange</td>
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<td>FRC</td>
<td>Financial Reporting Council</td>
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<td>FSC</td>
<td>Financial Service Committee of Korea</td>
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<td>FSRCC</td>
<td>Financial Statement Reporting Council Committee</td>
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<tr>
<td>Abbreviation</td>
<td>Full Form</td>
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<tr>
<td>GAAP</td>
<td>Generally Accepted Accounting Practice</td>
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<td>IASB</td>
<td>International Accounting Standard Board</td>
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<td>IASC</td>
<td>International Accounting Standard Committee</td>
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<tr>
<td>IFRS</td>
<td>International Financial Reporting Standard</td>
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<tr>
<td>IOSCO</td>
<td>Committee of International Organization of Securities Commission</td>
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<td>MBAR</td>
<td>Market Based Accounting Research</td>
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<td>NAICOM</td>
<td>Nigerian Insurance Commission</td>
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<td>NASB</td>
<td>Nigeria Accounting Standard Board</td>
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<tr>
<td>NDIC</td>
<td>Nigeria Deposit Insurance Corporation</td>
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<tr>
<td>NGAAP</td>
<td>Nigerian Generally Accepted Accounting Principles</td>
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<td>NSE</td>
<td>Nigeria Stock Exchange</td>
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<td>OPEC</td>
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<td>Reports of Observance on Standard and Codes Accounting and Auditing</td>
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<td>Statement of Accounting Standard</td>
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<td>SEC</td>
<td>Security and Exchange Commission</td>
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<tr>
<td>SSE</td>
<td>United Nation’s Sustainable Stock Initiation</td>
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<td>United Arab Emirate</td>
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UK  United Kingdom

US  United States
CHAPTER ONE
INTRODUCTION

1.1 Background to the study

Provision of highly qualitative financial information has been the ultimate aim of International Accounting Standard Board (IASB) and Financial Accounting Standard Board (FASB). Of course, qualitative financial information is not only necessary for users of financial statement but for a vibrant economy and for a strong capital market as well asserted by Svenssor and Larsson (2009). Financial reporting is about providing report or statement revealing the financial condition of an entity. It is only when an entity revealed its financial condition that investors or users will be able to make sound economic decision. The preparer of such report are expected to out sketch the true financial position of an entity. Although there is nothing as ideal condition in real life, as such there is nothing as “perfect or true and fair” financial statements. As an alternative, accountants should try to prepare statements that are most useful to users.

However, Dandago and Hassan (2013) further identified three items to be considered in preparing financial report. The users, information needed by the users and the preparers. In the opinion of Konstantinos (2011) users of accounting information are categorized into two. External users comprise of users that are outside the organization as; investors, government, lawyers, standard setters, external auditors and general public. Internal users are those within the organization for example; managers, directors, employees to mention but a few. The investor is assumed to be rational and risk averse where he makes investing decision based on market response. Even though, Svenssor and Larsson (2009)
The contents of the thesis is for internal user only
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