

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



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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



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ABSTRAK

Nilai relevan sebagai satu bidang kajian telah berkembang pesat dan semakin mendapat perhatian oleh banyak ulama. Nilai relevan juga dilihat sebagai sejauh mana kaitan antara maklumat perakaunan dan nilai pasaran. Oleh itu, objektif utama kajian ini adalah untuk mengkaji perkaitan nilai maklumat perakaunan di kalangan syarikat tersenarai di Nigeria. Kajian ini juga mengkaji kesan IFRS perkaitan nilai maklumat perakaunan Nigeria di mana syarikat-syarikat, 68 syarikat yang tersenarai di NSE telah digunakan sebagai sampel kajian ini sepanjang tempoh 6 tahun (2009-2014) yang disenaraikan. Ia disiasat tempoh-IFRS pra dari 2009-2011 dan tempoh pasca IFRS 2012-2014. Kajian ini menggunakan model OLS dikumpulkan untuk menganalisis data yang diekstrak daripada Thompson Reuters aliran data dalam talian.

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

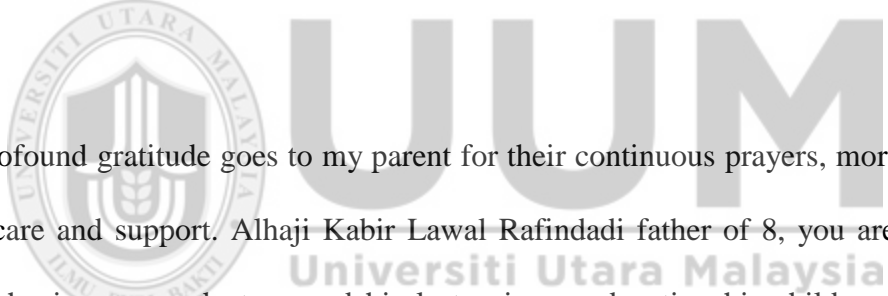


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LIST OF ABBREVIATIONS

<u>Abbreviation</u>	<u>Description of Abbreviations</u>
ATS	Automated Trading System
ASEA	African Stock Exchange Association
BOFIA	Banks and Other Financial Institution Act
BVPS	Book Value per Share
CAMA	Company and Allied Matters Act
CBN	Central Bank of Nigeria
CVM	Brazilian Securities Commission
EPS	Earnings per Share
EMH	Efficient Market Hypotheses
EU	European Union
FASB	Financial Accounting Standard Board
FDI	Foreign Direct Investment
FIBV	World Federation of Exchange
FRC	Financial Reporting Council
FSC	Financial Service Committee of Korea
FSRCC	Financial Statement Reporting Council Committee

GAAP	Generally Accepted Accounting Practice
IASB	International Accounting Standard Board
IASC	International Accounting Standard Committee
IFRS	International Financial Reporting Standard
IOSCO	Committee of International Organization of Securities Commission
MBAR	Market Based Accounting Research
NAICOM	Nigerian Insurance Commission
NASB	Nigeria Accounting Standard Board
NDIC	Nigeria Deposit Insurance Corporation
NGAAP	Nigerian Generally Accepted Accounting Principles
NSE	Nigeria Stock Exchange
OPEC	Oil Producing and Exporting Countries
ROSC A&A	Reports of Observance on Standard and Codes Accounting and Auditing
SAS	Statement of Accounting Standard
SEC	Security and Exchange Commission
SSE	United Nation's Sustainable Stock Initiation
UA	United Arab Emirate

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 Svensson 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, Svensson and Larsson (2009)

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