INTERNATIONAL FINANCIAL REPORTING STANDARDS AND FINANCIAL REPORTING QUALITY AMONG NIGERIAN LISTED COMPANIES

BY

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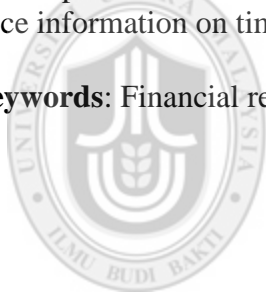
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ABSTRAK

Kajian ini menyiasat Standard Pelaporan Kewangan Antarabangsa (IFRS) dan kualiti pelaporan kewangan di kalangan syarikat tersenarai Nigeria. Kajian ini memberi tumpuan kepada ciri-ciri kualitatif laporan kewangan (kerelevanan nilai dan ketepatan masa). Kajian ini telah menentukan kualiti laporan kewangan 77 syarikat sampel disenaraikan di bursa saham Nigeria. Kajian ini terhad kepada penyata kewangan satu tahun, yang digunakan aliran UUM-Data dalam mengumpul data yang berkaitan. Hasil regresi keatas nilai relevan laporan kewanjan mendedahkan hubungan yang positif dan signifikan antara harga saham dengan nilai buku ekuiti dan pendapatan bersih selepas menerima pakai IFRS. Begitu juga, ketepatan masa keputusan regresi maklumat kewangan juga mendedahkan bahawa pulangan atas aset dan pulangan atas ekuiti adalah positif dan signifikan dengan pulangan saham selepas pakai IFRS di Nigeria. Penemuan tersirat bahawa laporan kewangan syarikat tersenarai Nigeria ialah nilai yang lebih relevan dan ketepatan masa selepas menerima pakai IFRS. Hubungan positif yang signifikan di antara langkah-langkah perakaunan ke atas harga saham dan saham pulangan yang menunjukkan bahawa pelabur boleh meramalkan nilai pasaran masa depan sekuriti individu, teori pasaran cekap menegaskan bahawa harga sekuriti mendedahkan jumlah maklumat yang signifikan daripada pelbagai sumber yang berbeza dalam pasaran sekuriti dan maklumat kewangan semasa penting dalam syarikat. Pelabur menerima maklumat yang besar hanya dengan mengetahui maklumat harga pada masa yang mendapati nilai yang lebih relevan.

Kata kunci: Laporan kewangan , Nilai relevan, Ketepatan masa , IFRS dan Nigeria.

ABSTRACT

This research investigates International Financial Reporting Standards (IFRS) and financial reporting quality among Nigerian listed companies. The research focused on qualitative characteristics of financial reporting (value relevance and timeliness). The study determined the financial reporting quality of 77 sample companies listed on Nigerian stock exchange. The study was limited to one year financial statement, which used UUM-Data stream in collecting the relevant data. The regression result of value relevance of financial reports reveals that there is a positive and significant relationship between stock price with book value of equity and net income after the adoption of IFRS. Similarly, timeliness of financial information regression results also revealed that return on assets and returns on equity are positive and significantly associated with stock returns after IFRS adoption in Nigeria. The findings implied that the financial reporting of Nigerian listed companies were value relevant and timelier after the adoption of IFRS. The significant positive relationship between accounting measures on stock price and stock returns shows that investors' can predict future market value of individual securities, as the efficient market theory posits that securities prices disclose a significant amount of information from many different sources in the securities market and important current financial information of companies. Investor receives considerable information simply by knowing the price information on time which found more value relevant.

Keywords: Financial reporting, Value relevance, Timeliness, IFRS and Nigeria.

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May the blessing of Allah be upon us in the here and here-after.

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LIST OF ABBREVIATIONS

Abbreviations	Description of Abbreviation
AICPA	American Institute of Certified Public Accountant
ASA	American Securities Association
ASX	Australian Stock Exchange
BVE	Book Value of Equity
C	Coefficient
CAC	Corporate Affairs Commission
CAMA	Companies and Allied Matters Act
E	Earnings
ε	Error Term
FAS	Financial Accounting Statement
FASB	Financial Accounting Standard Board
FDI	Foreign Direct Investment
FIFO	First In First Out
GAAP	Generally Accepted Accounting Principle
H	Hypothesis
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASC	International Accounting Standard Committee
IFRS	International Financial Reporting Standards
ISE	Istanbul Stock Exchange
LIFO	:	Last In First Out
Max	:	Maximum
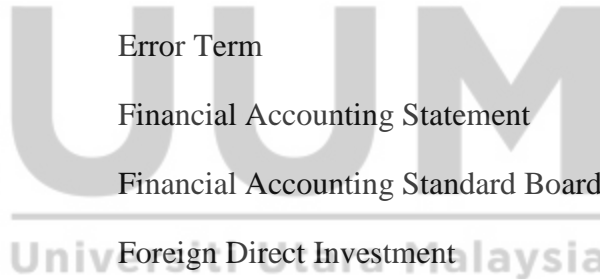
Min	Minimum
MVE	Market Value of Equity
NASB	Nigerian Accounting Standard Board
NCC	Nigerian Communication Commission
NGAAP	Nigerian Generally Accepted Accounting Principle
NGN	Nigerian Naira
NI	Net Income
NSE	Nigerian Stock Exchange
Obs	Observation
OLS	Ordinary Least Square
ROA	Returns on Assets
ROE	Returns on Equity
SAS	Statement of Accounting Standard
SEC	Securities and Exchange Commission
Sig	Significant
SMEs	Small and Medium Enterprises
SMS	Small and Medium Size
SON	Standard Organizations of Nigeria
SP	Stock Price
SPSS	Statistical Package for Social Sciences
Std Error	Standard Error
Std. Dev.	Standard Deviation
STR	Stock Returns
US	United States
UUM	Universiti Utara Malaysia

VIF   Variance Inflation Factor

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

International Accounting Standards Board (IASB) has developing accounting conceptual framework in order to provide for recognition, measurement, presentation and disclosure of requirements relating to transactions and events that are reflected in the financial statements of businesses (Adetoso & Oladejo, 2013). A financial statement should provide information about the financial position, performance and changes of an entity in a standardized and accurate form to investors, regulators, financial analyst and other users for making economic decisions (IASB Framework). Accounting standards are set of rules that companies should be abide by when preparing and presenting financial reports of an entity in order to ensure uniformity of the standards across the market. Companies listed on stock exchanges must published financial statements in accordance with the relevant accounting standards (Hung & Subramanyam, 2007).

Accounting standards are aimed at providing creditors and investors with relevant, reliable and timely information in consistent with the IASB accounting conceptual framework for the preparation and presentation of financial statements (Outa, 2011). Accounting quality is the extent to which financial statement information reflects the underlying economic situation of an entity (Chen, Tang, Jiang, & Lin, 2010). The concept of accounting quality is based on IASB Framework which is two fundamental qualitative characteristics and four enhancing qualitative characteristics.

Fundamental quality characteristics are relevance and faithful representation, while enhancing quality are comparability, verifiability, timeliness and understandability (IASB framework, 2015). The key elements and assumption is that financial statement having these qualitative characteristics is of better quality than those that do not adopt the International Financial Reporting Standards (IFRS).

The rapid growth of international markets and the globalization of financial markets and businesses across the world has made financial reports prepared in accordance with national accounting standards (Local-GAAP) no longer satisfactory to fulfill the requirements of international investors and multinational companies for making global comparisons of the information contained in financial statement (Terzi, Oktem, & Sen, 2013). Financial reports prepared purely based on national accounting standards may placed multinational corporations at disadvantage position, because investors find it difficult to ascertain the content of the financial statement (Zeghal & Mhedhbi, 2006). The existence of financial reporting standards, therefore, can serve as guidance for the firm's owners as ownership is divorced from controlling the activities of the business (Kasum, 2011).

The introduction of high quality financial reporting standards was initiated formally when the International Accounting Standards Committee (IASC) was formed by professional accounting bodies from sixteen different countries across the world in 1973 (Ezeani, & Rotimi, 2012). In 2001, the body was replaced into the International Accounting Standards Board (IASB) which developed accounting standards and related interpretations commonly referred to as the International Financial Reporting Standards (IFRS). The aim of comparable standards is to converge and harmonize

financial statements into a single set of high quality financial information transactions in preparation and presentation of the financial report of business entities across the globe (Edogbanya & Kamardin, 2014). The goal of comparable standards in doing so is expand wider acceptance among investors, regulators, auditors, policy makers and financial analysts by having a comparable and unique relevant information approach that is relevant in a timely manner for making financing and investing decisions (Sunder, 2002).

The primary objective of financial reporting is to provide high-quality financial reporting information concerning economic entities, primarily financial in nature, useful for economic decision making (IASB, 2012). Providing high quality financial reporting information is important because it will positively influence capital providers and other stakeholders in making investment, credit, and similar resource allocation decisions enhancing overall market efficiency (IASB, 209; IASB, 2012). Although both the FASB and IASB stress the importance of high-quality financial reports, one of the key problems found in prior literature is how to operationalize and measure this quality. Because of its context-specificity, an empirical assessment of financial reporting quality inevitably includes preferences among a numerous of constituents.

Many countries around the world have supported the adoption of IFRS as high quality accounting standards that may improves a firm's financial reporting practices, ends accounting transaction disparities and tackles issues related to the recent global economic crisis (Jacob & Madu, 2009). High-quality accounting information can influence investors' behaviour with respect to make optimal investment decisions and

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portfolio selections, and help companies acquire capital at the lowest cost (Palea, 2013).

IFRS dominance grew further as United States Financial Accounting Standards Board (FASB) and IASC worked closely in 2002 based on an agreement to expand compatible accounting standards of high quality that both domestic and cross-border financial reporting could adopt. Public companies were mandatory required to adopt these common standards regardless of place of domicile across member countries (Ramanna & Sletten, 2009). The use of IFRS has become mandatory by the European Union since 2005. The people's republic of China also has allowed its listed firms to prepare their financial statement in accordance with IFRS, and more than 150 countries around the world have intended to adopt IFRS as of December, 2013 (Umoren & Enang, 2015). In addition, several developing countries were not left behind, following the lead indication of major economics of the world such as China, Japan, United Kingdom and United States of America in adapting, adopting or converging into IFRS. In addition, different countries had approached the adoption of IFRS based on their individual needs and capabilities to adopt them (Azobi, 2010).

As Nigeria, the decision to adopt IFRS on a gradual level was decided after Government discussed the impact of these international standards with all stakeholders. (Herbert, Tsegba, Ohanele & Anyahara, 2013). The adoption of IFRS in Nigeria commenced in 2012 (Ezeani & Rotimi, 2012; Edogbanya & Kamardin, 2014).

The adoption of IFRS in Nigeria was undertaken in three phases. In the first category, publically listed and significant public interest entities were mandated to prepare their financial statement in accordance with the IFRS by 1 January 2012. The second category is public interest entities that are required to adopt for statutory purposes by 1 January, 2013. Small and medium sized entities (SMEs) as the third category were required to adopt the standards by 1 January, 2014 (Report of the committee on Road Map to the Adoption of IFRS in Nigeria, 2010).

Before the adoption of IFRS, the Company and Allied Matters Act (CAMA'90) prescribed the contents and format of company financial statement disclosure requirements and auditing in Nigeria. Since 1982 CAMA had required all corporate organizations to comply with the regulations and report their financial statement in accordance with the Statements of Accounting Standards (SAS) issued by the Nigerian Accounting Standards Board (NASB). This requirement lasted until July 2011 after Financial Reporting Council Bill (FRCB) was signed into law (Madawaki, 2013).

1.2 Problem Statement

The global financial collapse of U.S. giant energy Enron in October 2001 raised the importance of having single accounting standards for preparing and presentation of financial report among industries across the world. The accounting profession came under worldwide scrutiny at that time and leading global questioning of accounting experience and integrity and the existence of acceptable accounting standards for the world business (Khan, Ismail and Zakuan, 2013).

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Developing economies are considerably different than developed economies in terms of the institutional, organizational, society and market aspects of the economy. Developing countries have weaker and fewer capital markets, limited regulatory enforcement and more concentrated ownership structure that leads arguably to a greater information asymmetry than in developed countries (Claessens, Djankov & Lang, 2000; Thillainathan 1998; Shlefer & Vishny, 1997). The accounting standards in developed markets are quite different to those in developing markets, in which investors found the content of information disclosed is different to those of developed countries for their investing decisions. (Rashid & Islam, 2008). Better IFRS accounting standards could increase the quality of financial statements and make uniformity of the standard among the countries adopted (Ball, 2001).

According to Bala (2013), under NGAAP the information disclosure requirements in the financial statements were inadequate to bridge the information asymmetry effectively among companies and the users of the financial statements. Changes in equity, income statements and significant management estimates and judgments were the major differences that appeared in financial statement presentations which are not addressed in the Statement of Accounting Standards (SAS). Differences under NGAAP and IFRS for example in impairment and risk-management disclosure, financial guarantees, plant and equipment, leases, scope of consolidation, employee benefits and segment reporting have been found (Madawaki, 2012).

Yahaya, Yusuf and Dania (2015) argued that the controversy around fair value accounting neglects the fact that the balance sheet of numerous industries and other financial institutions under NGAAP are measured on an amortized cost basis. These

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recognized deterioration of credit quality which has been accused of having contributed to worsening the crisis of financial meltdown in 2001. Mohammed and Lode (2015) examined whether the accounting disclosures were more value relevant among Nigerian financial institutions as they were mandated to report under IFRS.

Some Nigerian companies have raised capital from the international debt market, while others have established a significant presence in other jurisdictions for the expansion of their security markets. Similarly, some Nigerian entities hold the securities of non-Nigerian issuers, and financial statements prepared in accordance with NGAAP may not be sufficient enough for foreign investors to make judgments about investment decisions (Oduware, 2012).

Financial reports prepared in accordance with national accounting standards no longer satisfy the requirements of users' to make international comparisons and decisions especially with respect to developing economies; as a globalization of financial markets and businesses has occurred, and international markets grown rapidly (Mohammed & Lode, 2015; Terzi, Oktem & Sen, 2013). Purely national accounting standards framework may even be a handicap for international businesses as well as investors and creditors in ascertaining the true position of financial statements prepared in a global market (Zeghal & Mhedhbi, 2006).

It is argued that for gaining a better understanding, making global economic capital decisions and uniformity of accounting standards across the globe, IFRS promises more accurate, comprehensive and timely financial statement information, relative to the national accounting standards (Khan, Ismail & Zakuan, 2013). As a result of this clarion call, Nigeria, requires companies' financial statements to be prepared in the

context of global financial reporting standards benchmarks for a better understanding and appreciation of the risks involved (Garuba & Donwa, 2011). IFRS requires the financial reporting of companies to be done in accordance with its framework to make more disclosures regarding companies. The objective is make financial statements a true and fair view representation of the companies' activities. Muhammad and Lode (2012a) argued that investors would be influenced to participate in local businesses if the country adopted IFRS, given that the local standards issued by developing economies might not be sufficient for making business contributions in emerging markets. It is predicted that companies will reveal more of their financial information with the transition to IFRS (Bala, 2013).

1.3   Research Objectives

The main objective of this research work is to investigate the adoption of IFRS on financial reporting quality of Nigerian listed companies in post adoption period. Other specific are to investigate the:

i.   Value relevance of book value and earnings after the adoption of IFRS, and

ii. Timeliness of financial information after the adoption of IFRS.

1.4   Research Questions

Following the objectives of the study, the research seek to answer the following questions

i.   Are book value and earnings more value relevant after the adoption of IFRS?

ii. Is financial information timelier after the adoption of IFRS?

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1.5 Scope of the Study

The scope of this study comprises companies listed on the Nigerian Stock Exchange (NSE) as of 31 December 2014. The study investigates the companies' financial reports for a period of one year which is 2014 financial year. A one year period is considered adequate given the nature of this study.

1.6 Significance of the Study

Several prior studies have been conducted on value relevance and timeliness of financial reporting quality before and after the adoption of IFRS using different measures in different industries and in different parts of the world, for instance (See for instance Umoren & Enang, 2015; Aliabadi, Dorestani, & Balsara, 2013; Moradi, Salehi, & Mareshk, 2013; Iyoha, 2012; Barton, Hansen, & Pownall, 2010; Uwuso-Ansah, 2010). Therefore, in an attempt to study the relationship between IFRS and financial reporting quality among Nigerian-listed companies after the implementation of IFRS, specifically value relevance and timeliness are considered and expected to give evidence on the extent of the relationship between stock prices and accounting information provided in general purpose financial statements. This study is concentrates on non-financial sectors in Nigeria as the relevant studies were on financial sector.

The study takes into consideration stakeholders' confidence particularly among current and potential investors with respect to their investing decisions. Shareholders operating with Nigerian listed companies would benefit from these findings; hence, the study intends to find the value relevance and timeliness of financial information.

The study may add to the existing literature on value relevance and timeliness of accounting information, and, at the same time, to provide important quantitative and qualitative information on the performance of companies listed on the Nigerian Stock Exchange (NSE), and as a touchstone for future researchers.

1.7 Summary of the Chapter

This chapter outlines the background of the study, which found that the adoption of IFRS around the world was supported by many countries as a body of high quality accounting standards. IFRS improved financial reporting of firms across the globe and comparability of financial statements worldwide. The chapter further explained in the problem statement that the accounting standards of developed countries considerably differ from those of developing ones, making it difficult to analyze the true financial statements of businesses in developing counties in order to make sound investment decision. Similarly, the objectives and research questions of the study were discussed with respect to financial reporting quality, particularly value relevance and timeliness after the adoption of IFRS. The scope and significance of the study were also discussed in this chapter.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews related literature on the concept of international financial reporting standards, financial reporting quality, value relevance of accounting information and timeliness of financial report, and the fair value accounting is not be in exception. The chapter further analyses the theoretical framework upon which the value relevance and timeliness of accounting information on financial reporting quality is based. In addition, this chapter explains efficient market theory, agency and stakeholder theories as underpinning theories that are related to the study.

2.1 The Concept of Financial Reporting

The Statement of Financial Accounting Concepts No. 8 (2010), which is the chapter one of conceptual framework for financial reporting, reveals that the objective and general purpose of financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to entities. The decisions involve buying, selling or holding equity and debt instruments, and providing or settling loans and other forms of credit. The general purpose financial reports is a focal view for most of the current and potential investors, creditors and other lenders for providing the financial information that they need in their decision making (Francis & Schipper, 1999). However, financial reports do not disclose all the

information that current and potential investors need. They must consider relevant information from other sources, such as economic conditions and expectations, industry and company outlooks.

According to Wells (2011), financial reports are based on estimates, judgments, and models rather than exact depictions. The conceptual accounting framework establishes the concepts that underlying those estimates, judgments and models. These concepts are the goal towards which the board of directors and the preparers of financial reports strive to fulfill. Ideal financial reporting is often doubtful to be achieved in full because that reporting takes time to understand, accept, and implement new ways of analyzing transactions and other events. Nevertheless, establishing a goal is essential if financial reporting is to develop adequately in order to improve its usefulness.

2.1.1 Qualitative Characteristics of Financial Reports

Financial reporting qualitative characteristics are classified into fundamental qualitative characteristics and enhancing quality characteristics (Lennard, 2007).

Lennard (2007) fundamental financial reporting quality comprise value relevant of financial information that is capable of making a difference in the decisions making by users even if some users choose not to take advantage of it. Making a difference in decision making is one capability of financial information when that information has predictive or confirmatory value, and if the financial information can be used as an input by users to predict future results that information is said to be relevant. Similarly, users employ predictive value of financial information in making their own predictions (Lennard, 2007).

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Meanwhile, enhancing qualitative characteristics are comparability, verifiability, timeliness and understandability, which are used to enhance the usefulness of information that is both relevant and faithfully represented. These can help to determine which of two ways (value relevance and timeliness) should be used to depict a phenomenon if both are considered equally relevant and faithfully represented (Lennard, 2007).

Comparability is a qualitative characteristic enabling users to identify and understand similarities in, and differences among items and does not relate to a single item. On the other hand, consistency is also related to comparability but is not the same. Consistency refers to the use of the same methods for the same items, either from period to period within a reporting entity or in a single period across entities. Comparability is the goal, while consistency helps to achieve that goal. Joyce, Libby and Sunder (1982) disclosed that comparability of financial reports leads to them to be timely by having information available to decision-makers in time so that this information is capable of influencing their decisions.

2.2 International Financial Reporting Standards (IFRS)

IFRS is a set of accounting standards established by an independent and non-profit organization popularly known as IASB. IFRS is a single set of accounting standards with a particular format to be used for financial statements, make it easier for public companies to compete globally, raise capital, and provide financial details (Kaiser, Schmid, Sheward, & Bennett, 2014).

The term has two main definitions in everyday usage. Narrowly, the term refers to the new pronouncement that the IASB is issuing, as differed from the International Accounting Standards (IASs) series issued by its predecessor. The more broadly, IFRS refers to the entire body of the IASB pronouncement, including standards and interpretations approved by the IASB and IASs and SIC interpretation approved by the predecessor international accounting standards committee. IFRS was established under the laws of state of Delaware, United States of America, on 8 March 2001 (IFRS foundation 2001). The objective of the standards is to present a unique and comparable accounting framework for public companies on how to prepare and disclose their financial statements globally. Most significant financial accounting and reporting changes in the history of accounting was the adoption of IFRS across countries by public companies (Cotter, Tarca, & Wee, 2012).

Soderstrom and Sun (2007) stated that more than one hundred countries around the world today have implemented IFRS, and others have taken steps to adopt the standards in the near future. European Union countries mandate all public traded companies' to implement IFRS in preparing and consolidating their financial statements. The United States Security and Exchange Commission (SEC) allow non-U.S. companies to prepare their financial statements in accordance with IFRS (SEC, 2007).

Therefore, a number of propositions and arguments concerning the implementation of a uniform and acceptable accounting standard globally exist. Several prior researches have been conducted and discussed different issues on the impact of IFRS adoption in different countries. In Spain for instance, Callao, Jarne and Lainez (2007) opined that

companies mandate to report consolidated accounting information in accordance with IFRS as of 1 January 2005 and found that the adoption of IFRS in a country at the same time with local accounting standards had adversely affected local comparability. Gassen and Sellhorn (2006) found that IFRS firms have more persistent, less predictable and more conditionally conservative earnings in Germany after the adoption of the standards. Christensen, Lee, Walker and Zeng (2015) also observed that following the voluntary adoption of IFRS in German firms with incentives, accounting quality through multiple constructs of earnings management, timely loss recognition and value relevance improved.

Furthermore, IFRS adoption convincingly contributed to less less-earnings management, timely loss recognition and value relevance of accounting numbers compared to local accounting standards in Greece (Dimitropoulos, Asteriou, Kousenidis, & Leventis, 2013). Jacob and Madu (2009) suggested that a single set of high-quality accounting standard with worldwide acceptance has the potential to improve financial reporting comparability among companies. International financial reporting standards have created a worldwide foundation for this comparability. Houqe, Zijl, Dunstan and Waresul Karim (2012) examined the impact of mandatory implementation of IFRS and investor protection for accounting quality on earnings in more than forty countries around the world. They reported that, when a country's investor protection regime provides stronger protection, earnings quality increases mandatory implementation of IFRS.

Some developing economies have adopted IFRS while others intent to adopt of accounting standards across the globe. Chamisa (2000) analyzed the usefulness of IFRS in Zimbabwe and revealed that the standards have particular importance for developing countries with emerging financial markets. Bova and Pereira (2012) conducted a study in Kenya, a developing country with relatively open capital markets, while enforcement resources are limited in the country. The study used both private and publicly traded firms and found that following the adoption of IFRS, foreign ownership was associated with and led to greater IFRS compliance. Outa (2011) found that the quality of accounting information had marginally improved in Kenya following the adoption of IFRS.

2.3   Fair Value Accounting

The shift to IFRS around the world was in sufficient in itself for financial reporting systems to practice; additional fundamental matters became important with the adoption of IFRS standards. These centered on the valuation basis for assets and liabilities that international accounting standards board has adopted in many of its standards (Laux & Leus, 2009).

The IASB valuation approach has embraced the introduction of "fair value" as a primary basis for measuring assets and liabilities. As a result, a portion of firms report assets and liabilities at fair value. To be included in financial information are pension assets and liabilities, financial instruments derivatives, certain other financial assets and liabilities held for trading, tangible and intangible fixed assets that have been acquired in a business combination, re-valued assets held for disposal, share-based

payment liabilities, provisions and biological assets, and investment properties (Ernst & Young, 2005).

The adoption of IASB created a market value definition of fair value. Many of its fair value is expressed as the amount for an asset that could be a settled liability or exchanged among knowledgeable interested parties in an arm's length transaction (Andre, Jeny, Dick, Richard, & Walton, 2009). Therefore, the IASB board considers its fair value as the most relevant measurement basis and advocates its approach on the ground of relevance.

IFRS defines fair value accounting as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Moreover, according to IFRS, financial reporting basically involves a process of recognition of assets and liabilities, where the initial measurement could be at fair value, re-measurement and de-recognition for the second time largely at fair value. Taylor (2009) argued that the position of measurement and re-measurement is reasonable only if the meaning of fair value is both clear and explicit, and if the fair value of an assets and liability can be determined with adequate reliability to justify its use as the primary basis for measuring assets and liability. It is important to meet this criterion; hence, the IASB believes that movements in fair value from the balance sheet of one company to another (other than transactions with shareholders) deserved to be regard as a component of the company's performance (comprehensive income).

2.4 IFRS in Nigeria

Financial statements in Nigeria were previously reported in accordance to the NGAAP issued by the NASB. Several factors have a significant effect on the country's financial performance. For instance, information disclosure was inadequate to effectively decrease the information asymmetry between users of financial statements and companies (Bala, 2013). Under the NGAAP, property, plant and equipment are measured by using a cost model; while IFRS requires them to be measure at their fair value. Other factors also includes valuation of financial assets classification which are classified at fair value, costs and amortization costs as required by IFRS (Edogbanya & Kamardin, 2014). Accordingly, the use of LIFO is allowed under NGAAP, where IFRS prohibits the use of LIFO. Most company's assets are measured using the historical cost basis in their financial statement as required by the country's local standards. These factors necessitates that company's financial statement are couple with the complexity of IFRS convergence to enable disclosure of more comparable information, because many companies posses the securities of foreign investors (Adeuja, 2015).

To meet the objectives of IFRS the federal government of Nigeria disclosed a road map for the adoption in three phases starting in January 2012 that would lead to full transition to IFRS. Following the directives, the country's listed and significant public-interest entities were mandated to prepare their financial statements in accordance to IFRS for statutory purposes by December 2012. Other public-interest entities were under the obligation to implement by December 2013. The last phase

was required small and medium sized entities (SMSs) to adopt IFRS by December 2014 (Umoru & Ismail, 2012).

After the implementation of IFRS, Tanko (2012) empirically reported that IFRS adoption result in better accounting quality in the financial statement of firms in Nigeria. Adoption of IFRS increased the level of investors' confidence and investment analysts globally in the financial statements of Nigerian companies which assisted in generating more funds from foreign investments (Adetoso & Oladejo, 2013). Okpala (2012) opined that adoption has promoted the economic growth and inflow of Foreign Direct Investment (FDI). The financial reporting and firms performance has significant relationship following the adoption of IFRS (Samuel, 2014).

2.5 Financial Reporting Quality

Financial reporting quality is a broad concept applicable not only to financial information, but also to disclosures and other non-financial matters that are usefully attached in the reports for economic decisions; hence, present and potential investors are more concerned with financial reporting quality (Van Beest, Braam & Boelens, 2009). AICPA (1970) stated that the use of financial accounting and financial statement was the provision of quantitative financial information about business enterprise that is useful to the statement users. The Financial Accounting Standards Board (FASB) Statement of financial accounting concepts No. 1 (1978) stated that an entity's financial reports are aimed to "inform current and potential investors the expected firm's cash flows in making their rational investment decision" (Paragraph

34), financial reporting "provides information to help present and potential investors in assessing the amounts, timing, and uncertainty of prospective cash receipts" (Paragraph 37).

Providing high quality financial reporting information is important; hence, capital providers will be influence by the information contained in reports and other stakeholders will be positively affected in making investments, granting credit and other related resource allocation for the overall market efficiency (IASB, 2006; 2008). Consequently, financial reporting includes a large numbers of subjects (Palea, 2013). IASB focuses particularly on the needs of participants in capital markets. Investors are considered more specifically with that information and in the most need from financial reports, in some measure because they cannot usually request information direct from the company. Investors' needs are considered as highly representative of the needs of a wide range of users because they provide risk capital to the firms (IASB, 2010).

The IASB (2008) exposure draft clearly expresses their intention for the desirability of constructing a comprehensive measurement tool to assess the quality of financial reporting. The measurements tools are quality financial reporting are fundamental and enhancing qualitative characteristics which determine quality for decision usefulness by the users of financial reporting information. Qualitative characteristics of financial report are the attributes that make financial information useful and are distinguished as fundamental and enhancing characteristics depending on how they affect information usefulness (IASB, 2008).

The quality of a financial statement can be measured by using different methods or a combination of different methods such as by calculating discretionary accruals, conservatism, relevance and predictability of earning (Kythreotis, 2014). Robinson and Munter (2004) stated that reporting qualities are derived from the overall quality of financial statements which refers to the extent to which that published information explains the financial position and operations of the firm. Financial statement information can be measured through the contents of the statement of a company's financial position, a statement of comprehensive income and changes in value of equity (Bonham, et al. 2009).

Dimitroupoulos *et al.,* (2013) investigated the impact of IFRS adoption on the quality of accounting information in a Greek accounting setting. Their study found convincing evidence that the adoption of IFRS contributed to less earnings management, more timely loss recognition and greater value relevance of accounting numbers when compared to the local accounting standards. Arum (2013) examined the proxy of earnings management, timely loss recognition and value relevance of accounting information in measuring the quality of financial statement information in Indonesia. Arum's results also revealed that IFRS implementation decreased the scope of earnings management and increased the value relevance of accounting information. Iatridis and Rouvolis, (2010) also measured financial reporting quality with the using earnings management, value relevance and timely loss recognition in Greek firms. The results reported that implementation of IFRS has brought instability in the first year of adoption of IFRS as indicates in companies balance sheet.

Ahmed, Chalmers and Khlif (2013) investigated financial reporting quality effects which included value relevance and earnings transparency in the form of discretionary accruals. The study found that value relevance of book value of equity did not increase after IFRS adoption, while the value relevance of earnings increased generally when assessed using the price model. Conditional earnings conservatism is more pronounced under IFRS which suggest that the use of IFRS improves the relevance and reliability of the reported accounting information (Bertins & Moya, 2013).

Verdi (2006) revealed that financial reporting quality is the precision with which financial reporting conveys information to equity investors about the firm's operation particularly it expected cash flow. Financial reporting quality is the exactness with which financial reporting conveys information about the firm's operations, exclusively expected cash flows that will inform firm's equity investors (Chalaki, Didar, & Riahinezhad, 2012). High quality financial report is paramount significant but the challenges is how to measure its quality.

2.5.1   Value Relevance

Value relevance is a term derived from two different words that are value and relevance. Value has divergent meanings depending on the view that users attached to it. In economic terms, value refers to the price or worth for which a commodity of goods and services will be exchanged in an open and competitive market and primarily determined by supply (Keen, 2001). Accordingly, the argument may be made that the value of a commodity equates with its price in view point of an economists, whether the market is competitive or not. In addition, to economists, everything that has no market price has no economic value.

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On the other hand, sociologist defines value as the way of life about which a person or persons, social groups or businesses are passionate. Usually this value is expressed in form of a business mission statement created to make customers aware of their ethics (Weber, 2012). Values have a significant impact on the conduct of peoples and this viewpoint in most cases serve as reference point for those ethics in all circumstances. A number of common business values in principle and practice include innovation, fairness and integrity.

From the accounting viewpoint, the term value refers to the monetary worth of an asset, goods, services, entity, liability or obligations acquired by a business. For example, fair value is the price of a commodity that would be received when selling an asset or paid to transfer a liability in an orderly transaction among market participants at the measurement date (FAS, 157). Fair value is a relevant measure of assets and liabilities of firms for quality financial report, and businesses continue to measure their assets and liabilities based on fair value. Comparatively, book value is considered to be the value of a business asset according to a firm's balance sheet, or reflected in the figures a business's statement of financial position and is traditionally seen as the original cost of the asset minus any depreciation, amortization or impairment costs made against that particular asset (Tracy, 2013).

The concept of relevance have different implications in different fields and different theories of knowledge and often have different meanings for what is considered to be relevant, and thus fundamental views have also different implications for different fields as well. Thus, relevance, though as important consideration in logical systems

is an elusive concept. Hence the solution of any problem involving relevance requires identifying the elements from which a solution would be constructed. Because of this, capturing its meaning using conventional logic has emerged as being difficult.

The uses and importance of defining relevance have been considered by economist in decision-making. For example, Keynes (2011) opined that the relevance of a piece of evidence, including its true position, must be defined in terms of the changes that evidence produces in estimating the probability of future events.

The concept of relevance in accounting is that the information provided by an accounting process should influence users' ability for meaningful decision making (Bonham et al., 2009; Tracy, 2013). This concept is therefore, around the content of the accounting information and its timeliness, which both can greatly impact decision-making. This information is considered to be more relevant when the information is provided more quickly to users. More precisely, relevance in this instance implies a situation or event that will modify substantially the decision making process.

From this discussion, for anything to be value relevant it must be worth a price expressed in monetary value. Thus, the value attached must be able to influence a buyer and seller in making an informed decision about such items in question. In accounting literature, studies conducted after the adoption of IFRS focus in value relevance investigating the empirical relationship between value relevance and financial reporting quality to assess the quality of financial reporting are numerous. For instance, Umoren and Enang (2015) claimed that value relevance was the ability of financial statement to contain information clarifying stock market measures. If the

figures contained in the financial statement can guide investors in their stock pricing, such figures were said to be value relevance. Financial statements are means for different group of users such as management, owners, creditors, employees, government agencies, regulatory authorities, investors, analysts and even the general public to make proper assessment. Investors need to know the items in financial statement that have more value relevant for their investment decisions.

To measure company performance an examination of the content of financial reports presented must be made. Aliabadi et al. (2013) define accounting numbers as value relevant if the numbers have a predictive relationship with the equity values. If the financial statements were capable of making a difference in valuing firm performance such accounting figures are said to be relevant. Quality financial reports have the ability to capture a company's value relevance. If the information presented captures and summarizes a company's true picture that the company is said to have a quality financial statement (Kargin, 2013).

Martinez, Martinez and Lin (2014) conducted a study of IFRS disclosures in the transition period in Spain, in which the aggregated numbers of accounting differences and the individual adjustments on book value of equity and earnings are disclosed. Their findings revealed that no evidence of increased value relevance existed post-IFRS adoption. Thus, investors considered the individual reconciliation adjustments to be more valuable and significant. Maigoshi (2014) empirically evaluated the impact of the mandatory adoption of IFRS on accounting quality in Nigeria. The study revealed that mandatory adoption of IFRS significantly increased the value relevance of publicly quoted companies.

Bilgic and Ibis (2013) reported that financial statements users evaluated the content of value relevance from the information disclosed to make their decisions. They justified their findings by determining the value relevance of financial statement information in Turkish stock markets during the period from 1997 to 2011. They reported that the explanatory powers of book values after the adoption of IFRS are greater than those of earnings prior to the adoption of IFRS. After the adoption of IFRS in Turkey, the value relevance of earnings and book values significantly increased. The result justifies the conclusion that investors considered the value relevance of financial statement information to provide risk capital after the new accounting standards. This discussion leads to the following hypothesis.

H_1. Book value and earnings were value relevant after the adoption of IFRS.

2.5.2 Timeliness of Financial Information

American Securities Association (ASA) reveals that the process of providing timely financial reporting by the legislative decision and requirements by bodies is highly significant. Timely disclosure of financial reporting by companies contributes to the rapid and efficient performance of stock markets. Timely financial reporting also helps to reduce the level of insider trading leakages and the presence and impact of rumours in stock markets (Awosu-Ansah, 2000a).

Timeliness of financial reporting is having information available to decision makers at the correct time and before that information losses its capacity to influence investors' decisions (Ezat & El-Masry, 2008). Consequently, timeliness has been identified as a characteristic of information in financial reporting (Belkaoui, 2002). It is, therefore, necessary to satisfy the informational needs of investors by disclosing

information in a timely manner in annual financial reports. Turel (2010) argued that timeliness is one of the important determinants of financial reporting quality. To achieve this objective, preparers must make information available in a timely manner so as to informed decision-making. The use of financial statements is impaired if these statements are not available to users within a reasonable time after the reporting date.

Accounting information is important and extremely required information that must be disclose in a timely manner to ensure if is more relevant to user because any delay in presenting information tends to make it less relevant for the decision making. Therefore, timeliness of financial reports is important for protecting the best interests of the users of information from making their decisions based on outdated information. If the preparers fail to disclose timely information, the result would be an inefficient allocation of resources (Al Daoud, Ismail, & Lode, 2015).

The IASB conceptual accounting framework has stated that timeliness is one of the qualitative objectives of financial reporting disclosures. FASB continued to recognize the importance of timeliness and recommend the delivery of timely information in its Concept Statement No. 2. The U.S. Securities and Exchange Commission (SEC) also recognizes the importance of timeliness and requires all listed companies to file their annual reports by a certain deadline so that investors can utilize quality financial information for their investments. This signifies that timeliness of financial information has number of aspects.

Kenley and Staubus (1974) revealed that financial reporting quality and timeliness has a relationship, suggesting that accounting information becomes less relevant with the passage of time. The need for high quality and timely financial reports has become necessary in Nigeria due to the increasing exposure of business firms to international capital markets. Business organizations around the world are being required to satisfy foreign investors with the information demanded and to disclose positive or negative returns (good or bad news) in their annual financial reports on timely basis.

Researchers have argued that the frequency of disclosure of information reduces investors' incentives to obtain information in a more costly manner resulting in reduced transaction costs and information asymmetries, and thus reduces uncertainty about existing stock price which would also reduces the cost of equity (Botosan & Harris, 2000). The problem associated with the frequent of reporting is that greater frequency increases costs, time, and effort for a company as more reports are produced in a year. More frequent reporting could also place companies in a disadvantageous competitive position. Moreover, as Ismail (2003, p. 197) argued "the more frequently attempt to determine the earnings figure, the greater the probability of being forced to make these allocation decision based upon incomplete knowledge, and less faith we are able to place in earnings figure so calculated.

Timeliness of earnings or income recognition describes the degree to which the present earnings reveal value relevant information. Both good and bad information in earnings assists in effective and timely monitoring of managers. However, timeliness across companies is not expected to be consistent; hence, available growth

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opportunities and investments of companies differed (Basu, Hwang & Jan, 2001). Financial reporting regimes, legal and institutional timeliness have also been different across firms (Ball et al., 2000; Pope and Walker, 1999). Basu (1997) conducted a regression analysis of annual earnings on returns, which predicted that earnings responded more to bad news than to good news and found it right. He called this differential response the asymmetric timeliness of earnings response and uses this as a measure of conservatism. Beekers and Brown (2007) examined timeliness results for a set of companies listed on the Australian Stock Exchange (ASX) over a period of 1995 to 2005. They found good news became timelier in the first half of the year, while bad news continued to be timelier in the second half of the year which is consistent with the of Basu's (1997) results.

Basu (1997) relates asymmetric timeliness in earnings between positive and negative returns with the accounting conservatism. He described conservatism as the accountant's inclination to require a high degree of verification for identifying good news in earnings more than bad news. This brought about the requirement to contract with lenders and creditors. Nevertheless, the existing information asymmetry among other contracting parties and managers could lead to the use of accounting information by managers to their own advantage, for instance to increase bonus incentive payments. Despite the centrality of timeliness and conservatism to financial reporting, Ball, Robin and Sadka (2006) argued that no direct investigation has been conducted of what economic factors determine the two. They offered a simple test utilizing international data with a sample of 22 countries using Basu's (1997) linear regression of earnings on returns. Their study estimates numerous fundamental

financial reporting properties; for example favourable recognition timeliness, un-favourable recognition timeliness, and the asymmetry between the two. They found a significant positive relationship between timely loss recognition measures and debt market size. While the relation between timely loss recognition and equity market size was negatively and insignificantly correlated. In contrast, the relationship between the timeliness of favourable recognition was not correlated with either debt or equity market size. This discussions leads to the following hypothesis:

H$_2$. Financial information was timelier after the adoption of IFRS.

2.6 Research Framework

The research framework presented below in figure 2.6.1 shows the relationship between independent and dependent variables of the study. Value relevance and timeliness are independent variables that may be positively associated with financial reporting quality. The adoption of this framework is based on previous literatures.

Figure 2.6.1 Research Framework
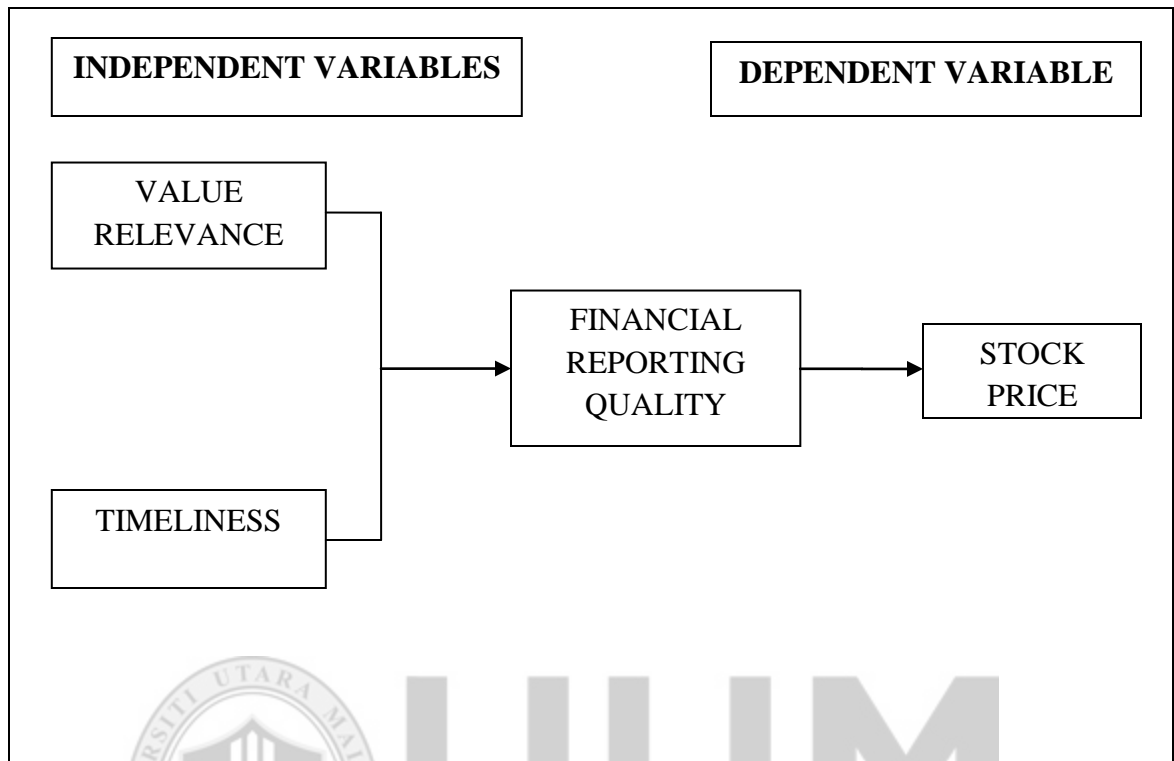
Notes: Sources include (Palea, 2013; Iyoha, 2011; Jacob & Madu, 2009; Ismail, 2003; Owusu-Ansah, 2000)

2.7 Underpinning Theories

This section provides discussions on the theories that will support the variables of the study. This includes efficient market theory, agency theory and stakeholder theory.

2.7.1 Efficient Market Theory

The efficient market theory basically posits that securities prices reflect a significant amount of information taken from many different sources in the securities market (Pickholz & Horahan, 1982). This suggestion impacts both methods and responsibilities of disclosure as mandated by the securities laws. To the extent that the efficient market theory is applicable, disclosure methods may be simplified because

after information on securities is incorporated into price, the investor receives considerable information simply by knowing the price information.

The efficiency market theory predicts that the market may not respond to accounting information exactly. It states that, for instance, share prices may not fully react to financial statement information immediately, but effect on security returns continue for some time following the release of the information (Fama, 1970). Similarly, the efficient market theory supports that the market may not always extract all the information content from financial statements. The theory referred to this issue as anomalies which implies that share returns are serially correlated in statistical term, whereas under market efficiency serial correlation is zero (Scott, 2015).

Anomalies are considered to be post-announcement drift, in which the current earnings of a firm's become known and in which information content should be digested quickly by the investors and incorporated into an efficient market price. The theory suggests that firms report their earnings in terms of either good news (positive returns) or bad news (negative returns). For instance, for firms reporting good news in earning, their abnormal security returns tend to drift upward for some time following their earnings announcement. Similarly, firms that report bad news in earnings tend to have their securities drift downward for the same period (Scott, 2015).

Fama (1970) suggested that an efficient market has a large number of engaging in rational profit maximization that are actively competing against each other to predict future market value of individual securities, and important current information is almost available to all participants. This theory is used to reflect that new information

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leads to view stock price as unpredictable. It is, therefore, helpful to determine the value relevance and timeliness of financial information, as the market may not respond to accounting information exactly hence the efficiency theory predicts. The theory could further help investors to revise their beliefs about a firm performance upwards so that they buy a firm's shares at their current market price.

2.7.2 Agency Theory

An agency relationship is defined as one in which one or more persons the principal(s) engages another person (the agent) to perform services on their behalf which involves delegating some decision-making authority to the agent (Ross, 1973; Jensen & Meckling, 1976). Agency theory posits that the interests of principals and agents deviate.

According to agency theory, the principals are expected to limit their differences of interest with agent by establishing appropriate incentives for that agent, thus incurring monitoring costs designed to minimize opportunistic actions by the agent. Therefore, an agent may pay to spend more resources (bonding costs) to guarantee him/her not harm the principal, or to ensure that the principal will appropriately compensated if he/she does take such action.

Agency costs are defined as the sum of the principal monitoring expenditures and the agent bonding expenses plus any remaining residual losses. Agency theory emphasizes that natural selection processes that favour governance structures economize agency cost (Fama & Jensen, 1983; Jensen, 1983).

Going with the above assertions, agency theory can provide guidance to make the financial reports of an entity more relevant and reliable when disclosing the information contents of that report. Barney and Ouchi (1986) opined that an agency theorist considers the firm to be as surrounded by efficient markets that adjust quickly to new circumstances. Hence, an agent is surrounded by bonding costs; he/she must reconcile divergent interest with all respect to the principal, so that the principal can rely on the information disclosed by the agent in making economic decisions. In a nut shell, an agent will be expected to disclose relevant, timely financial information of high-quality nature that would influence the principal and other information users to make good decision about their future investments.

2.7.3   Stakeholder Theory

According to Freeman (1984), the term stakeholder refers to a group of citizens who have legitimate claims on the firm. Legitimacy is established through the existence of an exchange relationship (Pearce, 1982). Stakeholders include stockholders, creditors, managers, employees, customers, suppliers, local communities, and the general public. March and Simon (1958) stated that each group of constituents can be seen as supplying different resources to the firm, and in returns each group expects its best interests to be protected and satisfied by incentives.

Stockholders provide a firm with capital to be used in running activities. In an exchange, they expect the firm to maximize the risk-adjusted return on their capital investment. Creditors provide finance for a firm and, in return, expect their loans to be repaid on schedule. Furthermore, managers and employees are the agents who

provide capital commitments for the stockholders investment. They expect fair income in return and adequate working conditions. Customers contribute revenues to the firm and expect value for money in return for contributions to revenue. Suppliers also provide the firm with inputs and look for fair prices and dependable buyers in exchange. Lastly, the general public provides national infrastructures for the firm; hence, they are tax payers. In return, they expect corporate citizens who enhance and do not damage the quality of life and do not violate the rules established by the public through their legislative agents.

Stakeholder theory suggests that the purpose of a business is to create as much value as possible for stakeholders (Clarkson, Deck, & Shiner, 1992). In order to succeed and be sustainable over time, executives must keep the interests of customer, suppliers, employees, shareholders, communities and general public aligned (Clarkson, *et. al*, 1992; March & Simon, 1958). Improvements geared to keeping these interests aligned are more significant than the easier strategy of trading off the interests of stakeholders against each other. Hence, by managing for best interest of stakeholders, executives will also create as much as possible value for the shareholders and other capital providers. Clarkson, (1998) noted that the stakeholder theory addresses issues that are recognizable to business managers functioning in competitive markets in a way that expands but does not challenge in a fundamental way their vision of responsibilities as business managers.

Based on the above discussions, stakeholder theory can serve as a reference to oblige a firm to produce timely financial report needed by groups of users (creditors) who expects the repay of loans given to that firm on a schedule. If the financial reports are

disclosed in a timely, the data would be relevant to an assorted group of users for decision making about the company's performance. These would further make investors inclined to believe that the financial reports are of high quality, timely, and relevant for adequate for decision making.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter discusses the methodology of the study. It explains the population and population of interest to the study. Data collection method, sampling technique, and sampling size are also explained in this section. Metric for measurements of the research variables, value relevance and timeliness of financial report are discussed. The chapter further explains the techniques and tools of data analysis, which include descriptive statistics, correlation, regression and tools of data analysis, and finally the models of the study analysis are also explained.

3.1 Population

The population of this study comprises all companies listed on the Nigerian stock exchange as of December 2014, which comprised 202 companies. To minimize the population, the study considers the population of interest and target population in the study.

3.1.1 Population of Interest

The population of interest for this research works comprises all listed companies in Nigerian stock exchange excluding financial institutions, after the adoption of international financial reporting standards. The selection of the sectors' was based on the completing in the preparation of their financial reports after the mandatory adoption of new IFRS. This study is consistent with Siyanbola (2014) on the value

relevance of accounting information, but differs in terms of the sample size, measurements and timeliness. Eleven sectors were selected which exclude financial sector in order to measure the quality of their financial reports.

3.1.2 Target Population

This study comprises one hundred and seventeen (117) companies quoted on the Nigerian stock exchange as of December 2014. The sectors were selected due to inadequate research on the relationship between IFRS and financial reporting quality among firms listed on stock exchange, specifically with respect to value relevance and timeliness of financial information. The conditions for selecting companies were the: (1) company must be listed on the Nigerian stock exchange, and (2) must not be a financial institution as their financial statements have different aspects, (3) must have data available on a company's preliminary earnings and (4) have a reporting date as of December 2014.

3.2 Sampling Method

In order to consider and have access to necessary information contained in the financial reports of the stated target population, companies in the sample must be listed on the Nigerian stock exchange for a period not less than ten years, and must have not been involved in takeover.

This research considers the 91% of population as the appropriate sample size for the study. However, data availability led the researcher to utilized 11 sectors out of 12 listed on Nigerian stock exchange. The study found 117 listed companies, excluding financial sector companies, which meet the selection criteria, but only 77 companies

had the full data required for analysis. In consideration of the criteria stated, a simple random sampling design was used; hence, all companies had a chance of been selected to every unit of the population target.

3.2.1 Sampling Size

The sample composition of this study comprised 77 companies that were selected at random from the target population. These represented all the industry except financial industry. This is because the structure and the accounting practices for financial sector companies are substantially differ from those of companies in other sections.

Table 3.1:   Sample Composition of Industry

Sample Composition of Industry

Industry Description	No. of Firms Selected
Agriculture	3
Construction / Real Estate	7
Consumer Goods	11
Healthcare	4
Industrial	4
Information and Communication Technology	11
Natural Resource	7
Oil and Gas	8
Services	12
Utilities	4
Conglomerates	6
Total	**77**

Note: Source Nigerian Stock Exchange

3.2.2 Method of Data Collection

The data collected in this research is essentially secondary data gathered from UUM Data-stream. The data was collected from the annual reports and accounts of the sampled companies by Nigerian stock exchange. The data of interest are from the component of accounting information disclosures, which are obtainable from the income statements and the balance sheet components of the financial statement. The research method is much similar to prior studies, which relied on secondary data for analysis, those of Adeuja, (2015), Maigoshi, (2014), Siyanbola, (2014) and Babalola (2012).

3.3 Model Development

Model development is considered as an effective method in measuring the variables of this study. It assists to investigate the relationship between dependent variable and independent variables of this study in more accurate form. Two models were developed for value relevance of financial reports and timeliness of financial information. For value relevance of financial reports, book value and net income were proxies on stock price based on Ohlson model as modified by Kadri, Abdul-Aziz and Ibrahim (2009) For timeliness of financial information, returns on assets and returns on equity were proxies on stock returns based on Basu asymmetric timeliness model as modified by Rowchoudry and Watts, (2006), and Mohammed and Lode, (2014).

3.3.1 Value Relevance Model

Value relevance data are primarily tested in order to extend knowledge regarding the relevance and reliability of accounting numbers as disclosed in equity values. Equity values reflect accounting figures when the two are correlated (Barth, Beaver, & Landsman, 2001). Critiques on value relevance focus on equity investors, but the equity investors are not the only users of financial statements. Holthausen and Watts (2001) argued that beyond equity investors, other users of financial statement exist, for instance with respect to management compensation and debt contracting. The arguments further stressed that equity investors are not the only ones interested in using the financial statement of companies' and value relevance can be use as necessary condition for standard setters.

Barth et al. (2001) studied on value relevance accounting have applied different valuation models for structure tests, but most have applied market value, which is used to assess how accounting numbers reflect the information to be used by interested parties especially investors. The test is often focused on accounting numbers coefficients in the estimation equation. Barth and Clinch (1996) said accounting numbers would be value relevance because they are empirical; this means if they have predictive significant relationship with stock prices. If the number discloses the information that is relevant to investors in valuing the company and measured reliably enough to reflect in stock prices.

Barth, Bearver and Landsman (2001) opined that Ohlson model represented firm value as a linear function of the book value of equity and the present value of expected future abnormal earnings. The model permits an imperfect product market

for a limited number of periods, but assumes perfect capital markets. Additional assumptions are that linear information is dynamic, and firm value can be re-expressed as a linear function of equity book value, net income, dividend, and other financial information.

Ohlson (1995) suggested valuation model to represents two extreme cases, which is balance sheet-based and earnings-based valuation resulting from limiting assumptions regarding the persistence of abnormal earnings. Barth et al. (2001) further revealed that Ohlson model does not depend on concepts of permanent earnings, because the model expressed only accounting earnings and equity book value which is contrary to Holthause and Watts (2001).

Value relevance models measure the financial reporting information quality with the association between accounting numbers and stock market reaction (Barth, et al., 2001; Nichols & Wahlen, 2004). In this study, stock price is assumed to represent the market value of the company, while accounting numbers represent the company value based on accounting procedures. If changes in accounting information are correlated to changes in market value of the company, the belief is that earnings information provides relevant and reliable information (Nichols & Wahlen, 2004). Stober (1999) emphasized that Ohlson valuation models (1995) provide an empirical work structure on the relationship between firm equity values and accounting numbers. Hence Ohlson developed a theory that expressed share price as weighted average of book value and earnings.

The Ohlson model framework (1995) on value relevance provides a link of relationship between stock price and two other accounting variables. This current study is conducted to investigate the value relevance of book values and earnings of IFRS and financial reporting quality among Nigerian listed companies. The study modified the model to measure the financial reporting quality of listed firms after the adoption of IFRS. Following Mohammed & Lode, (2015), Umoren and Enang, (2015), Shubita, (2013), Halim Kadri, Abdul Aziz and Ibrahim, (2009), book value of equity and net income constitute the accounting figures and serve as independent variables, and stock price serve as dependent variable. The model for market value of equity for financial reporting quality among Nigerian listed companies following Kadri, Abdul Aziz and Ibrahim (2009) is written below.

$$MVE_{it} = a + a_1 E_{it} + a_2 BVE_{it} + \mathcal{E}_{it}$$

Where:

MVE_{it} is the Market Value of firm i equity at year end t,

E_{it} is the Earnings of firm i for year end t,

BVE_{it} is the Book Value of Equity of firm i at year end t, and

$\mathcal{E}_{it}$ is the Error term.

Therefore, regression models will be used on deflated stocks. Easton and Sommers, (2003) suggested that deflation by outstanding shares will minimize the independent variable coefficient bias which is usually influence by large firms. All variables are deflated by the number outstanding stocks of firms at the end of financial year as adopted by Mohammed and Lode (2015), Kanagaretnam, Mathieu, and Shehata, (2009).

To investigate the value relevance of financial reporting quality of Nigerian listed companies by using stock price, a modified model has been developed below as modified from Kadri, Abdul-Aziz, and Ibrahim (2009) Kanagaretnam, Mathieu and Shehata (2009) and Mohammed and Lode (2015).

$$SP_{ut}=\beta_0 + \beta_1 BVE_{ut} + \mathcal{E}_{ut}\text{-- (i)}$$

$$SP_{ut}=\beta_0 + \beta_1 NI_{ut} + \mathcal{E}_{ut}\text{--- (ii)}$$

$$SP_{ut}=\beta_0 + \beta_1 BVE_{ut} + \beta_2 NI_{ut} + \mathcal{E}_{ut}\text{-- (iii).}$$

Where:

SP_{ut} is the Stock Price of firm u equity at the year end t,

BVE_{ut} is the Book Value of firm u equity at the year end t,

NI_{ut} is the Net Income of firm u equity at the year end t, and

$\mathcal{E}_{ut}$ is the Error term.

To investigate the relationship between stock price and book value of equity, model (i) above was adopted to investigate the interaction between stock price and book value of equity at the year end t. Model (ii) investigates the interaction between stock price and net income at the year end t. To further investigate the financial reporting quality post adoption of IFRS on value relevance of book value and firms' net income, model (iii) was developed.

To evaluate whether the book value and net income are incrementally value relevant on stock prices, both book value and net income are represented by the coefficients β_1 and β_2 respectively. Any change in co-efficient differences in either positive or a negative direction indicates a concomitant increase or decrease in the value relevance of financial reporting quality. Therefore, the assumption here in this study is that a

positive coefficient provides evidence that the financial reports of listed companies are value relevant after the adoption of IFRS.

3.3.2 Timeliness Model

Basu's (1997) model was used to measure asymmetric timeliness of earnings with respect to economic news, where by timeliness is the extent to which unexpected economic income reflected on average in accounting income over a period. Over a certain period of a firm's life, (Ball, Kothari and Nikoleav (2013) assumed that "clean surplus" accounting on stock returns into earnings. Roychowdhury and Watts (2007) reveals that Basu model of asymmetric timeliness investigates the extent which a given time news about a firm is incorporate with firm's earnings which could either be good news (positive return) or bad news (negative return). The model further employs stock returns as a proxy for reporting news. Stock price reflects information received from different sources on market other than current earnings, and accordingly stock price changes measures arrival of news during the period. Dogan, Coskun and Celik (2007) found that timeliness in reporting by Istanbul Stock Exchange (ISE) listed companies is influenced by their profitability. Good news companies (measured by ROE and ROA) release their annual reports earlier than bad news companies.

Basu (1997) introduced a regression approach to investigate accounting conservatism by examining the sensitivity of earnings to publicly available news. The approach indicates that if stock prices reflect publicly information on a timely basis, it is assume that stock returns can be employed as a proxy for publicly available news.

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Good news is correlated with positive returns, and bad news is correlated with negative returns. The model is presented below as:

$Xit = B_{1t} + B_{2t}Dit + B_{3it}R_{it} + B4_{it}D_{it}R_{it} + \mathcal{E}_{it}$

Where:

X is earnings

R is a return (measuring news)

D is a dummy variable equal to 1 when R is less than 0 and equal to 0 or otherwise

$\mathcal{E}$ is error term

B_{3it} is good news timeliness measure

B_{4it} is measure of incremental timeliness for bad news over good news.

Ball, Kothari, and Nikolaev (2013) assumed that the market distinguishes the components that reflect information made to the public earlier periods from those reflecting current public information. In line with their assumptions, a total revision in stock returns comprises three components which are integrated with accounting income differently. These stock returns comprises; (1) the portion of unexpected income that is contemporaneously captured in accounting, (2) the portion of unexpected income that is not contemporaneously captured in accounting income unless required by conservative accounting, and (3) the portion of unexpected income that is never contemporaneously captured in accounting income but always incorporated with a lag.

Following Basu's model (1997), which represents firms' earnings and returns on good news (positive returns) or bad news (negative returns), this study adopts a new model as modify in (Ball, Kothari, & Nikolaev, 2013; Roychowdhury & Watts, 2007;

Pope & Walker, 1999) by using regression coefficient to determine good or bad news (positive or negative returns) on firm earnings. The new model for using stock returns as firms' earning is found below for good or bad news (positive or negative returns).

$$STR_{it} = \beta_0 + \beta_1 ROA_{it} + \mathcal{E}_{it} \text{--- (i)}$$

$$STR_{it} = \beta_0 + \beta_1 ROE_{it} + \mathcal{E}_{it} \text{-- (ii)}$$

$$STR_{it} = \beta_0 + \beta_1 ROA_{it} + ROE_{it} + \mathcal{E}_{it} \text{--- (iii)}$$

Where:

STR_{it} is Stock earnings (returns) of firm i at the year end t

ROA_{it} is Return on Assets of firm i at the year end t for measuring news

ROE_{it} is Returns on Equity of firm i at the year end t for measuring news

β_i is the coefficient to represent firm returns

$\mathcal{E}_{it}$ is the error term.

The first equation above presents the relationship between stock returns and the Returns on Assets model, where as the second equation shows the relationship between stock returns and Return on Equity as predicted in Ball et al. (2013) in which a portion of unexpected returns is contemporaneously captured in accounting income. The third equation represents the timeliness model as modified, where the coefficient β_0 and β_1 are used to measure the firm's earnings, which is predicted to be positive returns (good news) or negative returns (bad news) in equation (iii).

This study uses return on assets and the return on equity as shown in model (iii) to statistically relate to stock returns. Meaning that timeliness of financial reports in Nigerian listed companies disclosed good news to investors on their earnings if there is positive returns. Similarly, if returns on asset (ROA) and returns on equity (ROE)

are statistically negative on stock returns in model (iii), it will reveals that financial reports of Nigerian listed companies disclose bad news, which means financial information are not timely disclose to the public.

3.3.3 Definition of Variables

The variables of this study comprise of stock price, book value of equity and net income, which are used as measures of value relevance of financial reports. Stock returns, returns on assets and returns on equity are used as measures of timeliness of financial information.

Value Relevance of Financial Reports

A financial report is defined as value relevance if it has a predictive relationship with equity market values, i.e. stock returns. (Shara, Kumar & Singh, 2012). Value relevance studies are designed to assess whether particular accounting numbers reflects information that is used by investors in valuing firm's equity (Bearth et al., 2001). Financial reports are said to be value relevant if they are associated with stock prices, values or returns. The relevance of accounting value was characterizes by the quality of accounting information (Lev, 1989). This study used book value of equity and net income to measure stock price as coefficient of value relevance of financial information in a regression using Ohlson model.

Stock Price

A stock price is the price of a single share of a number of saleable stocks of a company, derivative or other financial asset. In other word, stock price is the highest

amount in which an investor is willing to pay for the stock, or the lowest amount that can be bought (Holthausen & Watts, 2001). The companies' stock price in this study is determined at the end of 2014 financial year closing date.

Book Value of Equity

Book value of equity is the amount that investors would receive theoretically if all company liabilities were subtracted from company assets (Collins, Pincus & Xie, 1999). The concept is used to establish the minimum amount that a business should be value, which can be considered as the lowest price at which the sum total of its stock should be trade. Book value of equity in this study was captured from 2014 companies' annual report and account at the closing date.

Net Income

Net income is the amount of money a company earned after subtracting all expenses of producing all its goods or services from the revenue realized from the sale of its goods or service. Net income was determined in this study after subtracting tax expenses at the end of 2014.

Net income = Total Revenue - Total Expenses.

Timeliness of Financial Information

Timeliness principle in accounting refers to the need for accounting information to be presented to the users in time before it lose it capacity to fulfill investors decision making needs (Owusu-Ansa, 2001). Timeliness of financial information is highly desirable since information that is presented timely is generally more relevant to

users. Timeliness principle is therefore closely related to the relevance principle. In this study, timelines of accounting information is measured using returns on assets and returns on equity on stock returns as proxies based on Basu model of asymmetric timeliness.

Stock Returns

Stock returns are the returns that the investors generate from the stock market. In this study, the return could be in the form of profit through trading given by the companies to its shareholders at the end of 2014. The stock returns was calculated on companies stock price deflated as of 2014 by using the formula below:

$$STR = \frac{P1 - P0}{P0}$$

Where:

STR is stock return at the closing date

P_1 is Current year stock price i.e. 2014

P_0 is previous year stock price i.e. 2013.

Return on Assets

Return on assets (ROA) is a financial ratio that shows the percentage of profit that a company earns in relation to its resources (Cascio, Young & Morris, 1997). The return on assets ratio is often called return on total assets, a profitability ratio that measures the net income produced by total assets during a period by comparing net income to total assets. In other word, the return on assets measures how sufficiently a

company can manage its assets to produce profit during a period. This study measures the companies' return on assets by dividing the net income to total assets at the end of 2014 financial year. The formula applied in determining the companies' return on assets is:

$$ROA = \frac{Net\ Income}{Total\ Assets}$$

Where:

ROA is Return on Assets at the end of 2014 financial year

Net Income is Companies revenue minus expenses

Total Assets is average total assets of sample companies.

Return on Equity

Return on equity (ROA) refers to a financial ratio that measures the return generated on stockholder equity, where the book value of stockholders equity reflects the accumulation over time of amounts received by the company from stock issues and earnings retained by the company. Bearth et al., (1998) argued that return on equity is the amount of net income returned as a percentage of shareholders equity use to measure a companies' profitability by revealing the amount of profit generates by the company with the money invested by shareholders. Return on equity in this study is determined from the companies' net income to shareholders' equity at the end of 2014. Return on equity is calculated by using the following formula:

$$ROE = \frac{\text{Net Income}}{\text{Shareholders equity}}$$

Where:

ROE is the return on equity at the end of 2014 financial year

Net income is the companies' revenue minus expenses

Shareholders equity is the total equity of companies contributed by shareholders.

CHAPTER FOUR

RESULT AND DISCUSSION

4.0 Introduction

This chapter presents and discusses the research findings, which investigated the value relevance and timeliness of financial information among Nigerian listed companies. In the process of finding the relevant data to as research variables, the study used stock price on book value of equity and net income as the proxies of value relevance, and stock returns on return on assets and returns on equity as the proxies of timeliness of financial information. The results are divided in two groups which comprises of value relevance and timeliness. The remaining part of the chapter is segregated into sub-sections, comprising of descriptive statistics, correlation analysis, diagnostics checks and multiple regression analysis.

4.1 Descriptive Statistics

Table 4.1 presents the descriptive statistics in Panel A (i.e. value relevance) and Panel B (i.e. timeliness), which explain the number of observation, minimum, maximum, mean and standard deviation of the variables among listed sampled companies in Nigeria after the adoption of IFRS.

Table 4.1 Panel A

Descriptive Statistics for Value Relevance Model

Variables	Obs	Mean	Std. Dev.	Min	Max
SP (NGN)	77	2.1010	1.0485	0.0246	3.9376
BVE (Log)	77	3.8592	1.4414	1.0868	7.2682
NI (NGN)	77	1.2609	1.2309	2.9136	4.7483

Table 4.1 Panel B

Descriptive Statistics for Timeliness Model

Variables	Obs	Mean	Std. Dev.	Min	Max
STR (NGN)	77	1.0329	1.0889	1.2786	2.6609
ROA (NGN)	77	0.8658	0.0544	0.7321	0.9763
ROE (NGN)	77	0.8183	0.5428	0.2377	0.1365

The descriptive statistics in Table 4.1 in Panel A presents value relevance data of stock price, book value and net income, which are measured in Nigerian Naira (NGN). The mean value of stock price was (NGN198=$1) is 2.1010 with a minimum price of 0.0246 and maximum price of 3.9376 with the overall standard deviation of 1.0485 from the sample of 77 companies listed in Nigerian Stock Exchange (NSE). In addition, the minimum book value of equity was 1.0868 and the maximum of 7.2682, while the mean value and standard deviation are 3.8592 and 1.4414 respectively. The descriptive statistics of sample companies also showed that the mean for net income is 1.2609 with the minimum of 2.9136 and the maximum of 4.7483, while the standard deviation for the net income is 1.2309 in Nigerian Naira.

The descriptive analysis in Table 4.1 Panel B presents timeliness data measured in Nigerian Naira (NGN). The mean value of stock returns was calculated as (NGN198=$1) 1.0329 with the minimum and the maximum of 1.2786 and 2.6609 respectively, and the standard deviation was 1.0889596. This result implies that investors received a stock returns on their investment of 2.6609 at the end of the year, which represented a positive returns (good news). In addition, ROA presented the minimum return of 0.7321 and maximum of 0.9763, while the standard deviation for is 0.0544. Similarly, STR has a minimum of 0.2377 and a maximum of 2.1365 on ROE with a standard deviation of 0.5428. This showed that the mean value of returns on assets and returns on equity was greater than the overall standard deviation.

4.2 Correlations Analysis

Correlation analysis was used to explain the level of the relationship between one variable and another (Asteriou & Hall, 2007). This section starts by determining the relationship between independent variables to the dependent variable. Accordingly, correlation analysis was explored in order to utilize the relationship between independent variables as; it would serve as a guide in estimating the model. If there is no relationship, the correlation estimation between the variables is 0. Similarly, a correlation equals +1 indicates perfectly positive relationship, while correlation equals to -1 means a perfectly negative relationship. Thus, where the relationship is 0.30 to 0.49 is strongly weak and greater than 0.50 is weak relationship but substantial. Table 4.2 below presents the correlation matrix between the variables for Panel A (i.e. value relevance) and Panel B (i.e. timeliness).

Table 4.2 Panel A

Pearson Correlation Coefficients of Variables

Variables	SP	BVE	NI
SP	1		
BVE	0.386**	1	
NI	0.792**	0.267**	1

Note:**. Correlation is significant at the 0.01 level (2-tailed)

Table 4.2 Panel B

Pearson Correlation Coefficients of Variables

Variables	STR	ROA	ROE
STR	1		
ROA	0.448**	1	
ROE	0.912**	0.378**	1

Notes:**. Correlation is significant at the 0.01 level (2-tailed)

Table 4.2 in Panel (A) shows the correlation between BVE and SP, which was a medium positive and significant with coefficients of 0.386. However, the correlation between NI and SP was positive, significant and large with 0.792 coefficients. The correlation between NI and BE was small and positive only at 0.267 coefficient.

Going by the above results, the variables SP and BVE imply that the coefficient 0.386 was medium but significant and positive, meaning any increase in a companies' stock price could also leads to an increase in book value of equity.

Table 4.2 Panel B above shows that, the correlation between ROA and STR was positive with a correlation coefficient of 0.448. Similarly, ROE and STR were strongly positive at 0.912 correlations. The correlation between ROE and ROA had a medium but positive at 0.378 coefficient. Thus, the result indicates that the variables, return on assets (ROA) and stock returns (STR) were positively correlated with a 0.448 which indicates that the level of correlation was medium.

However, previous researchers such as Pallant (2010), argued that the correlation analysis should not be relied upon for policy making and recommendation because this analysis do not take care of diagnostics' problems. On this note, the study move further to estimate the multicollinearity, normality and validity of the data before carrying out regression analysis to be carryout.

4.3 Multicollinearity Test

Hair Jr, Anderson, Tatham, and William (1995) revealed that one of the various methods to confirm for the existence of the correlation among independent variables is through multicollinearity test that explains the level by which one variable's effect could be managed by the other variable. A famous procedure for multicollinearity estimation and analysis is variance inflation factor for each independent variable (Healy 2002; Kennedy, 1992). The test of Variance Inflation Factor (VIF) was conducted to ascertain whether high collinearity exist among the independent variables or not. When the VIF result is 10 and above high collinearity exist need to be addressed.

Table 4.3 Panel A

Multicollinearity for Value Relevance

Variables	Collinearity Statistics	
	VIF	1/VIF
BVE	1.077	0.9285
NI	1.023	0.9775

Table 4.3 Panel B

Multicollinearity for Timeliness

Variables	Collinearity Statistics	
	VIF	1/VIF
ROA	1.167	0.8569
ROE	1.120	0.8928

Table 4.3 in Panel A shows that no multicollinearity problem exists to the fact that no VIF value that exceeds 10 among all the variables in the study. Result of Table 4.3 Panel B also indicates that no there is no any multicollinearity problem as the values in the table are less than 10.

4.4 Normality Test

Normality test was carried out to determine whether the data was normal enough for further statistical tests to be conducted. Two tests conducted were distribution of skewness and kurtosis. Kline (1998) explained that skewness of the data should be

less ±3, while kurtosis should not exceed ±10. The following tables present the results of normality test.

Table 4.4 Panel A

Normality Test for Value Relevance

Variables	Obs	Skewness	Kurtosis
SP	77	-0.212	-1.031
BVE	77	0.479	-0.399
NI	77	1.363	0.806

Table 4.4 Panel B

Normality Test foe Timeliness

Variables	Obs	Skewness	Kurtosis
STR	77	-0.317	-0.937
ROA	77	-0.549	-0.051
ROE	77	0.815	-0.624

Table 4.4 presents the SPSS normality output of skewness and kurtosis for both Panel A and Panel B. Based on the statistics of the skewness and kurtosis data is normal in both panels, which shows that the skewness in both panels are less than 3, and the kurtosis does not exceed ±10, meaning the data is accurate and normal for further analysis.

4.5 Multiple Regression Analysis

This section presents analysis, interpretation and discussion of the regression results of the study after cross checking the normality and multicollinearity of the data. A

regression analysis is carried out in order to test the hypotheses on the relationship between the variables of the study. The following equations were used to test the hypotheses which represents Panel A (i) on value relevance and Panel B (ii) on timeliness. The first equation is used to measure the value relevance of financial information using the stock price based on Ohlson (1995) price model. The second equation is used to measure the timeliness of financial reports using stock returns supported by Basu (1997) earnings model.

$$SP_{ut} = \beta_0 + \beta_1 BVE_{ut} + \beta_2 NI_{ut} + \mathcal{E}_{ut} \text{-----------------------------} \text{(i)}$$

$$STR_{it} = \beta_0 + \beta_1 ROA_{it} + \beta_2 ROE_{it} + \mathcal{E}_{it} \text{---------------------------} \text{(ii)}$$

Table 4.5 Panel A

Multiple Regression Analysis for Value Relevance Model

Variables	Standardized Coefficients		Sig.
	Beta	t	
(Constant)		3.797	0.000
BVE	0.188	2.677	0.009**
NI	0.541	3.535	0.000**

**Significant at 0.01 (2-tailed)

Table 4.5 Panel B

Multiple Regression Analysis for Timeliness Model

| Variables | Standardized Coefficients | | |
	Beta	t	Sig.
(Constant)		2.964	0.004
ROA	0.120	2.422	0.018*
ROE	0.175	1.746	0.000**

**Significant at 0.01 level (2-tailed)

*Significant at 0.05 level (2-tailed)

The regression results presented in Table 4.5 in Panel A shows a significant positive relationship between stock price, which represents the dependent variable in the model, and book value of equity at the 1% significant level. In addition, the results had reports a beta value of 0.188 and a p-value (sig.) is 0.009. The p-value 0.009 was at <0.01 significance (2-tailed). This shows a significant positive relationship between stock price and book value of equity after the adoption of IFRS. The result further indicates that 0.188 increases in book value lead to 2.677 increases in stock price as given in standardized coefficient beta value which shows that the relationship is positive and significant at the 1% level. The results are consistent with Iatridis and Rouvolis (2010) who found that book value of equity was significantly positive in Greece firms after the official adoption of IFRS period. Similarly, several studies document positive relationship between book value of equity and stock price (i.e Umeron & Enang, 2015; Agostino, Drago & Silipo, 2011; Chalmers *et al.* 2011; Karunarathne & Rajapakse, 2010) which they found positive increase in book value of equity on stock price after the adoption of IFRS.

Similarly, the results in Panel A, further demonstrate that net income and stock price was positive and significantly associated at the 1% significant level, where stock price is the dependent variable in measuring value relevance. The result shows a beta coefficient of 0.541 and a p-value (sig.) was at 0.000. The p-value (sig.) 0.000 was at <0.01 significance (2-tailed). This result shows that an increase of 0.541 in net income contributes to 3.535 increases in stock price on sampled companies after the adoption of IFRS. Similar studies findings are (Chalmers et al. 2011; Iatridis & Rouvolis, 2010; Callao et al., 2007). Hence the result shows that book value and net income are positive and significantly contributed to stock price.

Hypotheses (H_1) are accepted, which states that book value and earnings are value relevant after the adoption of IFRS.

Value relevance is often used to measure accounting numbers association. Book value serves as one of a general proxy for value relevance of financial information which is expected normal future earnings for loss firms, and also as a proxy for abandonment options for loss firms that were likely to cease operations and liquidate (Kwon, 2009). In considering the context of accounting standard, the higher the association between accounting numbers on stock price, the higher the value relevance of that standard.

Considering the result in this study, the positive association between book value of equity and net income on stock price lead to value relevance of financial information. Meaning that book value of equity and net income are multiples and incremental explanatory power of value relevance of financial information across the selected sampled companies after IFRS adoption. This suggests that the market participants

may increase their investment hence the company's stock price is significantly associated with book value of equity.

Panel B in Table 4.5 on timeliness of financial reporting, present that ROA has a positive and significant relationship with STR at the 5% significant level. The result revealed coefficient beta value is 0.120 and the p-value is 0.018. The p-value 0.018 is <0.01 significance (2-tailed). This show 0.120 increase in ROA contributes to 2.677 increases in STR.

This demonstrates that ROA in Nigerian listed companies increases the amount of STR positively after the adoption of IFRS as shown in a standardized beta. This means that there is good news (positive returns) on investors' returns. The finding is similar to Dimitropoulos and Asteriou (2009) whose study on the relationship between earnings and stock returns from Greece markets which found that ratios of net profit to total assets and sales to total assets positively associated with stock returns.

In addition, the result shows that the relationship between ROE and STR was strongly positive and significant at the 1% level. The result shows that the coefficient beta value was 0.175 and the p-value (sig.) was 0.000. The p-value 0.000 was <0.01 significance (2-tailed). This result indicates that 0.175 increases in ROE lead to 1.746 increases in STR. This means that positive increase in ROE lead to positive increase in STR which is a sign of good news (positive returns).

The overall result on ROA and ROE on STR was consistent with Pope and Walker (1999), a study based on Basu's asymmetric timeliness, which stated that recognition

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of good news was captured in earnings, where the responsiveness of earnings to contemporaneous good news was indicated in the positive returns. However, the result is inconsistent with Roychowdhury and Watts (2007) as the expectations of asymmetric standards for the verification of losses and gains to cause bad news (negative returns) to be reflected in current earnings more than good news (positive returns).

Based on this finding, hypotheses **(H₂)** is accepted, which states that financial information is timelier after the adoption of IFRS.

As the results shows a positive and significant relationship between ROA and ROE on STR which is a sign of good news (positive returns), it suggest that the financial information of Nigerian sampled listed companies are timelier after the adoption of IFRS.

The results are consistent with Ball, Kothari, and Nikolaev (2013), who found that the relationship between accounting income and economic income response to good news would be higher for firms in income. Similarly, the result in this study showed that STR, ROA and ROE disclosed positive returns (good news) on shareholders' investment both on minimum and maximum. The result is said to be consistent with Basu (1997) model which reveals that a given time news on firm is consistent with firm's earnings of good news.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATION

5.1 Introduction

The objective of the study was to investigate IFRS and financial reporting quality among Nigerian listed companies, with focus on value relevance and timeliness. The study was motivated by the academic interest to investigate from the accounting point of view, those theories that explain the financial reporting quality after the adoption of IFRS in Nigerian companies listed on Nigerian Stock Exchange (NSE). The study is based on literatures and theories (agency, market efficient and stakeholder theories) that are relevant. The remaining of the chapter presents the summary of findings of the study, theoretical contributions, practical and policy implications of the study are drawn from the findings of this study. Similarly, the chapter discusses limitations and suggestions for future research, and finally conclusion of the study.

5.2 Summary of Findings

The empirical findings of this study were after the adoption of IFRS focus on value relevance and timeliness of financial reports as proxies of financial reporting quality after the adoption of IFRS. Book value of equity and net income were proxies on stock price as measures of value relevance. Return on assets and return on equity were proxies on stock returns as measures of timeliness of financial report.

Accordingly, two hypotheses are formulated for the purpose of the study. Research population consists of all listed companies in Nigeria except companies in financial

sector. Out of the population seventy seven (77) companies were selected as a sample that represents each sector. These companies comprises of agriculture sector, construction / real estate sector, consumer goods sector, healthcare sector, industrial goods sector, information and communication technology sector, natural resources, oil and gas sector, services sector, utilities and conglomerates sector.

2014 annual report and account are used for the analysis. Data was collected from companies' annual reports and accounts that were gathered from UUM Datastream. The data collected were analyzed using descriptive statistics, Pearson correlation analysis, multicollinearity check among the independent variables. SPSS version 20 OLS regression were used for the analysis.

The results examined the first model, $SP_{ut} = \beta_0 + \beta_1 BVE_{ut} + \beta_2 NI_{ut} + \mathcal{E}_{ut}$. The regression analysis result indicates that SP, the dependent variable has a strong positive and significant relationship with BVE after the adoption of IFRS in 2014 financial year. In addition, the model reveals the relationship between SP and NI is strongly positive and significant.

As the relationship between the measures in the model are positive and significant, it suggests that financial reporting of Nigerian listed sample companies are more value relevant after the adoption of IFRS.

Similarly, the results in the second model, $STR_{it} = \beta_0 + \beta_1 ROA_{it} + \beta_2 ROE_{it} + \mathcal{E}_{it}$. The result from regression analysis shows that the relationship between the dependent variable STR and independent variable ROA is positive and significant. Nevertheless, the result shows a positive and significant relationship between STR and ROE.

In this regards, STR were proxy as timeliness of financial reporting based on earnings model. The result of measures shows positive relationship between ROA and ROE on STR which referred to as good news (positive return). This good news on stock returns (positive returns) means that financial reporting of sampled companies after the adoption of IFRS in Nigeria is timelier.

Table 5.1

Summary of Findings

Hypotheses	Relationship	Findings (+/-)
H_1	Book value and earnings and value relevance of financial information	+
H_2	Financial information and timeliness of financial reporting	+

5.3 Theoretical Contribution of the Study

After the adoption of IFRS, several prior studies used different measures of accounting to investigate the quality of financial reporting in different environment. This study investigates the value relevance and timeliness of financial reporting among Nigerian listed companies using Ohlson valuation model and Basu asymmetric timeliness model. The study used the measures of BVE and NI on SP as proxies of value relevance of financial information, and the result reveals positive and significant relationship between the accounting numbers and stock price. Similarly, ROA and ROE were applied on STR as proxies of timeliness and the result reveals a positive significant relationship between the proxies, which indicates that the financial reporting of Nigerian listed companies are timelier.

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The study was based on efficient market theory, agency theory and stakeholder theory. The study contributes to the efficient market theory, which revealed that securities prices reflect a significant amount of information taken from different sources in the securities market. The study found that good news is related to stock price, in which investors predict the significant information on firm's shares.

As agency theory explains how to best organize relationships in which one party determines the work while another party does the work. The study contributes to this theory to the fact that preparers (agent) of financial reports disclose relevant accounting measures on stock price to investors (principal) as reveals in this study. Similarly, the study find positive relationship for return on assets and returns on equity on stock returns, which shows that companies financial reports are disclose to investors on timelier with the measures of accounting on stock returns.

The findings of this study contributes to stakeholder theory which suggest that the purpose of business is to create as much value as possible for stakeholders whose includes executives, customers, suppliers, employees, shareholders, communities and general public. The result reveals that companies' financial reports are value relevant after the adoption of IFRS. As the financial reports are value relevant, stakeholders find it attractive to invest in Nigerian companies. Similarly, the result shows timely financial information, which discloses positive returns on companies earnings to investors and in turn will attract more investment.

This finding contributes to existing literatures on financial reporting quality after the adoption of IFRS which found positive and significant increase among the two

qualitative characteristics of financial reporting (i.e. value relevance and timeliness). The positive returns on both value relevance and timeliness of financial reports to investors as in Basu (1997) asymmetric timeliness. The result in this study which is positive relationship among the proxies of value relevance timeliness of financial information is supported with good news (positive returns) to investors on their investment decision. This is consistent with efficient market theory which believed that there is perfect information in the stock market. The theory states that all the market participants receive and act on a relevant information as soon as it becomes available. The study is contributes to this theory which discloses relevant information available about a stock available to all investors.

5.4 Practical and Policy Implication of the Study

Value relevance of financial information and timeliness of financial reports are found as qualitative characteristics of financial reporting among Nigerian listed companies. Hence, the result of this study shows positive relationship between value relevance and timeliness with financial reporting quality. This means that the adoption of IFRS in Nigeria is positively increasing the quality of financial reports. Nigerian Stock Exchange should ensure that all listed companies comply with the accounting framework issued by IFRS, in order to have full disclosure of financial statement, considering most of the companies do not disclose their earnings. Similarly, listed companies should continue to disclose their financial statement on a timely basis in terms of either good news (positive returns) or bad news (negative returns), so that investors would have full knowledge for firm financial stability in making economic decision which in turn will increase their effort to invest in Nigerian companies.

In addition, following the positive results on companies earnings and returns reveals in this study, government agencies such as Federal Inland Revenue Service (FIRS) will know that companies are in right position to pay taxes because they maximizes profit, meaning they cannot avoid payment to government treasury.

The decision of Nigerian Government to adopt IFRS is supported by the findings of this study. Government should continue to take appropriate measures to ensure that companies are listed on stock exchange in order to have comparable accounting standards to attract more Foreign Direct Investment (FDI), which in turn increases government revenue.

Similarly, the decision for adoption of IFRS by Nigerian government would be significant to other regulatory authorities for policy implementation, such as Standard Organization of Nigeria (SON), Corporate Affairs Commission (CAC), Nigerian Communication Commission, (NCC), and the Security and Exchange Commission (SEC), as agencies responsible for managing company sectors.

5.5 Limitations of the Study

The study is limited to 2014 financial year after the adoption of IFRS. Hence the study did not cover a long period on earnings of the sample companies to ensure the value relevance and timeliness of financial reports. Similarly, the study covers a period after the adoption of IFRS without studying before the adoption in order to compare the effect of the two periods in making good judgment on which period is more value relevance and timeliness on companies' financial information.

5.6 Suggestions for Further Research

The study only focuses on value relevance and timeliness of financial information, which discovered a positive impact after the adoption of IFRS on financial reports of sampled companies. The study did not cover other qualitative characteristics of financial reporting such as earnings management. It is recommend conducts a similar study with other qualitative attributes like earnings management across the sectors in order to know the quality of financial reports based on all attributes.

Conducting similar study with the use of value relevance and timeliness of financial information on financial sector of the economy will also help to know whether adoption of IFRS increases the quality of financial information across the sectors in Nigeria.

5.7 Conclusion

This research is aimed to study the impact of IFRS on financial reporting quality among Nigerian listed companies. The study was conducted on a sample of 77 listed companies in Nigerian stock exchange with exclusion of financial sector in the country. The study covers a period of 2014 financial year. Based on the results, discussion and findings, the research concludes that:

Value relevance proxies (BVE and NI on SP) have a strong explanatory power on value relevance of financial information. In addition, the use of these proxies is based on Ohlson (1995) price model which shows the relationship between two accounting measures and stock price. This can be concluded that the use of Ohlson model in value relevance is vital for financial reporting.

Secondly, timeliness proxies (ROA and ROE on STR) based on earnings model of Basu (1997) asymmetric timeliness. These proxies show that they have a strong explanatory power on timeliness of financial reporting on the sampled companies. The finding of the study have significant contribution for the policy implications, and investors of the sampled companies in Nigeria would ensure that the financial statement captured the accounting measures used in this study so that their earnings will be fully identified.

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