An Analysis of the effect of IFRS adoption in Nigeria on the Quality of Published Financial Information

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Abstract

The study examines the effects of the adoption of International Financial Reporting Standards (IFRS) on the quality of published financial statements in Nigeria. The study uses entire non-financial firms listed on the floor of the Nigeria Stock Exchange. The study uses Eighty-seven (87) firms over a 10 years period, five years pre IFRS adoption (2007 to 2011) and five years post IFRS adoption (2012 to 2016), making a total of 870 firm years observation. To measure value relevance of firms' post IFRS adoption, the study modifies the Müller (2014) model to determine whether the adoption of IFRS has increased the value relevance of accounting information in the sampled firms. The results show that the adjusted R-Square in the post IFRS adoption is higher than the pre-IFRS adoption indicating a more value relevance of published financial information after IFRS adoption. On whether there is incremental value relevance, the results show fluctuations (in years) in adjusted R-Squared from 2007 to 2016 with more noticeable decrease in 2008, 2009, 2012 and 2016 and hence results could not ascertain if IFRS leads to incremental value relevance of financial reporting in Nigeria. To measure earnings management, the modified Jones (1995) model is used and the results revealed a significant decrease in discretionary accrual, indicating a decrease in earning management in post IFRS adoption in Nigeria. Conclusively, the different tests carried out provide compelling evidence that the adoption of IFRS in Nigeria has positively and significantly impacted on the quality of published financial information by significantly increasing the value relevance of financial information and as well as significantly reducing earnings mismanagement in Nigeria. Significantly, this study is the first to empirically examine the effect of the adoption of IFRS in Nigeria on the quality of published financial statements by combining value relevance and earnings management measures through transparent and quantitative financial information. This study therefore recommends that the Nigerian government should empower the relevant bodies/ authorities to seek out and incorporate more measures to further improve the quality of financial reporting in order to increase the quality of published accounting information.

Keywords: *IFRS, accounting information, value relevant, earnings management, N-GAAP.*

Dedication

This thesis is dedicated to Almighty God and my Lord Jesus Christ who made it possible for me to embark on this PhD programme and come to a successful completion. To Him Be All the Glory!

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IFRS: International Financial Reporting Standards

GAAP: Generally Accepted Accounting Principles

FRCN: Financial Reporting Council of Nigeria

IFAC: International Federation of Accountants

EU European Union

ICAN: Institute of Chartered Accountants of Nigeria

IMF: International Monetary Fund

IFI: International Financial Institutions

IASB: International Accounting Standard Board

IASC: International Accounting Standards Committee

IAS: International Accounting Standard

IOSC: International Organization of Securities Commission

NSE: Nigerian Stock Exchange

NSAB: Nigeria Standard Accounting Board

OM: Ohlson, (1995) Model

SAP: Structural Adjustment Programme

SAS: Statement of Accounting Standards

SEC: Securities and Exchange Commission

UN: United Nations

WB: World Bank

CHAPTER ONE

1 INTRODUCTION

1.1 Background of the Study

Financial information is supplied mainly through published financial statements of corporate organisations. It is expected that the contents of financial information should as much as possible reveal the true state of affairs of the firm so as to enable investors and other users make informed decisions to invest in the shares and debts of such firm. A financial statement should be of high quality, transparent, comparable, and reliable and value relevant to enable users make informed decisions on the activities of the firm and to enable comparison with other firms in a globalised and competitive market (Umuren and Enang, 2015). Thus, reliable standards that will enable global comparison of financial information are needed.

The regulatory accounting body known as International Accounting Standard Committee (IASC) was established in 1973, whose declarations bring about the International Accounting Standard (IAS). The IASC in April 2002 was transformed into a new body called International Accounting Standard Board (IASB). This new body, after intensive development and review, prescribes through its pronouncement the IFRS, which still continues to uphold the key areas of the IAS (IFRS Foundation 2010). The recent global financial melt-down which led to the collapse of many companies in America, Europe and around the globe has affected investor's confidence especially in the financial sector (Said Ressas, M. and Hussainey, K. 2014). The financial crisis has shown how investors' confidence can be reduced due to lack of adequate information disclosure which is meant for better decision making. However, IFRS is believed to provide more transparent, reliable comparable financial information to address the loss of investor confidence (Zakari, 2014 and Zango, et al. 2015).

Hung and Subramanyam, (2007) have emphasized that the European Union mandatory adoption is one of the greatest historic events that has taken place in financial statement reporting. Researchers such as Soderstrom and Sun, (2007) differ in opinion and explained that the IFRS mandatory adoption will bring significant variation in the business environmental settings in the sense that, prior to 2005 listed companies in the European union were using individual local GAAP (Generally Accepted Accounting Principles) to prepare their financial statements. Therefore, it is believed that IFRS mandatory adoption will impact significantly on accounting quality, a view emphasized by practitioners, standard setters and researchers (Hung and Subramanyam, 2007). Published financial statements have to be clearly understood in such a way that the presented information must not be misleading or difficult to comprehend. Users of financial information should be able to trust and understand financial information disclosed without undue stress, and the annual report should be highly transparent, comparable and contain full disclosure (IASB, 2008).

The quality of accounting information disclosure influences investor's behaviour in relation to portfolio selection or business decisions, which may be reflected in companies share price in the capital stock market and the terms in which a company obtained further funding (Palea, 2013). The regulation of financial statement reporting is one form of mechanism applied to promote securities enhancement in capital market (Wurgler, 2000). For instance, a second-hand car dealer who has created an honest reputation for fair dealing with its customers will enjoy better sales price. Similarly, a company with good reputation of quality financial disclosure is expected to see that reflected in its share price (higher share price) and thereby reducing its cost of capital. This is due to the fact that, high quality of disclosure will help to reduce investor's fear of the financial information reported. In this context, accounting information after IFRS adoption is expected to reflect more on the share pricing or stock market return.

In essence, accounting provides assurance through systematic reporting of information that could be assessed by investors for decision making. Accounting systematically collects information, analyses and communicates financial information about entities to stakeholders for easy decision making. Furthermore, accounting deals with a comprehensive collection and recording of financial data pertaining to a company. A company's financial statement helps to summarize its financial operations, business position and its cash-flow transaction over a period of time. Accounting is one of the major functions for any entity and the implementation of the accounting profession is very significant for companies internal control systems. Accounting is also said to be among the oldest professional practices in the world (Vitez, 2013 and Lozada, 2014). The major objective of having accounting records collected and analysed is to provide valuable information to users. The information provided will enable users of financial statements, such as investors and auditors to have access to firms in order to evaluate their true financial position and performance level.

In more recent times, firms are advancing globally beyond their local area of operations. For instance, in 2011 the United States has generated a record number of 302,000 exporting firms which reported 33% export made (International Trade Administration, 2011). However, this current challenge has helps to change the way and manner which firms disclose information. Companies financial statement do not just divulge information about a company, but such information is very important and critical to a firm’s decision making procedure and any false representation of wrong accounting information might mislead users or even cause serious damages to investors and creditors group alike. Given, the globalized idea behind the adoption of IFRS across the world, financial information users both local and international investors can now have access to the information needed through the unified global accounting reporting or publication. The homogenous accounting information reporting disclosure is a very significant idea and will help to maintain a steady flow of financial information by allowing good communication between members of various capital market across the globe, thereby inputting confidence in financial market (Holthausen and Watts, 2001; Barth, et al. 2000; Landsman and Maydew, 2002; Veith and Werner, 2010).

In a bid to further enhance the confidence in financial information disclosed in the preceding paragraph, companies in European Union, as from January 1st, 2005 were required to prepare their consolidated financial statement in line with IFRS, a single set of accounting standards issued by the International Accounting Standard Board (IASB) for the preparation of their financial accounts (Alfredson, et al. 2007; Müller, 2014). For over ten years, listed firms in Europe have used IFRS and this may have been fully internationalized (Alfredson, et al. 2007). Legally, the EU regulation 1606/2002 mandated the adoption of IFRS by all its member states to report their consolidated financial accounts in compliance with IFRS, with the ultimate aim of increasing the level of transparency, comparability of financial statement reporting. The EU mandatory adoption of IFRS which represents an extraordinary phenomenon in the history of financial reporting has now received widespread acceptance across the globe including over 140 various countries with different accounting standard (Palea, 2013; Isa, 2014). In 2007, the US Security and Exchange Commission (SEC) announced that there is no need for multinational firms who have already prepared their financial statement in accordance with IFRS to reconcile with the US-GAAP paving way for foreign companies listed in the US Financial market required to comply with IFRS as alternative to the US-GAAP. The US has not opted for adoption of IFRS and this is viewed as a perceived US desire to preserve its identity and national GAAP. Although, the allocated time-frame is still lengthy and subject to numerous conditions, there is a major step forward for globe harmonisation of IFRS (Palea, 2013; Demaki, 2013).

It should be noted that while the global adoption of IFRS has been early in Europe and elsewhere, adoption in Nigeria was slow and to follow much later. Furthermore, for Nigeria to compete effectively in the global capital market there is the need to adopt IFRS to enable the comparison of financial statements with other economies. In this vane, the Federal government of Nigeria, on July 28, 2008, issued a policy statement on the decision for all listed firms in the Nigeria Stock Exchange to adopt and prepare their financial statements in line with IFRS. According to Ayuba, (2012), all firms listed on the Nigeria Stock Exchange had to adopt IAS/IFRS in the preparation of their financial statements as from January 2012. A single set of homogeneous and globalize financial statements will enhance the competitiveness of the Nigerian capital market and makes the Nigerian market investors friendly although this may not be the only factor accounting for a friendly and competing investor’s environment.

Furthermore, Isa, (2014) enumerated the objectives of Nigerian’s adoption of the IFRS to include reliability, relevance and comparability to aid investors’ (users) decisions. In particular, these objectives include increased value relevance, improved transparency, reduced earnings manipulations. Besides an improved financial reporting quality that leads to present reliable financial information and comparable with other capital markets in a globalized and competitive marketplace where scarce resources are directed towards area of best possible returns (Wurgler, 2000). On this note, Umuren and Enang, (2015) explained that the extent a financial statement would be able to satisfactorily, effectively and efficiently guide or influence the decision of investors depended on the value relevance of information contained in that financial statement. Vishnani and Shah, (2008) explained that value relevance means the financial information ability to explain the stock market measure. Value relevance therefore is that information, data or variable that guides the investors in the estimating values of the listed shares and thus emphasizing a relationship or an association between share prices and accounting data such as cash flows, earnings, and book value of equity and size of the firm. To be precise it could be argued that, a reliable, transparent and value relevance financial information guide the investors in making informed and effective decisions, reduce earnings manipulations which may distort the reliability of financial information and improve the quality of published financial statement. Therefore, if a set of financial statements is perceived to be reliable, transparent and representing the true state of affairs of the firm, investors respond positively by fairly pricing the shares of that firm in the capital market. This is because, information bias and associated risks are reduced. However, adopting IFRS or requiring quoted firms in Nigeria to apply IFRS, it is expected that the quality of financial publication will improve. According to Sir David Tweedie the former chairman of IASB elucidate the underlying goal why countries are courage to switch to IFRS as follows:

> "For too long, earnings have been smoothed in an effort to show investors a steady upward trajectory of profits. While this approach provides a simple and understandable model, it simply is not consistent with reality. Publicly traded companies are complex entities, engaged in a wide range of activities and subject to different market pressures and fluctuations. Accounting should reflect these fluctuations and risks (. . .) the current direction we are taking will be what I like to call, 'tell it like it is' accounting. This means an increasing reliance on fair values, when these values can be determined accurately."

Nigerian's firms have been preparing financial statements for five years based on the adopted IFRS standard but there is scarce literature on the measurement of information contained in the financial statements to ensure objectives of the adoption are being achieved (Isa, 2014). The dearth of literature in this field entails that there is no empirical evidence to ascertain the impact of adoption of IFRS on quality financial reports in Nigeria. It is on this note and against this background that this study seeks to investigate the impact of the adoption of IFRS in Nigeria on the quality of published financial statements with the view to establishing empirically if Nigerian's adoption of IFRS has resulted in more transparent qualitative value relevance financial information.

In order to empirically investigate the effect of the IFRS adoption in Nigeria, this thesis examines if the adoption of IFRS has led to increased value relevance compared to SAS (Statement of Accounting Standard) issued by the Nigerian Accounting Standard Board.

Secondly, the work examines the ability of IFRS to reduce earning manipulation by measuring increase/decrease earnings management post adoption of IFRS. The research analyses the effect of change from N-GAAP to IFRS (i.e. Pre and Post IFRS) by using two measures or determinants of quality of accounting information which are: Value Relevance and Earning Management (Blom, 2009). For this study to provide answers to our first two research questions, the mandatory adoption of IFRS in Nigeria leads to increase value relevance as compared to the N-GAAP and if the adoption of IFRS has led to incremental value relevance over the past years, the Value Relevance measure or approach which is the first determinant is used to examine the mandatory adoption of IFRS in Nigeria. IFRS which is principle-based is considered to be a superior standard when compared to countries local-GAAP and as such adoption should lead to increased value relevance of financial information. Thus, value relevance study is used in this research to provide an insight in to the effect of IFRS mandatory adoption in Nigeria. One of the key measures of a standard superiority to others is the relevance of information produced in financial statement as a result of the application of such standard. As stated by IFRS Foundation, "in order to contribute to a better functioning of the international market, publicly traded companies must be required to apply a single set of high quality international accounting standards". The key aim of the IFRS Foundation is to ensure that companies published high quality financial reports in order "to improve the efficient and effective functioning of capital markets" (IFRS Foundation, 2010). This is consistent with the Value relevance research which focuses on investors needs in the capital market. This study focuses on Value Relevance because, given the statement accredited to IASB that IFRS was introduced to increase the value relevance of accounting data (Ball, 2006).

Holthausen and Watts, (2001) grouped the study of Value Relevance into Comparative relationship investigation, incremental relationship investigations and marginal information investigations. The comparative relationship investigations compare accounting numbers that are prepared with different sets of accounting standard and the relationship existing between stock market returns or value. Accounting figures with higher R^2 are presumed to be more value relevance. Research on value relevance usually focuses on net income and equity book-value because they represent the main drivers of a company's valuation. Whilst incremental relationship investigation helps to ascertain if accounting figures are useful in elucidating stock market returns and these numbers are deemed to be value relevance if its statistical regression coefficients are considerably different from zero figures. The marginal information investigation is used to examine if accounting numbers disclosed are correlated with market returns variations. Market price reactions are presumed to be proof of value relevance (Feltham and Ohlson, 1996; 2000). This study applies the comparative relationship investigation and the marginal information investigation approach.

The second determinant used in this study to provide an answer to our third research question is earning management. The mandatory adoption of IFRS in Nigeria creates opportunity to assess if the convergence from domestic N-GAAP to IFRS has increase earning manipulation or prevent earning management (Leuz, et al. 2003). The key question is to determine if IFRS has been able to improve the quality of information published in financial reports and successfully reduce earning manipulation or smoothing among Nigeria firms. The research is examining earning management due to the fact that the practice of earning manipulation or smoothing is not just attributed to a few entities rather it is a widespread global phenomenon. For instance, the post WorldCom and Enron scandal leads to the enactment of the Sarbanes-Oxley Act by tightening accounting standards, as a result managers became more prudent in applying their discretion in manipulation earnings with less room for using their managerial judgement in financial reporting (Graham, et al. 2005). Again, the recent scandal of Japanese technology manufacturer “Toshiba” has led to the resignation of the company CEO and eight other chief executives as they took responsibility for doctoring or cooking the company financial books that inflated the company profits (i.e. earning manipulation) by a whopping $1.2 billion for the past seven years. Toshiba has fabricated its profit by approximately 30% since 2008, this is another good example of how entities smooth their earnings in other to mislead investors (Durden, 2015). Therefore, the mandatory IFRS adoption creates further opportunity to investigate accounting standard, which is exactly what this study is undertaking.

As noted by Ayuba, A. (2012), the adoption of IFRS has provided unique opportunities for researchers to explore, adopt and model various ways of measuring compliance in Nigeria. Not, only does the adoption of IFRS provide this opportunity in Nigeria, it also provides other unique opportunities to explore various ways of measuring the value relevance and high quality financial reporting in Nigeria. The study differs from other studies in the following way. Firstly, we modified the Ohlson, (1995) equity valuation model to include additional variable, cash flow statement. Previous studies on value relevance used accounting variables such as net assets, net book value and earnings. Previous papers studied implied and demonstrated that two important aspects of the financial statements, income statement and statement of financial position, influence the pricing of shares in the capital market. We assert that the world is becoming more sophisticated and investors are becoming more analytical. Investors are not only interested in the reported accounting earnings or assets but are interested in knowing the past, present and future cash flow of the firm in order to ascertain the firm's value. We firmly believe that apart from the book value and earnings mentioned by Ohlson, the cash flow statement is the third most important aspect of the financial report, although not ranked in order of importance, hence the addition of cash flow as an accounting variable in this study. This decision proves efficient as the cash flow is found to be a significant determinant of share price in the stock market. Secondly, the study deviates from other studies which investigated the economic consequences of mandatory adoption of IFRS using the event study approaches (see Klimczak, 2011; Christensen, et al. 2007; Menike, et al. 2013). We assert and are of the opinion that such changes are of great importance, where political negotiations take a long period, sometimes years to accomplish, it is practically impossible to ascertain the specific date of event. Furthermore, event study is mostly used to check the reaction of stock prices to an event, such as the release of financial statements or change in political power etc. As such, this study measures the impact of IFRS adoption on quality of financial reports. Thirdly, the study becomes the first study to empirically investigate the impact of IFRS adoption on quality of financial report in the Nigerian context. Although, studies on IFRS abound in Europe, there is a dearth of literature in Nigeria, a gap this study fills. Specifically, the study is the first to consider all non-financial firms listed on the NSE. Other studies such as Ayuba (2012), Umuren and Enang (2015), Taiwo and Adejare (2014) used data in the banking industries, creating a gap in knowledge in other sectors.

Finally, the study is the first to combine value relevance, earnings management and incremental value relevance as a way of measuring if IFRS has improved financial information in financial reporting in Nigeria. International Financial Reporting Standards (IFRS) as promulgated and developed by the International Accounting Standards Board has been accepted by more than 140 countries and reporting jurisdictions around the world and required for different types of domestic listed companies (Palea, 2013; Isa, 2014).The Impact of IFRS on quality of financial report was analysed and the results are intriguing as the results show that the mandatory adoption of IFRS in Nigeria leads to increase in value relevance of accounting information. Results also indicated that the adoption of IFRS in Nigeria leads to incremental value relevance over the period of the study. On the question of whether earnings manipulation will lower with the introduction of IFRS, results of the study show that IFRS adoption reduces the earnings manipulative ability of managers. The results show that the mean of key variables was lower in the post-IFRS than in the pre-IFRS period. The mean discretional accrual results show a significant difference further emphasizing that earnings management is drastically reduced by the adoption of IFRS.

1.2 Research Questions

1. Does the mandatory adoption of IFRS in Nigeria lead to increase value relevance if compare to the local GAAP issued by the Nigeria Accounting Standard Board?

2. Does the adoption of IFRS lead to incremental value relevance over the past years?

3. Does adoption of IFRS reduce the earning manipulative ability of managers and thus improve the financial reporting quality of firms?

1.3 Aim and Objectives of the Study

The aim of this research is to ascertain if the adoption of IFRS has improved the quality of accounting information. To do this, the study attempts to find out whether accounting information produced by adopting International Financial Reporting Standard is more value relevant than those produced using Statement of Accounting Standard (SAS) and whether earnings managements, as measured by discretionary accruals has reduced post-IFRS adoption for the firms in Nigeria.

In order to achieve the aim above, specific objectives are:

i. To measure if the mandatory adoption of IFRS in Nigeria leads to increase value relevance compare to the local GAAP issued by the Nigeria Accounting Standard Board;

ii. To measure if the adoption of IFRS has lead to incremental value relevance over the past years; and

iii. To measure if the adoption of IFRS has reduced the earning manipulative ability of managers and thus improve the financial reporting quality of firms.

1.4 Motivation of the Study

IASB for the sake of public interest and to safeguard the financial world economy globally developed a single set of accounting standards known as IFRS that is more principle-based rather than rule based and higher quality when compared to local GAAP. IFRS is also expected to be more transparent, understandable and comparable for financial information among firms and nations (Street, et al. 2000). IFRS is currently been applied by various countries stock exchange listing among firms with the aim of having harmonised global accounting practices that will be more comparable and transparent. Proponents of IASs/IFRS asserts that financial accounting statement prepared under countries local GAAP may well not meet the international needs of financial users such as investors and creditors (Antwi, 2010). According to Tweedie and Seidenstein, (2005), a single set of global financial reporting standards will enhance international financial numbers comparability among companies and may help to eliminate a key investment risk of having to understand financial statements prepared under various countries local GAAP. The single set of global accounting standards will give investors the opportunity to make better informed business decisions and ascertain a company's true financial position globally with more opportunities to improve investment diversification.

Nigeria has the largest market in Africa and the most populated nation in the Africa continent. Given the size of the country, it plays a very significant and prominent role in the economies and politics of the continent, such as Africa Union and ECOWAS. In recent times, the surge in accounting scandals that happened across the globe within the international financial community (Nigeria was not spared either) has raised serious concern about the way and manner which financial information is reported (Brown, et al. 2010). This concern has weakened the confidence of financial information users to published financial reports. However, published financial accounting statements are meant to provide various financial reports to users such as investors, creditors, suppliers, stockbrokers, financial analyst and government agencies with reliable and timely information prudent to make informed decisions (Biddle, et al. 2009). The task of governments, accounting professional bodies and professional firms was to find a set of standards that would ultimately restore investors' confidence on the quality of published financial information. This brought about the need to have a harmonised set of accounting standards to improve quality and to have a more comparable, transparent and reliable published accounting information. The quality of financial information in Nigeria is weak when compared to that of the developed world. A common complaint with regards to financial information in Nigeria among users of such information is that, financial information is either unavailable or the provided financial information lack reliability (Agrawal and Chadha, 2005; Shehu, 2011).

Furthermore, in recent time's firms' financial statement reporting has been a source of worry as a result of corporate failures arising from accounting numbers manipulation which has misled users. A financial statement is said to be misleading when it lacks relevance, accuracy, transparency and is prepared with the intention to mislead or confused users (Higgs, 2003; Agrawal and Chadha, 2005). It can then be argued that these unscrupulous practices set the stage for corporate failure over time and reduce the quality of published financial statement. This study is of the view that the mandatory adoption of IFRS in Nigeria which is a more principle-based will help to check these excess among firms. Upon this background, this research is investigating the effect of IFRS adoption in Nigeria on the quality of published financial information. Hence, the motivation for the study stems from the need to investigate whether the theoretical proclamation of the superiority of IFRS would practically translate into improved financial reporting quality in the case of Nigeria.

1.5 Research Methodology

The principal purpose of the research is to analyse the effect of IFRS adoption in Nigeria on the quality of published financial information and to determine if the mandatory adoption of IFRS in Nigeria lead to increase value relevance and if there is incremental value over the past years; and to also ascertain if the adoption has reduced the earning manipulation ability of managers thereby improving the financial reporting among entities. In order to accomplish that, a quantitative approach is applied, and secondary data collected from the Nigerian Stock Exchange during the period of research which are pre (2007 – 2011) and post (2012 – 2016). This study used data of firms listed on the Nigerian Stock Exchange (NSE).

Accordingly, to measure if mandatory adoption of IFRS in Nigeria leads to increased value relevance (incremental and absolute), we follow Ohlson, (1995) and Müller, (2014) with modification to include other accounting figures such as net assets, earnings per share and cash flows from operation in developing econometric model which measure the degree of relation between the accounting information supplied in financial statement and the share price of firms. A regression is run for the sample in each year of the pre and post adoption period for the consolidated companies. The adjusted R-square are computed and used to measure incremental value relevance. An increase in Adj. R-Square suggested increase in value relevance of firms and hence higher quality of information. A higher Adj. R-Square in post adoption era will indicate IFRS has a significant positive effect on the quality of published financial information.

Again, to examine earning management, we measure the level of earnings management using the modified Jones Model (1995). The idea is to measure the extent to which managers engaged in earnings management five years pre-adoption of IFRS and five years post adoption and see if IFRS adoption has mitigated managers' intent to engage in earnings manipulations. A decrease (negative) in discretionary accrual in the post adoption signals that IFRS has mitigated the ability of managers to engage in earnings manipulation. Chen, (2011) identified this method (Modified Jones Model) to be the best in measuring earnings management. It is based on the idea that total earnings are made up of operating cash flows and accrual. Managers smooth earnings by manipulating accruals.

1.6 Research Gap and Expected Contribution

A good number of contemporary literatures on the adoption of IFRS in Nigeria have used surveyed. These include but not limited to Isa, (2014), Ayuba, (2012), Umuren and Enang, (2015), Taiwo and Adejare, (2014), Nyor, (2012), Abata, (2015) Saidi, Badara and Danrimi, (2014), Okunbor and Arowoshegbe, (2014), Herbert, Tsegba, Ohanele and Anyahara, (2014), Madawaki, (2012), Umoren and Jeremiah, (2015), Edogbanyaand Kamardin, (2014), Oyewo, (2015), Okpala, (2012), Ocheni, (2015), Akhidime and Ekiomado, (2014) and Saidu and Dauda, (2014). In analysing these literatures, no researcher specifically addressed the measurement of improved value relevance of published financial data except the study of Umurenand Enang, (2015) who examined IFRS Adoption and Value Relevance of Financial Statements of Nigerian Listed Banks. The study of Umuren and Enang, (2015) is directed at the banking industry to the exclusion of other sectors of the economy.

Other researchers either did an exploratory study with questionnaires administered or a conceptual study such as Umoren and Jeremiah, (2015), Edogbanya and Kamardin, (2014), Oyewo, (2015). It can be argued that administration of questionnaires does not capture the real state of activities of firms which are only available in published annual reports. Furthermore, questionnaires are targeted at individuals whose responses are guided by their subjective norms and cannot reflect behaviour of firms in real market. Thus, this study is the first to empirically examine the effect of the adoption of IFRS in Nigeria on the quality of published financial statements through transparent and qualitative value relevance financial information. Moreover, neither of these studies measure if earnings manipulative ability of firms' managers is reduced by the much reverence IFRS which supposed to offer more transparency and mitigate firms' ability to manipulate.

Secondly, this study is the first to combine value-relevance and earnings management measures in the Nigerian context to investigate the effect of IFRS on the quality of published financial statements of non-financial firms as well as offering a quantitative approach drawn from firms published financial statements report.

Finally, the study also contributes to the Nigeria economy by revealing earnings management behaviour of firm's quoted in the Nigerian stock exchange before and after the IFRS adoption. This behaviour, specifically accruals earnings management, would notify the Nigerian regulators about the effectiveness of IFRS in increasing earnings quality, i.e. reducing earning manipulation. These are significant contribution of this research to knowledge

1.7 Organization of the Study

This study consists of seven chapters. The first chapter has presented an overview of the entire study as well as providing a profile for each chapter's contents.

Chapter Two focus mainly on the literature review which consist of two major sub-parts. The first part deals with the conceptual framework and clarification which focuses on a lot of sub-topics such as the rationale behind IFRS adoption as well as a global overview of the workings of IFRS in developing, emerging and developed countries. The second part dwells on the theoretical framework where different theories that are relevant to IFRS, value relevance and earnings management are reviewed. Also, different empirical studies on IFRS adoption and its effects on value relevance and earnings management are also reviewed.

Chapter Three gives a clear picture on the Nigerian perspective specifically focusing on political, institutional, economic factors as well as the professional accounting bodies in the Nigerian environment. An understanding of these will provide an insight into the research background, research objectives, research questions and development of hypotheses, and research results. This chapter also looks at, amongst other things, the regulatory framework guiding the accounting profession in Nigeria as well as the challenges Nigeria has faced so far and are still likely to face concerning IFRS adoption.

Chapter Four sets out the methodology and methods adopted in this research; philosophical perspectives such as epistemology and ontology give credence and also justifies why such methods were chosen. In a similar vein, accounting research paradigms which include, but not limited to informative, positivist and interpretivist approaches will be discussed; this is because such paradigms improve the significance and helps to explain why the various methods in accounting research are chosen. Also contained in this chapter are the research design, population, sampling/ sample size, formulation of hypotheses, sources of data and specification of the models to be estimated in the next chapter.

Chapter Five is concerned with estimation and analysis, focusing specifically on value relevance; it uses different statistical and econometric techniques such as descriptive analysis, Pearson's correlation, difference-in-differences and panel data regression. These techniques were employed in testing the first two hypotheses of the study.

Chapter Six also deals with estimation and analysis, with emphasis on earnings management; the techniques employed include statistical and econometric tools such as descriptive analysis, Pearson's correlation, panel data regression, two sample t-tests and difference-in-differences. These techniques were employed in testing the third hypotheses of the study. Model diagnostics were also carried out in this chapter.

Finally, Chapter Seven gives the summary of findings of the study, discussion of such findings as well as conclusions and recommendations; it also identifies areas for future study.

CHAPTER TWO

2 LITERATURE REVIEW

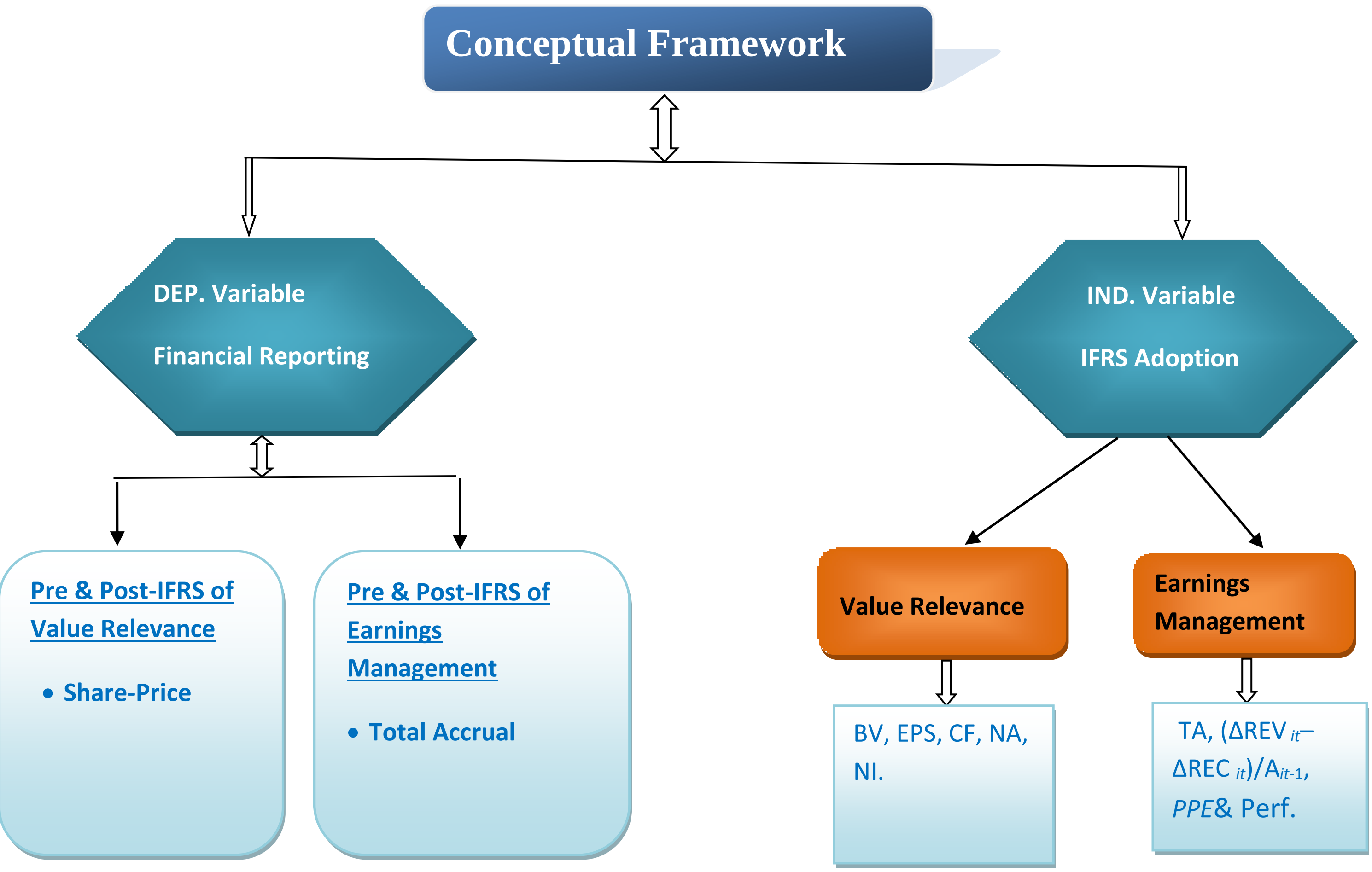
2.1 Introduction

This chapter discusses the relevant literature on IFRS adoption. The chapter is divided into three major parts with sub-division in each of the major division. The chapter is divided into conceptual review of literature, theoretical review and empirical evidence between IFRS adoption and Financial Reporting quality. The recent global financial crises that took place in 2008 led to the collapse of number of firms and drew the attention of the world and financial regulators of the need to have a globalized quality financial reporting to reduce earning manipulation which is one of the causes of firms' failure (Demaki, 2013). Europe had since made the adoption of IFRS mandatory for firms within its jurisdiction from January 1^{st}, 2005. The increase in globalization of world trade in more recent times have motivated different countries (both Less Economically Developed Countries (LEDC) and developed countries) to adopt IFRS as their basis for quality financial reporting and publication of financial information. This is to have a basis for comparison and facilitate the preparation of a set of financial report that would be acceptable worldwide and also uses the same basis as other nations. According to Alistair, (2010), IFRS as a sequence of accounting statements published by the International Accounting Standard Board (IASB)to assist in the preparation of financial reports all over the world so as to offer and present good, transparent, comparable and qualitative financial information. This is to facilitate readily available and set of comparable information for decision making (Demaki, 2013).

The reminder of this chapter is organised as follows: Next section examines the conceptual framework, the general overview of IFRS adoption is discussed as well as empirical investigation. The concept of value relevance and earning management as a measure of accounting quality is examined, it also elaborates on the theoretical concepts underpinning IFRS international adoption.

2.2 Conceptual Framework

Introduction and description of this framework



Source: Author's Construct.

Figure 2-1 Conceptual Framework

2.3 National Standards and the Case for Adoption of IFRS

Different nations have had their own accounting standards around the world with each using their own version of Generally Accepted Accounting Principles (GAAP). The individual nation allows firms to report their financial statement in line with the GAAP that is applicable to them (Armstrong, et al. 2007). However, when firms are involved in several businesses outside their domicile country, the question then arises, how are financial users and investors able to handle these multiple standards, by making good investment and appropriate decisions (Demaki, 2013). Firms financial comparability will also be affected and a lot more.

It can be argued that one possible solution to these questions lie in the adoption of IFRS recently developed and held up by IASB in order to harmonize accounting reporting globally (Herbert, et al. 2013). The push toward globalization of IFRS adoption has generated a lot of debate and considerable attention for instance, before the mandatory adoption of IFRS by all European countries in 2005, it generated a lot of debate (Christensen, et al. 2008 and Herbert, et al. 2013). A huge number of scholars (see Nyor, 2012; Martins, 2011; Deloitte, 2013)are of the view that IFRS will increase the level of comparability of the quality of published financial reporting across nations which will greatly bring efficiency among firms around the globe (Dung, 2016).While other groups(see Jermakowicz and Gornik, 2006; Barth, et al. 2006) advocate that IFRS adoption will be too costly and that gain comparability may possibly not be achieve due to disparity that may occur in the application of IFRS across nations (Achalapathi, and Bhanusireesha, 2015). Furthermore, Ball (2006) argued that IFRS application will not be homogeneous, and that it will affect reporting and awareness of IFRS (IFRS) quality by investors or users. According to Akpaka, (2015) who expressed that IFRS is not just a finance stuff but is a phenomenon that cuts across all aspect of organisation or entities which further explains their impact on business operations, financing, investors and management. However, the adoption of IFRS will impact on all aspect of operations, decision making and communication which are dependent on reported financial information. Truly, for entities to achieve their goal of IFRS every sector must play its own role. A critical assessment of countries where IFRS has been adopted and implemented reveals a country like Nigeria which fully adopted IFRS in 2012 has to be adequately prepared in order to cope with the challenge that comes with it.

2.4 Relevance of Accounting Information

Accounting information is regarded as one of the best channels through which firms communicate or pass information to various stakeholders who help them in evaluating the organisational performance (Callao, et al. 2007). To enhance the communicative role of accounting information which is made available through published financial statements, it is important such information possess a qualitative characteristic that is relevant for decision making by various users, such as investors (Gaston, et al. 2010). The decision made by investors or other users are believed to be informed or qualitative when published financial accounting information is of higher quality. Furthermore, a lot of accounting information users, uses the information they get to evaluate the economic value of firms, it is presumed that there is an association between accounting numbers and firms market value (Gaston, et al. 2010; Clarkson, et al. 2011). The investigation by William, (1968) who expressed that, any information obtained from a firm accounting system is specifically revealed in the company financial statements. Oyerinde, (2009) expressed accounting information as a quantitative writing information presented in a company financial statements which are included in the balance sheet or income statement either annually or quarterly. Financial accounting information is usually used as a measure of communicating economic performance of a firm. It is used by investors to make investments decisions and also to monitor inflow or outflow of organisational income (Mulenga, 2016).Eleke and Opoku, (2013) assert that accounting information disclosed to the general public by companies either directly or indirectly does impact investors perception of the organisation activities, hence firms attach great importance to accounting information published. However, accounting information may fail to convey useful information to stakeholders if the information is biased, not timely or being manipulated for selfish purposes which could mislead investors on a firm’s true economic position. Firms’ financial accounting statements help to show the true and fair financial condition and its future prospect to potential investors. Thus, a firms’ financial statement has to be of high quality, understandable, accurate, assessable and easily comparable to other firms’ financial statements (Roddick, 2015).

2.5 Accounting Standardization

It is the responsibility of company’s management teams to prepare accounts and financial statements. Companies’ accountants are qualified and competent professionals who are in charge of applying various accounting principles in processing accounting transactions and/or in accordance with prescribed accounting standard (Oghuma and Iyoha, 2005). If procedures are not standardized, firms or management can choose to bring in their own ideologies by preparing two different set of accounts and financial statements which may still represent a true and fair view, although some accounting issues requires professional judgement, which depend on the individual skill, technical knowledge/competencies and personal experience on the job (Kantudu, 2005 and Oghuma and Iyoha, 2005).

Nevertheless, accounting profession or practice needs more than record keeping, compatibility and transparency to enhance financial users’ confidence when reporting financial statements (Kantudu, 2005). In view of the above, standards are developed and prescribed as guide on how companies should publish their financial information to inform investors and financial users appropriately for better decision making (Gambari, 2010). This is the most common reason why the current international adoption of IFRS is a welcome development among nations, of which Nigeria is already a participant.

2.6 What it means to Adopt IFRS in Nigeria

The adoption of IFRS is said to be an accounting process that goes beyond the standard keeping of accounts or book keeping preparation. The IFRS represents financial statement reporting frame work that requires professionals' accountants' inputs. These contributions include accounting changes that has taken place within the reporting framework (Zango, et al. 2015). Also, the findings of Hodgdon, et al. (2008) and Dask, et al., (2008) assert that the IFRS compliance will improve the quality of financial reporting, increase shareholders' value and also boost firm's capital structure.

However, in general IFRS contained 41/42 standards in total and fifteen fundamental principles accompanied by relevance guidelines that are mandatory. Some of the guideline also gives a clear implementation process. For each of the standard developed by IASB (International Accounting Standard Board), there is a basis of conclusion that gives detailed explanation of that particular requirement. However, the basis of their conclusion is not a component of the IFRS, therefore it is not mandatory (Zakari, 2014; and Okoye, et al. 2014). The table below shows the basic fifteen principles of IFRS:

Table 2-1 Basic Fifteen Principles of IFRS

Date of Issued	Rationale	IFRS
2008	IFRS- First Time Adoption	IFRS: One
2004	Share Base Imbursement	IFRS: Two
2008	Business Amalgamation	IFRS:Three
2004	Insurance Contracts	IFRS: Four
2004	Non-Current Assets Held For Sales and Discontinued	IFRS: Five

	Operations	
2004	Exploration For and Mineral Assets Evaluation	IFRS: Six
2005	Financial Instruments Disclosures	IFRS: Seven
2006	Operating Segments	IFRS: Eight
2013	Financial Instruments	IFRS: Nine
2011	Consolidated Financial Statements	IFRS: Ten
2011	Joint Arrangements	IFRS: Eleven
2011	Disclosure of Interest in Other Entities	IFRS: Twelve
2011	Measurement of Fair Value	IFRS: Thirteen
2014	Regulatory Accounts Deferral	IFRS: Fourteen
2014	Revenue From Contracts With Customers	IFRS: Fifteen

Source :(Zakari, 2014; and Pacter, 2015)

2.7 Rationale behind Adoption of IFRS:

The main rationale behind the development of IFRS is to harmonize reporting practices of published financial statements, so as to have one set of global accounting standard (Ogiedu, 2013). Harmonization becomes necessary due to the fact that modern factors such as cross boarder business investments, increased intricacy of business, recent worldwide financial crises, global financial meltdown and capital mobility and institutional bodies around the globe have greatly influenced the world economy (Siaga, 2012). The following are some additional rationale behind it (Odia and Ogiedu, 2013).

1. Is to create one global accounting standard of financial reporting, especially with the increase in global business or international trade.

2. To provide a sound global business environment, which will enable investors across the world to have the relevant and reliable information they need for investment purposes.

3. Is to also ensure that entities present fair and reliable financial statement publication.

4. This is also to foster high transparency in financial statement reporting and easy capital mobilization among entities across the globe.

The international financial reporting standard (IFRS) is no doubt a great initiative brought by the IASB in the history of accounting and reporting (Iyoh and Faboyede, 2011). Nevertheless, the impact IFRS has on financial reporting goes beyond just that, rather it also bordered on key decision made by firms. For example, the financial reporting council (FRC) in Nigeria was established to address the institutional weaknesses in compliance, regulatory and enforcement of adopted standards as well as development of a robust structure for monitoring and enforcing strict compliance with IFRS (FRCN, 2012). The key motive behind the overwhelming adoption of IFRS by countries is to improve the quality of accounting, easy comparability and increase foreign direct investment (Oduware, 2012). The quality of a firms accounting figures is determined by the level of accounting standards implemented (Adeyemo and Isenmila, 2013). Thus, countries with weak institutional structure and low investor protection such as in Nigeria, with the mandatory adoption of IFRS can still achieve quality financial reporting (Welch and Schizas, (2013). Therefore, I support that more effort has to be put in by the Nigeria regulatory body in other to catch up with the industrialised economies. Furthermore, a proper legal and political framework should be put in place to enable the full actualisation of IFRS benefit in Nigeria.

2.8 Overview of Global Adoption of IFRS

The extensive adoption of IFRS across the globe is one momentous scenario or development that has taken place in the history of accounting (Irvine and Lucas, 2006). The quest for adoption of IFRS emerges right from the moment the European Union make a decision to leave the US GAAP (Generally Accepted Accounting Principle) by converging to a more accounting principle based framework known as IFRS (Armstrong, et al. 2010). This improvement has brought an upsurge into research of how and why the IFRS adoption (Latifah, et al. 2012). According to Ng, Tsang and Yang, (2013) IFRS adoption is capable of bringing in financial transformation in the sense that comes with transparency, accountability in measurement of fair-value and investment proficiency. They also assert that IFRS adoption will help to lessen forecast error by financial analysts and enhance capital structure of firms through improved liquidity, comparability of accounting information across the globe and it will boost foreign businesses.

However, other scholars are of the opinion that accounting standard setters are playing politics with the development process (Epstein, 2009). The key arguments are that financial information users such as tax authorities, managers, banks, and stakeholders exert considerable influence on standard regulators (Epstein, 2009; Latifah, et al. 2012). According to (Epstein, 2009), IFRS adoption will enable potential investors, shareholders and users of financial information to easily assess existing assumptions of pension and various accounting issues among companies across countries without much difficulty to ascertain the quality of published financial reporting. This enlightenment has helped to put management on their toes to report accounting information appropriately (Zakari, 2014). It is less costly for investors and financial users to quickly identify earning management when universal accounting language such as the IFRS is used (Ezeani and Roimi, 2012).

Nevertheless, for the sake of public interest and to safeguard the financial world economy globally, the IASB developed a single set of accounting standards known as IFRS that is of higher quality, which will be more transparent, understandable and comparable financial information (Edogbanya and Kamardin, 2014). The IASB is made up of approximately 100 counties with about 140 representative of accounting boards across the globe. The IOSCO (International Organisation of Securities Commission) has officially approved the use and application of IFRS in 2004, which is currently been used by various countries stock exchange listing among firms. The aim is to have a harmonized global set of accounting standard practice that will be more transparent and comparable which could lead to higher quality accounting publication, lower cost of capital, more international investment opportunities and above all, to give investors a better chance of making informed business decision and ascertained firms true financial position worldwide (Carneiro, Rodrigues and Craig, 2017; Street, et al. 2000).

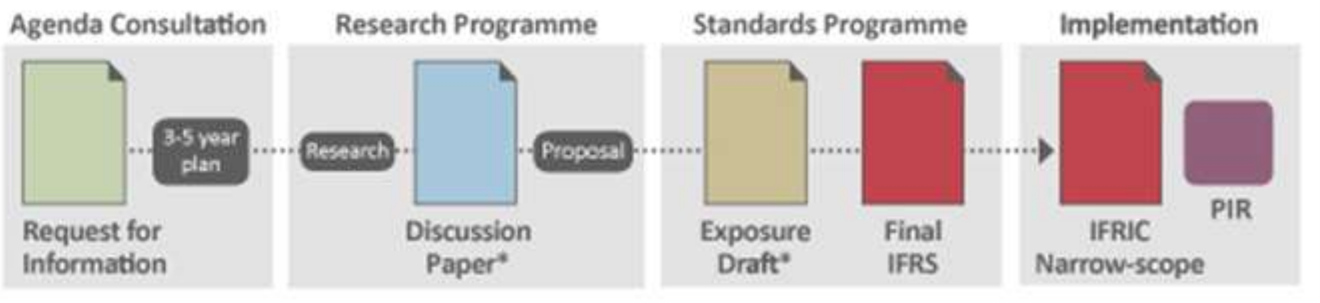
2.9 Emergence of International Financial Reporting Standard:

The IFRS is a prescribed set of international accounting guidelines or standards asserting how certain accounting transactions or events should be reported on the financial statements of entities (Cai and Wong, 2010). IFRS has been previously known as the International Accounting standards (IASs) which are now being replaced and called IFRS. The International Accounting Standard Committee (IASC) has issued the IASs during an era started in 1973.While in the year 2000, they were issued to address the global accounting reporting standards and to have superior standards that might reflect true financial identity of firms across the world. Nevertheless, IASC was replaced on the 1st of April 2001 by the International Accounting Standard Board (IASB) who then took over the responsibility of restructuring the IASs now called IFRS (IFRS Foundation, 2010). IFRS are created for accounting practices worldwide to speak one common global language, so that corporation's accounts are prepared in uniformity with comparability, transparency and reliability (Palea, 2013; Demaki, 2013). IFRS has been making waves since the mandatory adoption by European Union, over 140 countries have adopted the IFRS (Palea, 2013; Isa, 2014; De George, Li, and Shivakumar, 2016). However, presenting financial statements in a homogenous manner in order to have transparent, reliable and comparable financial information is useful to users (Hail, et al. 2010; Latifah, et al. 2012).

Furthermore, IFRS represents a manifestation of global financial cooperation, which is quite consistent with the cooperation that exists between multination firms and industrialized countries (Li, 2010). Currently a lot of countries across the world are permitting the use of IFRS and also financial information is becoming more and more comparable and transparent, in respective of national boundaries (Latifah, et al. 2012; Lozada, 2014). Big countries like Brazil, Canada, Australia and India have mandatorily adopted IFRS (Deloitte and Touché, 2008). As the world economy and market is becoming more globalized, the global market is now leading companies and investors to be a global player, because more investments now take place internationally than ever before. Therefore, IFRS came in to force in order to address the increasing number of foreign stakeholders who invest on international ventures globally (Deloitte and Touché, 2008). With this growing international trade, financial statement information prepared under the local GAAP might not meet the needs of user of financial information due to the nature of foreign business decisions choice (Zeghal and Mhedhbi, 2006; Carson and Dowling, 2010).

According to Levich, (2001) who expressed that, the global economy investment participation is increasingly becoming very popular and investors are becoming more willing to invest in emerging markets in order to grab the diversification opportunity. However, some of the rationale or justification why global bodies are encouraging general adoption of IFRS is to make businesses feel safe or protected about their potential investments worldwide (Zakari, 2014). IFRS as a principle-based standard with a more rigorous principle, which enables investors to have easy access to quality financial information and companies performance level (Carson and Dowling, 2010; Latifah, et al. 2012; Zakari, 2014). IFRS were formulated through due process, which involved consultation with international stakeholders from across the world. The developments of IFRSs are in six stages (i.e. Due Process) with the board of trustees ensuring compliance of all the stages.

The following Table shows the various stages of the development of IFRS:



Source:Zakari, (2014).

Figure 2-2IFRS Development Process:

2.10 Bases for Preparation of Financial Report under the Standard IFRS

As a requirement by the regulatory authorities, IFRS entities are to publish their annual financial statements especially firms in the countries were adoption of the IFRS is made mandatory. The publications help entities to fulfil their performance reporting requirements, which will be made assessable to investors and corporate financial users across the globe.

However, under the IFRS; financial accounting statements are prepared and published based on two underpinning assumptions; the going concern and accrual basis. Under the going concern basis it believed that an entity will continue to operate as an entity in to the future with any possible threat of insolvency or liquidation. Whilst under the accrual basis, outcome of transactions and occurrence are recorded as a when they happen, and they are also documented or recognized in the related period (Oraka, 2015). Mongiello, (2009) expressed that IAS and IFRS still coexist together as a complete body or unified body that represented IASs. A lot of the IAS's are still applicable as long as they have not been replaced by the new IFRS.

2.11 Content of Financial Statement Report

The financial statement annual report publication contains the following:

2.11.1 The Letter of the Chairman to the Company's Shareholders:

The chairman's letter to the shareholders represents his or her opinion about the company and this may lack any specific objectivity.

2.11.2 Review of Operations:

The review of operations varies in terms of approaches and formats from one industry to another and also from one entity to another. Nevertheless, in respective of the format being adopted by an entity, its review must include the entity key products line and service description, and the overall performance contributions of the entity and the entity effective key innovations undertaken during the operational year.

2.11.3 Directors Reports:

A director's report is generally separated in to two parts, the business review aspect and the corporate governance perspective. The business review aspects have to do with the director's analysis of the level of performance of the entity in relation to the business decision made during the past financial year. This report also includes operational instruments applied by directors to convey the strategy and strength of the entity as well the image to the outside world.

2.11.4 The Accounting Policies:

The accounting policies are a set of guidelines and assumptions used when preparing the financial statement of the entity. Most of the procedures are guided by IFRS (there no room for interpretation) or the applicable standard in the country were the entity is domicile.

2.11.5 Financial Statements:

Entities financial statements based on countries financial policies as stipulated in the country accounting standard either the local GAAP or IFRS as prescribe. In preparing these financial statements, accountants usually comply with the acceptable prescribed standard of the entities domicile country.

2.11.6 Comprehensive Income Financial Statement:

The financial income statement of an entity shows the true financial performance of the entity, with regards to the profitability.

2.11.7 Financial Position:

The financial position of an entity is usually stated in the balance sheet report. It shows an entities true financial position by stating its assets and liabilities at a particular point in time. The IFRS place huge importance on financial statement to be reported or published on fair value based rather than historical cost based.

2.11.8 Cash-Flow Statement:

An entity cash-flow financial statement shows the entity financial performance in relation to its cash inflow and cash outflows dealings during the financial year ending.

2.11.9 Changes in Equity statement:

Statement of equity changes show details of changes that have occurred in the entity, in the course of business at the beginning and the close of business during the financial year ending.

2.11.10Accounts Note:

Notes to account are an essential part of financial statement reporting, it represents an instructive statement on the report which indicate how certain figures and cost are ascertained.

2.11.11Reports of Auditors:

The report of auditors expresses the auditor opinion which they have stated with regard to the prepared accounts validity and their compliance to the entity domicile local GAAP or the mandatory IFRS as the case may be (Oraka, 2015).

2.12 Benefits of IFRS

It will be a reasonable thing to do by having a cautious preliminary appraisal and benefits/cost scrutiny as to whether the mandatory adoption of IFRS by Nigeria is beneficial. A number of studies carried out by scholars such as (Bushman and Piotroski, 2006; Okoye and Akeabor, 2010; Mike, 2009; Leuz and Verrcchiia, 2000; Gambari, 2010; Bhattacharjee and Hossain, 2010; Young and Guenther, 2008; Adekoya, 2011 and Ahmed, 2011; Cox, 2014) have pointed to wide range of benefits rather than cost which Nigeria stand to gain as a result of the IFRS adoption. These are highlighted below:

- ❖ IFRS will make it easier for global comparability to significantly increase between entities by providing reliable financial statements information.
- ❖ Apart from improving quality of reporting, IFRS may prove to be economically beneficial by narrowing cross-country’s differences in financial statements reporting as well as promote international trading.
- ❖ Also, the global harmonisation of accounting standards could make cross-country’s transactions comparable, less costly and more efficient.
- ❖ The global accounting and reporting standards such as IFRS will be of great value to analysts, by improving data comparability and consistency as well as enhancing global peer comparison
- ❖ The adoption of IFRS will help to eliminate cross board barriers when trading on securities across countries and will ensure that published financial statements become more transparent than ever.
- ❖ IFRS adoption will attract foreign direct investment in to the country Stock Exchange Market, as result of the transparent financial statement publication.
- ❖ The quality of management reporting for internal use is greatly improved under IFRS, due to consistency of financial information which is highly needed by management for making efficient and effective decision that will increase entity values.

- The IFRS financial reporting framework is generally acceptable for entities or firms seeking admission in to the global Stock Exchange, which also include the US Stock Exchange.
- It also gives local companies easier access to external source of capital. That is it allows local firms better reach to the global capital market.
- IFRS helps to eliminate multiple reporting of financial statement for larger firms that have various branches across countries.
- A more accurate risk evaluation by lenders under IFRS which help in lowering risk premium and provide firms with an alternative source of financing.
- Due to the positive effect IFRS provides on financial information, it boosts the credit rating of businesses, thereby giving firms the strength to negotiate with credit institutions a better deal that will reduce the cost of borrowing.
- It will also broaden the knowledge of global financial reporting among preparer of accounts and tertiary institutions lecturers in Nigeria.

These benefits do not automatically accrue to adopters of IFRS. The assumption of comparability for example is too simplistic. Even after adoption of IFRS, differences in legal and economic contexts and structures of nations would certainly limit comparability. Furthermore, accounting barriers are definitely not the only barrier to cross border listing. The level of development of the stock markets will affect users' evaluation of financial reports. Summarily, the point being made here is that there is factor both non-financial and quality that will not allow adopters to maximize the benefits of adopting IFRS.

However, since Nigeria pronounced and made it mandatory to adopt IFRS on 1st of January 2012, there have been concerns about the practicality of applying this new standard (IFRS) in the preparation and reporting of financial statements (Garuba and Donwa, 2011; Iyoha and Faboyede, 2011; Adejola, 2012; Madawaki, 2012). Arguably, the adoption of IFRS could help change the way and manner in which financial statements are prepared as well as reported and will embolden entities with the responsibility of transiting from the local-GAAP to the new International Accounting Standard.

More-also, arguments suggest that IFRS implementation yields significant improvements in the quality of published financial reporting. It can also be argued that IFRS being a more principle-based than the domestic accounting standards tends to better reflect accounting numbers of firms underlying economics position than those under domestic standards. For instance, IFRS permits fair value accounting that could reflect a firm underlying economic position better, whereas that is not the case under domestic standards. Although, it all depends if the predictions on the assets whether they are sellable or not (Linsmeier, 2013).

Additionally, to enable better reporting under IFRS the IASB have taken a bold step by removing allowable accounting alternatives by prescribing new accounting measurements that will better reflect a true firm's economic position as well as its performance (IASC, 1989; Barth, et al. 2008). The IASB also limit management's or manager's opportunistic discretion in determining accounting figures thereby helping to enhance the quality of published financial reporting (Sun, Salama, Hussainey and Habbash, 2010; Barth, et al. 2008;Ashbaugh and Pincus, 2001). In support of this view Ewert and Wagenhofer, (2005) invent a rational model that suggested stiffer accounting standards to limit managerial discretion and thus, improving the quality of financial disclosures. Although, some researchers such as Daske, et al. 2013 and Hail, et al. 2010 argued that every single set of accounting standards be it IFRS or local GAAP does offer managers considerable use of discretion, because the implementation of the standards does involves substantial use of judgment as well as applying private information. Thus, how firms use this judgement solely depend on their reporting incentives, these incentives may include countries legal institutions, enforcement mechanism, different market force and the firms operational characteristics (Hail, et al. 2010a).

2.13 Universal Global Challenges Faced Contrary to IFRS Adoption and Implementation:

Most of the common challenges faced globally in contrast to the adoption and implementation are examined as follows:

2.13.1 The Economy:

There are a lot of hindrances to the standardization of International Financial Reporting, every country has its own accounting regulations whether at the national level or the international level which might have huge economic impact (Nobles and Parker, 2004). Various countries government might find it very difficult or unwilling to let go of national control over a process that may have consequence on its economy to a set of international body regulations which they don't have control over. The private interest theory or the economic interest group theory as put forward by Stigler, (1971) and Peltzman, (1976) conform to this position. According to Stigler, (1971) governments are made of distinct self-centred people? Who will like to introduce or back-up adoption or implements international policies or regulations that will be of economic benefit to them and resist those ones that will not be of enough economic benefit. For instance, the refusal of some of the European Union member's countries to fully endorse the revised IAS 39, which could be because of the possible negative consequence it might have on the countries' companies. Furthermore, a country's level of economic-resources may have an effect on its readiness to adopt and implement IFRS, a developing country such as Nigeria falls within this group (Deegan and Unerman, 2006 and Mcgree, 2006).

2.13.2 Countries Polities:

Political effects on the adoption and implementation of IFRS or accounting standards could be linked directly to the influence of economic factors with regards to accounting regulation. Economic factors both at the national and industrial level reflect on how government behaved towards recommended international standards. This is because, no government want to be seen as working against the electorates who voted them into power and also in position to vote against them (Enofe, et al. 2013). As expressed by Stigler, (1971) governments are made up of groups of people who are most likely to implement regulation that is of interest to their electorate or financiers in order to continuously get their support. There are special groups of individuals or lobbyists who lobby against standard setters, when important accounting standards are recommended, those whose interest is not favoured tend to lobby against it by putting pressure on politicians to avert adoption and implementation of important accounting standards (Akidime and Ekiomado, 2014).

However, IFRS will thrive more in countries that have a similar political philosophy or culture like that of Anglo Saxon; the same cannot be expected in a country such as Russia who has also adopted IFRS and other European Nations. Some countries who are nationalistic in nature, find it very difficult to abandon their own local standard for international one. This can be argued to be behind the lukewarm reaction of some countries towards the adoption of IFRS. For instance, in the wake of the financial crises, the EU countries advocated for the implementation of IFRS.9 (i.e. valuation of financial instruments) while the United States favoured the application of fair value measurement (Enofe, et al. 2013 Akidime and Ekiomado, 2014).

2.13.3 Cultural Issues:

Cultural differences have had an adverse effect on the adoption and implementation of IFRS across the globe. However, before the introduction of IASs/IFRS each country had its own culture of reporting its accounting, therefore the recent introduction of the new standard (IFRS) tends to conflict with the reporting culture of the various countries. According to Perera, (1989; p52) who emphasises on the obstacle in harmonising and transferring accounting proficiency from Anglo-American nations to emerging countries. Perera, also, explained that the Anglo-American accounting standard and accounting models tend to reflect more of their cultural thinking and these accounting standards might pose some problematic challenges in other countries whose environment and culture is quite different. For example, the German companies rely mostly on "Inside Form of Finance" and the Roman law system which makes the adoption and implementation of IFRS very challenging (Akidime and Ekiomado, 2014).

In order to address this cultural challenge, Nobes and Parker, (2004) advocated that it would be more suitable if a dual system is adopted, whereby companies should be allowed to prepare financial statements in their local GAAP (i.e. conventionally developed domestic system) and those companies that source for finance abroad or internationally should prepare additional set of consolidated or group accounts in accordance to IASs/IFRS or Anglo-American accounting style. IASs/IFRS are generally written in English; therefore, "Language" which is another important aspect of culture is also a major challenge to the adoption and implementation of IFRS. Non-English-speaking countries that adopt IASs/IFRS will have to get a translator who is knowledgeable in the area to translate to the country local language and this can sometimes be very problematic (McGee, 1999).

2.13.4 Laws and Guidelines

IFRS is a Principle-Based System espoused by IASB, such system operates within lay-down rules or frame-work that exists. However, principle-based standards address issues as soon as they occur, and they operate inside the background principle frame-work through which standards can be set and developed without conflicting with each other. The "Rule Based System" does not operate within any guided frame-work, this is exactly the key reason why the United State designed mass regulation to cover all possible eventuality that might arise and also in some Eastern European States. The various countries legal system and accounting guidelines differences are a major challenge in the adoption/implementation of IFRS.

Furthermore, the common law is the legal system most commonly in practice among English speaking and Anglo-Saxon countries. It has relatively fewer statures and the court is mostly the one that interprets its application as it applies to a specific situation, which then stands as a precedent, nevertheless, the accounting regulations are free from government interference and are much more flexible. Nonetheless, the reverse is the case in non-English accounting speaking countries which is a codified legal system with a high degree of inflexibility. Countries with code law operate accounting statutes based on tax guidelines and this system is quite different from the one being practiced by the English speaking and Anglo-Saxon countries, which consist of larger stakeholders (Akidime and Ekiomado, 2014).

2.13.5 Education in Institutions:

With the introduction of IFRS, which is widely adopted and implemented across countries worldwide, the accounting curriculums in institutions of higher learning and universities should be upgraded (McGee, 2006). Courses that will expose accountants and potential future accountants to the modified IFRS rules in countries that has adopted or in the process of adoption should be included in the universities curriculum's (McGee, 2006). In order for countries to accomplish a smooth and sustainable transition of IFRS adoption/implementation institutions of higher learning, professional accounting bodies and universities should provide accountancy educational training and also upgrade their accounting curriculums.

2.13.6 Professional Bodies:

For any accounting regulations or guideline to be successfully implemented such as the IFRS, accountants must have to be acquainted with new changes to the rules and knowledgeable enough (basically skills and technical competencies), on how to apply them. Financial statements preparers are accountants by profession and it's the responsibilities of the professional accounting bodies to ensure that accountants apply any new guidelines and regulations.

2.14 IFRS Adoption in Developing Countries

In the first instance, in order to explore IFRS effect on the accounting situation in developing countries' economies, there is the need to describe what constitutes a developing nation. In the debate about how developing countries should be classified; some authors used the standard of living, poverty level, educational standard, life expectancy level and industrial production (Thompson, 2016). The most formidable classification was the one by World Bank. The World-Bank, (2016) classifies a developing countries economy as low or middle-income economies, it uses Gross-National-Income (GNI) of the country per-capita income for the preceding year. In accordance with the World Bank classification, any country per capita (GNI) that is below $12,746 is presumed to be a developing economy. This definition by World Bank is certainly a drawback, because a wide-ranging group of these nations are from different background and their level of development and geographical diversity is different as well, yet they are all classified as "developing" under this criterion. However, most developing nations face unfavourable political uncertainty environments, where corruption is very obvious, and transparency is unsatisfactory (Hooper, et al. 2009). A lot of developing nations lack quality financial reporting and the technical capability, weak institutions and infrastructures (Hooper, et al. 2009).

According to Wolk, Francis and Tearney, (1998) expressed that the harmonisation of IAS is beneficial to developing nations because it help to provide better prepared accounting reports and a high quality accounting framework. The study carried out by Gyasi, (2010) on Ghana's adoption of IFRS found that mandatory adoption of IFRS made it easier for domestic firms to acquire capital from overseas, this helps to bring positive effect on foreign direct investment. Thus, it improves consolidation, comparability and transparency. Albu and Albu, (2012) assert that IFRS adoption in developing countries could contribute to economic improvement by attracting foreign investments, improving corporate governance and increasing competition. Gordon, et al. (2012) found that there is a significant increase in cross-border listing among quoted firms in developing countries that adopted IFRS. The study indicated further that the increased in FDI in the investigated countries was ascribed to IFRS adoption rather than any other factors.

Chamisa, (2000) examined the usefulness of IAS in developing nations using Zimbabwe as a case study. He analysed the impact adoption of IAS/IFRS has on the accounting practices of firms listed in the stock exchange and found that the IAS is significantly important to developing countries financial markets. Larson, (1993) examined if there is a difference between African countries economic growth rates that adopt IAS with or without modification as well as those that do not adopt the standard. The outcome of his finding indicates that IAS when adapted to a country's local standards could contribute to better economic development. Conversely, Wooley, (1998) carried out a similar research in Asia countries and found that there are no substantial variations in the country's economic growth rate, when grouped according to the adoption or non-adoption of IAS. Adebimpe and Ekwere, (2015) investigated whether Nigerian mandatory IFRS adoption improves the value relevance of accounting information of banks quoted in the Nigerian stock exchange. They found that equity values and earnings of the banks are relatively value relevant to share prices under IFRS than under the N-GAAP. Mohammed and Lode, (2015) conceptually examined IFRS adoption by quoted financial institutions in Nigeria. Their findings affirmed that the quality of financial disclosure is more value relevant post-IFRS. Desoky and Mousa, (2014) scrutinised the impact of mandatory adoption of IFRS of forty companies listed in the Bahrain Bourse. The outcome of their findings indicates a slight difference in the value relevance of accounting information post-IFRS adoption using the return model. However, when they applied the price model their result shows more improvement in the value relevance of accounting information post-IFRS implementation.

However, most of the empirical outcomes reported in developing economies' financial markets are consistent with those findings of developed economy financial market, although some inconsistencies still exist.

2.15 IASs/IFRS in Emerging Countries:

The international accounting harmonization has been argued by a number of researchers such as Zeghal and Mhedhbi, (2006); Hassan et al., (2009) and Gyasi, (2010) to be of great benefit to emerging countries because IFRS is a principle-based high quality accounting framework that will help to boost investors' confidence. Nevertheless, Cerne, (2009) advocated that developing countries accounting information reported and their accounting structure are not appropriate to the decision model of those countries.

However, emerging countries such as China, Brazil, Nigeria, and South Africa and others have taken the initiatives to adopt IFRS (He, et al. 2012). This development is anticipated to improve their capital market credibility and quality of published financial statements, which will in turn, enhance the flow of capital and increased foreign investments. According to Faraj and Akbar, (2010) argued that the adoption of IFRS by emerging countries is not only thrilling it is necessary in order for companies to have wider access to various capital markets internationally. The adoption of IFRS and the international trend which IFRS is seen as the "Best Practice" in accounting has become a worldwide phenomenon (Obaidat, 2007; Cerne, 2009). Also, Irvine and Lucas, (2006) have emphasised that emerging countries who adopt IFRS stand to benefit substantially in areas which include large mobilization of capital, reduced cost of capital, and better proficiency in apportionment of resources, improvement in financial statement comparability and above all reduction in earning management manipulation.

Nonetheless, in spite of the growing popularity and wide-spread of the IFRS adoption only a handful of research has been carried-out in relation to emerging economies and nor has it directly addressed " Analysis of the effect of IFRS Adoption on the Quality of Published Financial Information" which is an emerging economy. Most of the research undertaken is more focused on IFRS effect on developed economies such as the European Union States; for instance, studies of Jermakowicz, 2004; Van Tendeloo and Vanstraelen, 2005; Daske and Gebhardt, 2006; Van der Meulen, et al. 2007; Callao et al., 2007 Ernstberger and Vogler, 2008; Gjerde, et al. 2008; Kaserer and Kingler, 2008; Paananen and Lin, 2009; Tsalavoutas and Evans, 2010; Chen, et al. 2010; Callao and Jarne, 2010; Devalle, et al. 2010; Iatridis and Rouvolis, 2010. Also, JeanJean and Stolowy, (2008); Goodwin, et al. (2008) and Clarkson, et al. (2011) investigated effect of IFRS in Australia, an industrialized economy as well. These lapses represent a significant research gap in literature, in the sense that, a huge discrepancy still exists between the industrialized countries, emerging countries, and LEDCs.

As emphasized by Irvine and Lucas, (2006) and Zhang, et al. (2007) that developing economies quest to enjoy the numerous international financial benefits which IFRS brings, countries adopting IFRS still face some challenges such as how to align themselves to the new accounting standard practices and adapt to their regulatory structure. There are also a lot of deficiencies in developing countries accounting and audit practices as highlighted by Michas, (2010). The adoption and implementation of IFRS in the emerging economies does come with challenges of application and enforcement, complexity involved in the global accounting standard and shortage of professionals with the rightful knowledge (Alp and Ustuntage, 2009 and Zhang, et al. 2007).

According to Hofstede and Hofstede, (2004) asserted that there are considerable differences between the markets of industrialized economies and of emerging economies, in the area of institutional arrangements, organisation of the capital market and the society arrangement. The emerging countries market is no match to that of developed countries economies. The emerging countries' economies have enormous ownership concentration, which can be argued that it leads to more information asymmetry (Shleifer and Vishny, 1997; Thillainathan, 1998; Gibson, 2003; Lins, 2003; Berghe, 2002; Claessens, et al. 2000).

Furthermore, the standard of accounting practice in the emerging countries is relatively different from that if the industrialized countries (i.e. developed countries). This makes it extremely tough for international and local investors to ascertain the true position and performance of firms in the emerging countries capital market, thereby forcing investors to make irrational business decisions (Rashid and Islam, 2008). As stated by Ball (2006) IFRS pledged more comprehensive, truthful and well-timed financial information statements when compared to the national GAAP which IFRS replaces in most of the countries adopting it. A quality standard such as the IFRS stand a better chance of increasing the quality of published financial information among firms in developing countries capital market and it will help to stimulate foreign investment.

2.16 Measures of Accounting Quality: Value Relevance and Earning Management

Accounting professionals typically believe that measures of accounting quality should be determined straight from financial information statements that companies report. A higher quality accounting standard influences user and stakeholder's perception of the quality of financial information disclosed (Wulandari and Rahman, 2004). However, a better insight of the accounting standards will help to create quality accounting information that are more actively used by financial accounting users, thus enhancing the value relevance of financial information reported. A more sophisticated accounting standard is presumed to provide reliability, comparable, transparent and relevant financial accounting information to investors for making business decisions (Wulandari and Rahman, 2004).

The value of financial accounting information is determined mostly by its quality and for this purpose accounting information is of great interest to its users (Greuning, et al. 2011). For example, for a reporting company, better quality of accounting information can translate into lower cost of capital whilst to an investor, it can translate into a more profitable allocation of capital. Nonetheless, there are many definitions to accounting quality; there is no one uniform definition of what accounting quality precisely encompasses (Verleun, et al. 2011). For example, Barth, et al. (2008) define the quality of accounting information as the capability of accounting measures to reflect a company's true economic position and the level of its performance. The above definition focuses primarily on relevance of accounting information reported by entities whilst other accounting quality definitions focus more on financial information reliability. According to the Barth definition, better quality accounting information should be more beneficial to investors and other participants by protecting investors from any form of management opportunistic behaviour (Penman and Zhang, 2002; Watts, 2003).

In essence, one inherent problem seems eminent when defining accounting quality in the financial statement. That is the trade-off between "Reliability and Relevance" (Irvine and Lucas, 2006; Li, 2010). This discrepancy also exists when measuring the quality of accounting information, because some measures focus mainly on relevance whilst others concentrate on reliability. However, these notions may appear contradictory, but this does not automatically imply that upsurge in reliability cannot coincide with an upsurge in relevance as well. Given, the study by Barth, et al. (2008) on accounting quality relates to both a company's true economic position as well as its performance which means that the quality of accounting information does affect both the balance-sheet as well as the income-statements of a company. Hence, it is possible that an increase in relevance of information in the balance sheet may as well come along with an increase in reliability in the financial income statement information reported. Due to the possibility of an increase in both relevance and reliability, this therefore provides the basis why we include multiple measures in this study.

In principle, the quality of accounting is not something that can be detected straightaway out of the financial statements, proxies have to be formulated or developed (Kargin, 2013) Consequently, prior empirical studies have identified a number of accounting quality measures like forecasts made by securities analysts, value-relevance, conservatism and earning management (e.g. Barth, et al. 2008; Lang, et al. 2003). More-also, Muhibudeen, (2015) states that value relevance is one of the measures used to evaluate accounting quality and the ability for financial information disclosed to explain how a firm's value is measured. Therefore, the value relevance can be measured through the financial information reported and the stock market value (Kargin, 2013). However, there are lots of interpretations of what value relevance means or encompasses. The various narratives are based on the relationship that exists between stock market values and accounting information (Francis and Schipper, 1999). Lawani, Umanhonlen and Okolie, (2015) described firm's value as the total value of the firm's stock and its accounting figures. The study of Francis and Schipper, (1999) described value relevance as the ability of a company's financial statement information to capture and influence companies share prices in the market. The problem that comes with this measure is that, it relies more on information that comes from the market. In a situation where the market is extremely inefficient a value-relevance evaluation might result in low accounting quality whereas it is not the true condition (Christensen, et al. 2008). Therefore, for this measure to be valuable when applying the value relevance metric, it is presumed that the market to a great extent is efficient. Hence, another way of addressing the weaknesses of this specific quality measure is to apply multiple metrics for accounting quality of published financial statements.

Another frequently used component of accounting quality is earning management which measures the level of earning manipulation that is present in disclosed financial statements information (Jeanings and Stolowy, 2008). When financial statements information are manipulated, the real financial position or operating outcome cannot be correctly reflected; this will cause investors not to invest in the securities that can incur losses and at the same time make them lose confidence on the entire system. The use of earning management is a negative form of accounting practice which involves management using judgemental financial reporting with the intent to either mislead investors or market participants, so as to influence results to their own advantage (Healy and Wahlen, 1999). Nevertheless, when the manipulation is called into question, generally a lot of people quickly jump to the conclusion that companies reduce their income and raises their overheads so that they can pay less tax (Yurt and Ergun, 2015). The exact opposite of this is what companies performed in order to accomplish high firm value or share prices (Yurt and Ergun, 2015). Various studies have revealed that firms raised their income for certain reasons and incentives which usually leads them to earning manipulation execution. The recent inconsistency in financial accounting numbers manipulation has shown the necessity of these studies; more importantly, after the corporate scandal of WorldCom, Enron, Parmalat and Toshiba (Penman, 2003). However, due to the fact that mangers do not reveal or report their personal intent of the accounting options in the financial accounts statements, earnings management cannot be directly observed from the financial statement information likewise. Hence, proxies have to be formulated or developed as well (Verleun, et al. 2011). For the purpose of this research we will be applying the value relevance and earning management measures to determine the quality of published financial statement of firms listed in the Nigeria stock market. The value relevance measures we are using in this study, is in line with the accounting quality explanation provided by Barth, et al. (2008).

2.17 Impact of IFRS Adoption on Quality of Financial Statements Publication

The international accounting standards board (IASB) over the years has been working tirelessly on how to harmonise the financial reporting practices across different countries around the globe, until 2005 when all European countries were mandated to adopt IFRS, this then paved the way for other countries to follow suite; Nigeria being one of them. The financial reporting quality is generally judged by the standard of information in the financial accounts statements and if it is comparable, understandable, and reliable (Edogbanya and Kamardin, 2014). However, the impact of IFRS on quality financial publication and accounting information varies across countries; some depend on the nature of the economy in which the company operate in (Nijam and Althambawa, 2016). Greuning, Scot and Terblache, (2011) expressed that financial information are very relevant in assisting users and stakeholders to evaluate events and make better economic decisions. Thus, when financial accounting information is presented and reported in a more consistent way, which is useful to users, it is regarded as been comparable. Published financial statements are said to be reliable when such information is free from error and bias and the users of the information can find it to be trustworthy (Nijam and Althambawa, 2016). Whilst understandably the content of published financial information is effective enough to communicate or guide users when making informed investment decisions. Also, Greuning, et al. (2011) assert that honest, prudence, fairness and completeness are all factors that help to contribute to reliability in financial statements publications. For financial information to achieve a fair presentation, it has to be communicated in a timely manner in order to avoid delay, which could cause loss of relevance and at the same time jeopardise the relevance of the reported financial information (Herbert and Tsegba, 2013; Abubakar, Abdulsallam and Alkali, 2017).

It can be argued that research carried out by various scholars has indicated that the world-wide adoption of IFRS would significantly improve the quality of financial statements publication. Iatridis, (2010) has studied the impact of adoption IFRS in the United Kingdom and established that the application of IFRS does strengthen the quality of accounting statements and it improves the value relevance of accounting information reported. Bhargava and Shikha, (2013) expressed that the adoption of IRFS actually provides a collective platform for financial statement reporting by different countries and it also saves multi-national companies or management from multiple financial account reporting. Thus, before the mandatory adoption of IFRS by Nigeria, companies operating offshore are obligated to translate their financial statement report to that of the local standard format before they are allowed to trade on the floor of the stock exchange of the host country. Herbert, Tsegba, Ohanele, and Anyahara, (2013) argued that adoption of IFRS will create uniformity in financial publication and allow comparability of various financial and audit reports. Similarly, Edogbanya and Kamardin, (2014) highlighted that IFRS adoption would lead to the improvement of quality of financial publication, when assessing the benefit and cost of IFRSadoption among reporting entities. Although, they expressed concern if the IFRS benefit will be able to outweigh the cost associated with the relevant work training required to drive the adoption of IFRS. According to Owolabi and Iyoha, (2012), expresses that the IFRS adoption will leads to timely financial statement disclosures and at the same time make financial information easier to access, thus, increasing the quality of reporting.

However, Okunbor and Arowoshegbe, (2014) have disagreed by stating that the quality of financial publication is not absolutely dependent on IFRS adoption rather it is on internal and external environments which oversees the activities of the reporting companies. This conforms to a study undertaken by Paulo, Girao, Carter and Sousa, (2013) they highlighted that a firm characteristics, practice and procedures, corporate governance as well as regulations are the factors that most sharpen financial reporting quality. Nonetheless, an increase in the quality of financial information will help to increase investor's confidence and improves economic growth. Investors and management are all interested in financial information that is useful, which enable them to make well informed decisions. The adoption of IFRS is more likely to affect investors decision making processes in the sense that, IFRS being a more principle-based standard, it demands for more financial information reporting for investment decision. It also has the potential to enhance the quality of reporting by improving the level of financial statement comparability and transparency (Bhargava and Shikha, 2013).

Hung and Subramanyam, (2007) examined the impact of adoption of IAS in Germany between the period of 1998 to 2002, by thoroughly evaluating the effect of financial statements prepared under the Germany local GAAP (HGB) by making direct comparisons of financial statements prepared under the adopted IAS. The outcome of their analysis findings demonstrates that the adoption of IAS resulted in a substantial changes to deferred taxes, property, plant and equipment, provision for loss and pension. They also found that book value of equity, total assets and the disparities in net income and book value are discovered to be significantly higher under the IAS when compared to the German HGB.

The mandatory adoption of IFRS in Nigeria is expected to impact on the quality of financial reporting and comparability of financial statements, if the post-IFRS should exhibit increase disclosures than that of pre-IFRS reporting, if it is acceptable globally. According to Terzi, Oktem and Sen, (2013) stated that financial ratios and some major economic variables under IFRS differ considerably from those under countries local GAAP. They stated further that sector by sector analysis do not unveil any significant transformation between pre-IFRS and post-IFRS financial statement. This was also in line with Outa, (2011) who argued that the quality of financial publication stays the same, even with the mandatory adoption of IFRS. Cascino and Gassen, (2012) opined that the mandatory does not increase the level of comparability, they argued that it is the compliance motivations that generates increase financial reporting comparability. DeFond, Hu, Hung, and Li, (2010) asserted that the adoption of IFRS does affects financial comparability as well as mutual fund ownership of entities with higher credibility, robust implementation and recognition; this is because, the mandatory adoption of IFRS relies on the strength of the regulatory framework of the individual country involved. The debate on the benefit and impact of IFRS on quality of financial reporting by scholars is ongoing. In the study undertaken by Okpala, (2012) stated that the IFRS adoption does not make published financial statement more reliable neither does it aid timely nor accurate financial reporting. Although, he does not completely discard the benefits of IFRS adoption, he argued that IFRS helps to promotes comparability, uniformity of financial publications and ease interpretation of financial statements which help to boost investors' confidence.

Given the prior research, scholar's exhibit mixed understanding and continue to show conflicting opinion on the impact of IFRS adoption on quality of financial publication. For example, the studies by Outa (2011); Brochette, Jagolizer, and Riedl, (2011); Ogujiuba and Obiechina, (2011); DeGeorge, (2012); Effiong, (2012); Agundu and Agbahiwe, (2014) and Awoyemi and Jabar, (2014) all asserted that the mandatory adoption of IFRS significantly leads to improvement in the quality of financial publication. Whilst Epstein, (2009); Ayuba, (2012); Osen, (2013); Okpala, (2013) and Terzi, et al. (2013) all argued that adoption of IFRS would not improve the quality of published financial information. Okpala, (2012) and Cascino and Gassen, (2012) expressed further that scholars who investigated the effect of IFRS adoption have grossly overstated the impact on quality of accounting information. More-also, Nazh (2011) and Osen, (2013) explained that culture also represents a moderating factor on the impact of IFRS on the quality of financial reporting in Nigeria, in the sense that cultural differences might lead to variances in the post-IFRS outcomes, due to misleading investigation on the impact of IFRS.

These inconsistency in opinions creates a gap in literature that requires empirical investigation to assess the impact of mandatory adoption of IFRS on the quality of published financial statements in Nigeria using the proxies of value relevance and earning management.

2.18 Voluntary vs. Mandatory Accounting Reporting

Financial information plays a very significant role in a country's financial market, any disclosed information has strong influence on decision made by potential investors. The Cambridge Advance Learner's Dictionary describe "Disclosure" as making something known publicly or showing something that was concealed, while Lee, (1987) defines "Information" as a communication function which increased the knowledge of its recipient and reduces his uncertainty about the future. These two terms were combined together by Tricker, (1984, p.123) who defines information disclosure as:

"An ex gratia act, by those with knowledge, to convey Information to others... (With) the intention to orientate, or to motivate, to create a climate of understanding, acceptance, involvement and participation, or to reach a consensus between otherwise conflicting views. " Corporate information disclosure can be defined or expressed in various ways. For instance, Kohler, (1975) defines disclosure as "a clear showing of fact or condition on a balance sheet or other financial statements, in footnotes thereto, or in the audit report". Another definition from the Accounting Standard Board (ASB) describes disclosure as "economic information whether financial or non-financial, quantitative or otherwise of a company's financial position and performance and financial adaptability" (ASB, 1994). However, voluntary financial disclosure was defined by Owusu-Ansah, (1998a, 154) as "any disclosure by companies that is not mandated by law and/or self-regulatory bodies". Also, Financial Accounting Standard Board (FASB, 2001) defines voluntary disclosures as "disclosure, primarily outside of the financial statements that are not explicitly required by accounting standards or regulations ".

Nevertheless, mandatory financial disclosure is the compulsory minimum accounting standard of both financial and non-financial information which a country standard regulator prescribes or requires from all operating entity to comply with, when reporting their financial statement. According to Hassainey and Mouselli, (2010) expressed that there is a fundamental connection between quality of disclosure and accounting information especially, in relation to cost of equity capital. Therefore, a higher level of financial information disclosure is anticipated to reduce the cost of capital and as well enhance the stock price of firms.

Mandatory disclosure is different from voluntary disclosure because it mandates or forces entities or firms to "reveal their current cash flows, net asset, profits and ownership claims rather than the entity quest or ambition for future achievement" (Leuz and Wysocki, 2008; 68). According to Owusu-Ansah, (1998) expressed mandatory reporting as an institutional and administrative arrangement put forward to ensure that information relating to economic happenings and financial transactions or policies of an entity are disclosed to creditors and potential investors of the company. Consequently, mandatory disclosures obligate entities to disclose all necessary information both "good and bad news" as the case may be Verrecchia, (2001). Mandatory disclosure of financial statement information is mainly concerned with firms complying with accounting standards as required by regulation set out by a country regulatory body (Owusu-Ansah, 1998). For example, Nigeria officially adopted IFRS in 2012 and mandated all companies listed in the Nigeria stock exchange to publish their financial statement in accordance with International Financial Reporting Standards. Consequently, standard setters are also imperfect in the sense that, mandatory financial statement reporting can also be manipulated through the combination of discourse strategies such as over compliance and non-, or partial. According to Bushman and Landsman, (2010; 259) stated "that accounting standard-setting is at risk of becoming entangled in a web of political forces with potentially significant consequences". Standard setters or regulators have potential challenges when designing standards in terms of loopholes of the requirements (Bhargava and Shikha, 2013). Mandatory disclosure can be in the form of tough rules-based requirements, for instance, quantitative information and mandatory disclosures which are principle driven obligatory such as narrative qualitative information (Owolabi and Iyoha, 2012).

However, a poorly structured standard can pave the way for a company to comply fully without disclosing the useful information to the users. It also possible for companies to meet mandates that are more subjective and judgemental by maintaining compliance yet does not provides the required information due to the fact that, the standards are too loose (Edogbanya and Kamardin, 2014). Furthermore, a poorly structured requirement or standard compelled companies to disclose information which are not in the interests of the various users or stakeholders (Bushee and Leuz, 2005; Hassan, et al. 2008; Bushman and Landsman, 2010). In the research work of Bushee and Leuz, (2005) expressed that the definition of mandatory financial reporting should be that both the requirements itself are made mandatory and at the same time comes with a strict enforcement of the standards.

Whilst voluntary disclosures quality of information given by the corporations is solely based on the rational decision of the manager own perception direct or indirect, benefit/cost (Gray, et al. 1990). It has been established that voluntary information disclosures can have substantial benefits for both the discloser as well as the users of the disclosures. As for the company making the disclosures its benefits include increased in liquidity (Diamond, 1985; Diamond and Verrecchia, 1991), reduction in the cost of capital (Easley and O'Hara, 2000) and enhanced information intermediation (Diamond, 1985; Lang and Lundholm, 1996). The more in-depth and dependable the disclosures are, the higher the opportunity to facilitate increased market discipline by preventing damaging rumours and misleading information that could cause market volatilities (Ogiedu, 2013). Moreover, prior research has shown that increased disclosures are associated positively with analogous investors' follow-on (Eccles, et al. 2001).

Nonetheless, if the enforcement mechanisms put in place by the regulatory body are inefficient, then the mandatory level of disclosure provided by those firms will be similar to that of voluntary disclosures which is heavily reliant on managers' decisions. Hassan, et al. (2008) studied the Malaysian firms' adoption of financial instrument reporting they found that the compliance level was poor, it ranged between 3.7% minimum and 97.14% maximum with a mean value of 33.49%. Lopes and Rodrigues, (2007), examined firms listed in the Portuguese stock market on adoption of IASs 32 & 39 and found that the compliance level with the mandatory disclosure obligations were weak (with mean of 44%, maximum 64% and minimum 16% respectively). Bhamornsiri and Schroeder, (2004) suggested that more work need to be done to improve this aspect so as to standardise the usefulness of information in its current setup.

Furthermore, mandatory financial information reporting does not deal only with actual disclosures, it also examines firm's attitudes towards the level of compliance stipulated by regulation, that firms compliance and reporting culture are be looked into (Jenkinson, 1996). Adams, (1994: 279) describes compliance as "the management of regulatory risk — the risk that a rule or regulation will be broken' and explains that this risk has many elements (e.g. financial risk, litigation risk, risk of regulatory engagement and reputation risk)". Therefore, managers are more likely to observe and properly assess these before making a decision on whether to comply or not comply. However, voluntary disclosures of entities are less subjective to regulation and enforcement mechanisms on like mandatory disclosures (Adams, 1994). Thus, increased disclosures improve financial statements comparability, transparency and help potential investors to identify healthy and efficient firms to make investment.

Table 2-2 Key Potential Benefits and Possible Informative Cost of Voluntary Reporting

Key Potential Benefits	**Possible Informative Cost**
❖ More assessment to liquidity market and better pricing/decision-making proficiencies	❖ Bargaining weakness in relation to stakeholders
❖ Credibility is enhanced and relationship with investors is improved	❖ Disadvantageous competitively if sensitive information is reported
❖ Reduced Litigation risk	❖ High risk of litigation
❖ Lower cost of capital, enhanced reputation and less perceived risk	❖ Preparation and high cost of audit

Table 2-3 Mandatory Reporting Requirements Key Advantages and Disadvantages

Key Advantages	**Key Disadvantages**
❖ Managers are force to focus on key aspects.	❖ It hindered an efficiently operational free market.
❖ It encourages a fairer and robust system that could attract investors.	❖ Unfair taxes are imposed on shareholders through direct and indirect costs of generating information.
❖ It enforces management fiduciary duties in relation to investors and analysts thereby helping to alleviate the agency problem.	❖ Companies are forced to release sensitive information thus, lead to competitive disadvantages.
❖ It creates pressure externally thereby allowing some equalisation to information asymmetry concern.	❖ Lead to loss of meaning through the process fabricating information.
❖ Help to provide a level of public enforceability which are beneficial to financial reporting credibility.	❖ Result to loss of useful voluntarily reported information when firms are compared to comply with mandatory requirements.

❖ It makes it more easier for new firms entering to pledge to transparency	❖ Where there is weak enforcement it makes the mandating requirements to suffer important loss of usefulness.
❖ It enhances market liquidity, efficiency and promote competition.	❖ There is the risk of regulators been pressured to protect interest of certain groups or rules to serve some private interest from certain parties;
❖ Enhanced sustainability development in a country reporting environment.	❖ A poorly design requirement which lack specification could lead to meaningless information being reported just to satisfy the compliance mandate.

Source: Owusu-Ansah, (1998).

The majority of countries do put in place a large numbers of accounting regulations which cover a wider range of issues, relating to reporting. Under the continuous disclosures, both listed and unlisted companies are required by regulation to report to the stock exchange and public on a regular basis at a predetermined period of time frame (Owusu-Ansah, 1998). This requirement depends solely on individual stock exchanges and/or company law which includes Nigeria, although, practices and requirements varies across diverse stock markets. Admati and Pfeiderer, (2000) expressed that there is no worldwide consensus on the optimal level of mandatory financial statement disclosures that entities should make available. There is an ongoing debate in literature as to whether regulations are required (Demaki, 2013). However, there are two school of thought" on this issue. The first parties are of the view or argue that regulation is quite necessary (i.e. Regulatory Theory) whilst the second parties argue that it is not necessary (i.e. Free Market Theory) (Outa, 2011). One of the major criticisms of the regulatory-mechanisms is that they could be captured by a certain interest group. A situation where the "Regulated" capture the "Regulator" would result in the regulation having diverse impacts across various groups due to the attach interest of the specific social group (Deegan and Unerman, 2008).

2.19 An Empirical Evaluation of the Worldwide IFRS Adoption and Implementation

The quest for homogeneity, comparability, and reliability of published financial information of companies which lead to the adoption of IFRS (both mandatory and voluntary) is already an important issue of globalization and relevance among several countries. Kenneth, (2012) examined the adoption of IFRS and financial statement effects on foreign direct investment on Nigeria economy; he surveyed companies that are listed in the Nigeria stock exchange, the finding indicates that only a handful of companies have implemented IFRS at the time of the investigation with a lot more to comply or implement before the deadline date. The implementation of IFRS is perceived to promote FDI inflow, thereby increasing economic growth. It was recommended that in other to reap the benefit of globalized GAAP and principle based standard such as the IFRS all stakeholders should have full implementation of IFRS (Okoye, et al. (2014).

Given, the various research carried out by different scholars on the adoption of IFRS have shown that the global adoption and implementation of the single accounting language has been a huge success. According to ICAEW, (2007) study of 200 European companies, 198 of the companies provide full disclosure in compliance to IFRS and the remaining two companies indicate partial disclosure compliance of IFRS. The findings of ICAEW shows that the IFRS influence, varies significantly among nations. It wholly depends on the level of similarity between the countries local GAAP and IFRS. The ICAEW report states that, stakeholders foresee comparability advantage in terms of measurement, rather than disclosure (Jermakowicz and Gornik-Tomaszewski, 2006; Callao, et al. 2007; Ionascu, et al. 2007). Nevertheless, the benefit of adoption cost must be matched in terms of cost increased and complexity. Researchers such as Jermakowicz, 2004; Jermakowicz and Gornik-Tomaszewski, 2006; Beckman, et al. 2007; Hung and Subramanyam, 2007; and Iatridis and Rouvolis, 2009, argue that the most significant impact of a firm is in relation to its position and performance. Although in contrast to this, Aisbitt, (2006) who investigated UK companies indicates that adoption of IFRS have insignificant impact on equity. However, he states that the effect could also be significant in respect to contractual commitments and financial commitments. Peng, et al. (2008) results shows a decline of earning among Chines firms. Goodwin, et al., (2008) examines Australian companies' shows that IFRS adoption results in some reduction equity and earnings with increase in leverage ratio and liabilities.

Also, Jones and Finley, (2011), in their findings following the EU and Australia adoption of IFRS indicate a decline in the variability ratio measurement.

In the study investigated by Ole-Kristan, et al. (2006) on the adoption of IFRS mainly within Europe, they examine 38 companies which adopted IFRS as at 2004. They concluded in their findings that, quality of published financial information has improved under the adoption of IFRS and that the interest of minority shareholders is protected, more also, foreign direct investment under IFRS helps to enhance a country economic growth. Essien-Akpan, (2011) asserts that with the world becoming a global community or village, adoption of IFRS is a necessity. No management can plan well, identified managerial challenges, find solution to managerial problem, nor be able to make good decisions without an appropriate and reliable accounting framework like the IFRS. According to Clifford and Demaki, (1999) expressed that information i.e. financial statement reporting is the substratum of effective management role. The study investigated by Nyor, (2012) recommends that companies trading in the Nigerian stock market should embrace the IFRS in the sense that it will improve the quality of financial reporting, better accountability and transparency, in-spite of the initial predicted challenges and awkwardness.

Under the voluntary and mandatory adoption of IFRS the relationship that exists between accounting quality is mixed. Evidence from researchers that applied recent data, demonstrates that there is relatively enhanced financial statement quality among companies that implement or adopted the IFRS (Christensen, et al. 2008; Adeleke, et al. 2015). According to Augustine, (2012) explained that adoption of IFRS will be “investor friendly, oriented” and that it will help to enhance competitiveness among firms listed in the Nigerian capital market, as a result of the single set of global and homogenous accounting standard (i.e. IFRS) which is internationally recognized. Ogiedu, (2013) who examined IFRS adoption; issues, challenges, and lesson, expressed that IFRS is perceived to be a higher accounting quality standard when compared to most countries local accounting GAAP. It is believed that IFRS will encourage comparability of published financial statements and globalized financial reporting will attract foreign investment in to the country.

According to Wilson and Loraver, (2013) they investigated the adoption of IFRS by examining the economic significances. They examined the major impediments, possible benefits and the general attitudes toward IFRS adoption. They collected sample from the population of university lectures and accounting practitioner who are more conversant with the phenomenon. Their findings show that effective adoption of the IFRS by firms would be useful to financial information users, analysts, auditors, standard setters and preparers of accounts. Akpan-Essien, (2011) also affirmed that IFRS implementation (adoption) will increase the level of accountability, transparency and reliability in financial statement reporting. This could be essential in addressing the financial sector crisis in Nigeria which has led to losses of foreign direct investment especially in the oil and gas sector.

However, literary appraisals that investigate the effect of IFRS mandatory adoption are not exhaustive whether in Africa, Europe or across the globe. For example, the study of Soderstrom and Sun, (2007) examined the voluntary adoption of IAS/IFRS and the perception of the European stock market pronouncements in relation to the adopted IAS/IFRS within the union. The outcome and analysis of their finding show significant effects, it points out that the quality of accounting function as a company institutional background, this comprises of the political and legal system of the country where the company is domicile. Nevertheless, voluntary adoption of IAS/IFRS findings can be generalized compared to mandatory IAS/IFRS adoption; in the sense that, voluntary adopters on their own, self-select which IAS/IFRS to follow or apply after taking into consideration the possible cost effects and advantages, with regard to information transparency. Although, there are mixed findings in studies examined by various researchers. Studies such as Lang, et al. (2003); Covrig, et al. (2007); Barth et al. (2008) and Chen, et al. (2010) on the effect of IFRS adoption are largely positive.

Most recently, a lot of research papers are beginning to devote more attention to contractual advantage of the adoption of IASs/IFRS financial information to internal users. As pointed out by Gjesdal, (1981); Watts and Zimmerman, (1986); Ball, (2001) and O'Connell, (2007) the contractual enlightenment or the perception of stewardship is necessary for accounting information, when managers efforts are appropriately reflected in accounting performance. In this case, the accounting performance can then be used in executive's compensation agreements, this can help to alleviate or address the agency problems that exist between shareholders and managers (Holmstrom, 1979; Lambert and Larcker, 1987; Bushman and Smith, 2001). Ozkan, et al. (2012) also examined how IFRS mandatory adoption in the

European Union affects accounting information usage, in relation to executive director's compensation. The outcome of their findings indicates that, after the mandatory adoption of IFRS, there are enhancement to accounting based performance among firms in the EU.
In the study investigated by He, et al. (2012) on China's mandatory adoption of IFRS, their result shows that there is significant association between fair value accounting and earning management since the China mandatory adoption.

According to Daska, et al. (2008) they scrutinize the economic significance of mandatory adoption of IFRS publication across the globe. They examined the adoption impact on cost of capital, market liquidity and Tobin's Q across twenty six (26) nations, by collecting immense samples of companies which are mandated to use IFRS. Their findings indicate an increase in market liquidity on the average during the period of compulsion of the IFRS. Chen, et al. (2010) also expressed that a large number of accounting quality measures or indicators has improved tremendously after the mandatory adoption of IFRS. The study of Hellman, (2011) investigated Swedish adoption of the IFRS and found that it was mainly to ensure acceptable development of accounting practice especially in the multinational companies. They stated that the quality of accounting reporting is higher and that the adoption of IFRS is relatively linked with capital market economic advantages, increase in market liquidity, lower capital cost, and increase in stock market value.

Defund, (2011) recounted that IFRS advocates argue that delegating a set of uniform or harmonized accounting standards will help to improve the quality of published financial statements comparability, which encourage cross boarder investment across the globe. They investigated foreign mutual fund speculation subsequent to the European Union mandatory adoption of the IFRS in 2005. They established in their findings that there is an increase in mutual fund ownership dealings, which point to the fact that the mandating adoption of the IFRS leads to increased comparability and improved foreign trade among firms with strong implementation guidelines. According to Zeghal, et al. (2006) stated that resolution to adopt IFRS is much easier for emerging economies that have stronger economic growth. Moreover, it is largely advocated that emerging economies markets substantively differ from that of the developed economy market in various dimension such as institutional framework, organisation, society and the market aspect of their economy. Although, in 2014 Nigeria became the biggest economy in Africa, its capital market still exhibits immature and weak legal enforcement. The little empirical evidence on the bold or mandatory adoption of IFRS in 2012; shows significant positive result, which has helped to boost investors and financial user's confidence (Rahaman, et al. 2004).

The harmonization of IFRS which has been adopted by over 120 countries across the world will enhance cross countries investment especially multinational firms that has the potential of been listed in more than one stock or capital market (Ogiedu, 2013). These firms are expected to comply with the accounting information reporting of the relevant country which they are listed, the key objective is help in the facilitation of financial transaction information, easy comparability and lower cost of capital (Dumontier and Raffournier, 1998, Leuz and Verrecchia, 2000). Hail, et al. (2010) posits that firms that voluntarily adopt IFRS have largely witnessed positive-impact in the capital market. They further advise that firms will not adopt IFRS except if there are benefits they stand to reap.

Furthermore, empirical investigation by Hail, et al. (2010) also expressed that the IFRS mandatory adoption in the European Union indicates an increase in market liquidity, reduction in the cost of capital and increase in capital combination, however, the magnitude of the effects may differ from one county to another. He, et al. (2011) they expressed that there might be unintentional consequences with the IFRS mandatory adoption. Their study postulates that the shift toward fair value relevant accounting will bring transparency but it will only be beneficial if the assessment of fair value can be quantified or measured efficiently. For instance, the case of China is quite different, in the sense that a lot of information on fair value assets may not be accessible.

Nevertheless, the recent adoption of this new set of standards by different countries across the globe of which Nigeria is among, provides a good ground to study the quality of accounting numbers after the adoption of IFRS. I am of the view that IFRS being a more principle base standard will improve the quality of financial reporting as well as curb manager's manipulative practices in less-developed county like Nigeria. Thus, this study will focus on the differences and effect of accounting quality before and after the IFRS adoption of firms listed in the Nigerian stock exchange. The study will analyse the effect of change from N-GAAP to IFRS (i.e. Pre and Post IFRS) by using two measures or determinants of quality of accounting which are: Value Relevance and Earning Management. This helps to provide answers to our first two research questions, if the mandatory adoption of IFRS in Nigeria leads to increase value relevance if compared to the N-GAAP and if the adoption of IFRS leads to incremental value relevance over the past years? Again, the second determinant we are using to determine our third research question is earning management. This is to ascertain if the mandatory adoption of IFRS in Nigeria actually create opportunity to assess if the convergence from domestic N-GAAP to IFRS has increase earning manipulation or prevent earning management.

2.20 Adoption of IFRS and Value-Relevance

The term “Value- Relevance” was first used by Harris and Venuti, (1993) in their study in the perspective of information in relation to accounting numbers. Beisland, (2009) describes value relevance to be the correlation that exists between accounting figures and share-price market values. More-also, Beaver (1998); Ohlson, (1999) and Barth (2000) in their various studies, provided meaning that are closely linked to that of Beisland, (2009). The key explanation by these various researchers is that accounting figures or information are considered value relevant if they have substantial correlation with the share-price economic values. A lot of studies on value-relevance applied market based equity value as the evaluation benchmark, in order to ascertain how significant accounting figures disclosed was assess and used by potential investor to make decisions (see Jermakowicz, et al. 2007; Hu, 2002; Iatridis, 2010; Beisland and Knivsfla, 2015).

When determining accounting quality, “Value Relevance” is one of the accounting measures used. Due to the adoption of IFRS a number of research studies have been carried out in different countries; for instance, Harris and Muller, (1999) United State; Niskanen, et al. (2000) Finland; Bartov, et al. (2005) Germany and United State; Lin and Chen, (2005) China; Schoebel, (2006) Germany; Horton and Serafein, (2006) United Kingdom; karampinis and Havas, (2009) and Tsalavoutas, et al. (2012) Greece; Callao, et al. (2007) Spain; Paananen, et al. (2008) Sweden; Miah, (2012) Bangladesh; Vijitha and nimalathasan, (2013) Sir Lanka, and Andriantoimo and Yudiati, (2013).

However, the outcomes of the various research studies are mixed. Some investigation indicates a positive impact to value relevance on conversion to IFRS, for instance, Lin and Chen, (2005); Bartov, et al. (2005); Horton and Serafein, 2006; Karampinis and Havas, (2009); Vijitha and Nimalathasan, (2013) and Andriantoimo and Yundianti, (2013). Whilst studies such as Schoebel, (2006); Paananen, et al. (2008) and Miah, (2012) show a negative impact on value relevance with conversion to IFRS. Also, a handful of others such as Niskanen, et al. (2000); Callao, et al, (2007) and Tsalavoutas, et al. (2012) express inconclusive evidence.

The study by Latridis, (2010) examined the adoption of IFRS in the United Kingdom and the UK convergence from the local GAAP to IFRS to find out if the switch or adoption leads to increased quality accounting figures. He observed firms financial statement reporting under the local UK-GAAP and that under IFRS, the outcome indicates that adoption of IFRS decrease manipulation earnings management as it relate to extra timely recognition, thereby leads to increased value-relevance accounting procedures.

Karampinis and Havas, (2009) investigated the effect of IFRS mandatory adoption, in relation to value-relevance of earnings and book-values by applying the date of companies from the Greek Stock Exchange covering a two year period pre to the adoption of IFRS and two year post to the mandatory IFRS adoption. Their results show that the IFRS have positive effect on value-relevance on net income of consolidated companies and their book values assets.

IFRS comparative value relevance between the United States and German local GAAP (German accounting standards) were examined by Bartov, et al. (2005). They took samples of firms that are quoted in the German stock market between the periods of 1998 to 2000. Their findings indicate that value relevance under IAS and the United States earning based is much higher when compared to the German local GAAP, which suggest a higher quality of accounting under the IAS/IFRS both of that of the United State accounting. Previous research undertaken on emerging economy markets, such as the Chinese stock market demonstrates that under IFRS accounting information figures published or reported are highly value relevant (Chen, et al. 2001 & Liu and Liu, 2007). Chen, et al. (2001) indicated that in-spite of the age or developing nature of the Chinese market and the general perception of insufficient accounting practice and financial reporting, the China accounting information is still value-relevant. El-Gazzar and El-Sadek, (2001) used data from the Egyptian stock market, expressed that even though the emerging market is thin, accounting information produced is value relevant still.

Andriantoimo and Yudianti, (2013) also examined companies listed in the Indonesia stock exchange by collecting 73 samples of the companies from the period between 2000-2009. They investigated the impact of value relevance on earning and book-value in relation to share-price and their findings assert that book value and earning are both relevant in explanation of companies' stock prices and that both measures are relevant data used in an explanation of stock price variation. Alali and Foote, (2009) examined value relevance of IFRS in an emerging market and firm's data trading in the Abu Dhabi stock market was collected from 2000-2006. Their result indicates a relationship between the level of earning and change in earning on the returns of companies trading on the Abu Dhabi stock exchange. Their overall outcome shows that accounting information produced under International Financial Reporting Standard (IFRS) are value relevant and that the association changes overtime as the market becomes more developed, especially during the bullish and bearish movement

Furthermore, several studies such as the like of Callao, et al. (2007); Paglietti, (2009); Kousenidis, et al. (2010); Brochet et al. (2011), Kamran and Manzurul, (2012); Sibel, (2013); Steve, et al. (2013) and Cormier, (2014), on adoption of IFRS perspective has been carried out within the European Union which is a more industrialized and developed economy with smaller focus on developing or emerging economies. The reason could be that whilst many of the developed or industrialized communities have long converged to adoption of IFRS only few of the emerging countries have actually managed to adopt IFRS while a group of others are contemplating whether to adopt or not. Moreover, not enough studies carried out on the adoption of IFRS have been able to show overwhelming evidence as to whether the financial statement reporting actually increased the quality of published financial information when compared to individual countries local GAAP.

However, prior investigation on the relationship between adoption of IFRS and its ability to increase value relevance, in terms of firms' quality of financial statement has provided inconsistent findings. Barth, et al. (2001), expressed in their study that companies with better accounting quality have a stronger correlation between book-value, earning and stock price, due to the fact that increased earning-quality, highly reflects a company economic position. Also, in the study, Barth, et al. (2008) postulate that accounting-earnings that show a higher value-relevance are an indication of accounting standards such as the IFRS help to check or reduced manager's opportunistic conducts, this was also explained in the study of Ewert and Wagenhofer, (2005).

2.20.1 Negative Impact to Value Relevance

Nevertheless, it was also pointed out in the research work of Soderstrom and Sun, (2007) and Barth, et al. (2008) that IFRS could also leads to low and less value relevance, if accounting information fails to be disclosed or report a company's true economic performance and financial position.

According to Richter, (2004) as cited by Zeghal and Mhedhbi, (2006) assert that financial accounting information originating from developing economies cannot be fully trusted, despite the fact that there is urgent need for these emerging economies to attract foreign capital as well as foreign investments. In Sweden, Paananen, (2008) investigated the quality of financial publication after the mandatory adoption of IFRS by European Union, the outcome of the findings suggest that accounting quality decreased after the implementation of IFRS. Niskanen, Kinnunen, and Kasanen (2000) studied the value relevance of earnings under the Finnish local GAAP and after the adoption of IFRS, their result indicates that value relevance does not improve with the adoption of IFRS. In the work of Khanagha (2011) and Khanagha et al (2011) expressed that the implementation and application of IFRS in Iran and United Arab Emirate reduces the quality of accounting information reported respectively.

Furthermore, empirical investigations by the likes of Bartov, et al. (2005); Paananen and Lin, (2009); Karampinis and Hevas, (2011) report a reduction in the value relevance of earnings and book-value of equity during the implementation period of IFRS, which is also consistent with that of Ahmed and Goodwin, (2006). The study conducted by Turel, (2009) on implementation of IFRS in Turkey reveals an increase in value relevance of earnings while there is no improvement on value relevance of book-value of equity in the post IFRS. The application of IFRS in Spain does not improve the value relevance of published financial reporting of local stock market participants according to (Callao, et al. 2007), related findings was also reported by Clarkson, et al. (2011) and Tsalavoutas, et al. (2009). Again, the empirical examination by Gordon et al. (2010) discovered that value relevance of earnings has not shown any significant increase with application of IFRS, which is consistent with the studies of Niskanen, et al. (2000) and Morais, and Curto, (2008). The outcome of their investigation indicates that adoption of IFRS does not improved relevance of earnings when compared to earnings under local GAAP. Also, the studies carried out by Schiebel, (2006); Hung and Subramanyam, (2007) found that the value relevance of accounting information improved under the German local GAAP than the adopted IFRS.

2.21 Overview of Earning Management:

Accounting statements disclosures is a measure through which important economic information is conveyed to financial information users and can be classified into two; internal and external accounting, and the users of such information could be lenders, creditors, regulators etc. The internal accounting is used by corporations when assessing or evaluating a project for decision making. Whilst external accounting help external users such as lenders, creditors, regulators, investors and various stakeholders to make decisions on the corporation (Watts and Zimmerman, 1986 and Spohr, 2005). Preparation and disclosure of published financial statements lies within the jurisdiction of companies' managers who are insiders, therefore, presenting a true and fair financial statement which shows a firm financial position and performance that will be useful to users of financial information is very important.

However, earning management is one significant element widely used in measuring quality of published financial information (Lo, 2008). Corporation managers always try to use earning management in relation to financial statement reporting to manipulate losses or overstate financial figures resulting from the firm's financial transactions in view to cover up the firm's short fall that could damage its reputation which might lead to a negative share price of the firm. Managers could also be involved in earning smoothing or manipulation in order to meet expectations of investors, analysts and their own benefit (Chen and Tsai, 2010). Earning management happens when firm's managers use their own discretion to manipulate financial statement figures to suit their subjective interest so as to mislead users of information, such as stakeholders and investors, in relation to the firm true and fair financial performance and position (Scott, 2015 and Spohr, 2005). According to Ball, et al. (2003) explained that adoption of a high-quality accounting standard could be a good way to having a quality financial information, they also noted, that might not be a warranty for having a quality financial information. Anja, (2008) asserts that developing and changing to new standards is generally aimed at enhancing homogeneity, precision, transparency and comparability among entities and countries across the globe. Thus, the emergency of IFRS and global convergence and adoption of IFRS is a welcome development, which is more principle-based and is more likely to improve the quality of financial information publication (Houqe, et al. 2012).

The word earning management has been analysed and defined by prior studies on earning management, however, there is no absolute clear definition. Schipper, (1989) was one of the first to defined earning management as the "Purposeful intervention in the external financial reporting process, with the intent of obtaining some private gain". Leuz, et al. (2003) describes earning-management to be a modification or alteration of a firm's financial information figures when reporting company's economic financial performance by managers who are insiders, with the motive of misleading or deceiving stakeholders or users of financial information. Nevertheless, the more comprehensive definition was the one by Healy and wahlen, (1999) which states that, "Earnings management occurs when managers use judgment in financial reporting and in structuring transactions to alter financial reports to either mislead some stakeholders about the underlying economic performance of the company or to influence contractual outcome that depend on reported accounting numbers".

Nevertheless, earning management could be classified into two groups; Accrual Based Earnings Management and Real Earning Management. Accrual Based Earning Management under the Jones Model reveals the accounting policies undertaken by corporation management, which involves a situation where accrual is fragmented into discretionary accrual and non-discretionary accrual (Yoon and Miller, 2002). Managers use discretionary accrual as an instrument to smooth income over recognition of revenue such as credit sales (Jorion, et al. 2009). According to Jones, (1991) discretionary accrual-based measures are usually applied by corporation managers as a tool to manipulate or smooth earnings. Also, Jones in his study uses discretionary accrual measures by splitting total accrual into discretionary and non-discretionary as a source of earning management. Non-discretionary accruals are used to divulge business operations or conditions. It captures a firm's performance and sales progression, which cannot be influenced or controlled by managers. According to the study investigated by Hodge (2003) earnings that are highly managed do not honestly represents the true and fair economic value of earning, thus misleading stakeholders and therefore reducing value relevance of published financial information. Ball, et al. (2000)

and Hunton, et al. (2006) expressed through their studies that increased transparency in reporting will help to condense earning management manipulation.

2.22 Managerial Opportunistic Behaviours:

The recent financial scandal which started in America in 2007/2008 has changed the viewpoint of earning management practices towards manager's opportunistic behaviours, especially the episode of Enron and WorldCom. In research investigated by the following scholars; Subramanyam, (1996); Holthausen, (1990); Watts and Zimmerman, (1986); Healy and palepu, (1993); Demski, (1998); Guay, et al. (1996); Jiraporn, et al. (2008); Arya, et al. (2003); Hao, (2010) and Sun, salama, Hussainey and Habbash, (2010) have discussed that managers mostly managed earning for their own personal advantage rather than that of their stakeholders. Also, the study of Chen, (2012) posited that there have been various occurrences of deception among corporate financial statement reporting which involves exaggerated revenue, assets misappropriation and transaction irregularities around the globe. This unscrupulous behaviour made investors and the public at large, lose confidence and faith in corporation financial information disclosure which is having adverse effect on a lot of entities globally (Elisa, et al. 2006; Anja, 2008).

Barth, et al. 2005; Tendeloo & Vanstraelen, 2005; Lang, et al. 2005; Tarca, 2004; Hung & Subramanyam, 2007; expressed in their various studies that IFRS which is a principle-based standard is more of information oriented and it is more likely to improve or enhance the quality of financial information disclosure; thus, reinforcing investors information need and also increasing the stock market structure worldwide.

Rahman and Abdullah, (2005) expressed that corporation managers most times provide inflated earning reports in order to mislead investors expectation, in relation to firm true financial performance with prior motive of increasing the company market price. There are a lot of factors that can serve as motivating factors for managers to engage in earning management. Duncan, (2001) posits that managers might engage in earning manipulation when there is a decline in company income and as result they refuses to report it. Also, when a company enjoys increase in profitability they may want to hold back such information for some obvious reason best known to them. As suggested by Ratsula, (2010) various techniques can be applied to manage earnings, he has outlined four possible techniques. The number one technique is like taking a “Bath”. What this means, is that management applied this technique to report amplified losses in other to boost profitability in view of future profit disclosure, particularly when a corporation is undergoing pressure.

The second has to do with “Income Minimisation” corporations that make high profit tend to practice this type of technique more. When corporations try to avoid income tax attention and political strain, in these circumstances management increase their expenditure in other to reduce reported income of the firm. Thirdly, is “Income Minimisation”. These are techniques used by corporation managers for their own selfish individual interest rather than the interest of the shareholder or stakeholders. The fourth technique is “Income Smoothing”. Managers employ this form of technique in order to decrease unpredictability of income reported, management will deliberately refuse to disclose the true and fair position of the company, thus, applying this kind of technique to smooth earnings of the company, thereby misleading investors and other stakeholders.

According to Arum, (2013) the adoption and implementation of IFRS among countries has the effect of decreasing earning management scope thereby increasing value relevance of the quality of accounting information. They investigate the impact adoption of IFRS has on quality of financial information statements in Indonesia, applying earning management, timely-loss recognition as well as value-relevance financial information as proxies. The global convergence from countries local GAAP popularly known as the US-GAAP to IFRS which is more principle based is seen as measure by IASB to tighten the global accounting practices and to also reduce the accounting figures smoothing or manipulation by entities worldwide.

Similarly, over ambitions companies or preparers of financial statements, in order to make figures more appealing or opposite use what is called creative accounting practices to manipulate or smooth reported financial statement numbers. Creative accounting practice is a situation where accountants or preparer of financial statement may or may not follow the letter of a country’s set accounting standard practice but rather deviate or capitalises on the loopholes while remaining within the jurisdiction of accounting rules and regulations (Bhasin, 2016). Creative accounting is deemed as an art which firms used to manipulate financial statements while they still remain within the accounting rules and laws to reflect what management want to show the various stakeholders by hiding the true picture or position of the firm's performance (Bhasin, 2015).

However, manager's manipulative behaviours are often known as creative accounting or earning management. According to K. Naser, "Creative accounting is the transformation of financial accounting figures from what they actually are to what preparer desires by taking advantage of the existing rules and/or ignoring some or all of them". Financial statements are the medium through which both internal and external stakeholders have access to a firm's financial position and true operational performance. Therefore, the reliability, accuracy, comparability is very fundamental for investors in making appropriate investment decisions. Capital market participants mostly use published financial statement to establish the market price for firm's securities listed. The efficiency of any country capital market depends greatly on information reported, therefore if the information is "Biased" or "Cooked" as the case may be, the market cannot determine exact prices of share and true picture of the firms (Sanusi and Izedonmi, 2014). In fact, this manipulative practice of firms' financial numbers aims toward a predetermined target possibly motivated to achieving more stable earnings in view of misleading users of financial report (Micah and Chinwe, 2014, Bhasin, 2016). Therefore, the mandatory adoption of International Financial Reporting Standard (IFRS) which is more principle-based is considered to be a rigorous standard than countries local GAAP, in relation to the preparation of financial report (Susmus and Demirhan, 2013).

So far, different terminologies have been used to describe the practice of changing or manipulating the actual accounting figures, for example, window dressing accounting, cooking the books, aggressive accounting, income smoothing, big bath accounting, earning management, massaging the figures, cosmetic accounting, financial engineering etc.(Diana and Beatrice, 2010).All are financial reporting gimmicks used by preparers of accounts to modestly manipulate firms' published financial reports to encourage or mislead investors in to buying company shares, in order to increase the company market value (Mulford and Comiskey, 2002). Thus, in the race of companies trying hard to make money and survive through such deceitful accounting practices, occasionally ethics and morals are not accorded due reputation. Yet, we cannot deny the fundamental role of ethics and moral by not following ethics, the success can prove to be of short-term or temporary benefit (Stolowy and Breton, 2004).

Most times entities and managers of firms mislead investors through deliberate falsification of published financial records. This type of accounting tempering practices should not have a place in accounting (Vladu and Cuzdriorean, 2013, Amat and Gowthorpe, 2004). The reason for ethics in financial reporting with anticipation of accounting standard such as IAS's is to re-determine entities on the need to retain ethical practice that will help boost confidence of financial accounting users (Okafor, 2006). The table below shows and explain some of the common labels used:

Table 2-4 Common Labels

LABEL	DEFINITION OF TERMINOLOGIES
Earnings Management	Earnings management is expressed as the active manipulation of earnings towards a predetermined target or objective, which may be set by firm management, a forecast made by financial analysts or a number that is consistent with a smoother, that is, a more sustainable earning stream.
Aggressive Accounting	This is a forceful and intentional selected and application of accounting principles deliberately chosen in an effort to achieve self-desired results, typically greater earnings, whether the practice are in line with IAS's or local GAAP or not.
Income Smoothing	Income smoothing is a form of earning management design to take away peaks and valley from an entity normal earnings sequences, it involves steps taken by firms to reduced and "store profits" during booming years for use during less booming years.
Creative Accounting	Is an accounting practice that may or may not follow standard? Any and all steps applied to play the financial figures game, which involved using aggressive selection and application of accounting standards through fraudulent financial reporting towards income smoothing or earning

	management.
Fraudulent Financial Reporting	This is an intentional misstatement or deliberate omission numbers when disclosing or reporting financial statement done to mislead users of financial statements, which are determined to be fraudulent by an administrative, civil or criminal proceedings

Sources: The Financial Number Game by Charles W. Mulford & Eugene E. Comiskey, (2002).

2.23 The Mandatory Adoption of International Financial Reporting Standard

The mandatory adoption of IFRS by countries around the globe can be perceived as a way of tightening accounting standards in order to reduce or minimise manipulative as well as creative accounting practices. It is contended that reliability and quality of published financial statements are enhanced when manager's opportunistic manipulative behaviours' is monitored or tamed by a regulative accounting body such as IASB (Sun, Salama, Hussainey and Habbash, 2010), hence, the changes in accounting standards are anticipated to influence the accounting reporting habits and outcomes (Onalo, Lizam, and Kaseri, 2014). Anja, (2008) posit that changes in accounting standards or introducing new accounting measures are generally targeted at improving comparability, accuracy, transparency and uniformity of financial accounting figures among entities and the economy.

Nevertheless, the global convergence or adoption of IFRS is considered to be likely a significant determining factor of high quality of accounting information (Houqe, Zijl, Dunstan and Karim, 2012 and Arum, 2013). The diagram beneath describes the prediction that the adoption of IFRS which is believed to be a high quality standard improving quality of published financial statements information by helping to decrease the magnitude and scope of earning management or smoothing.

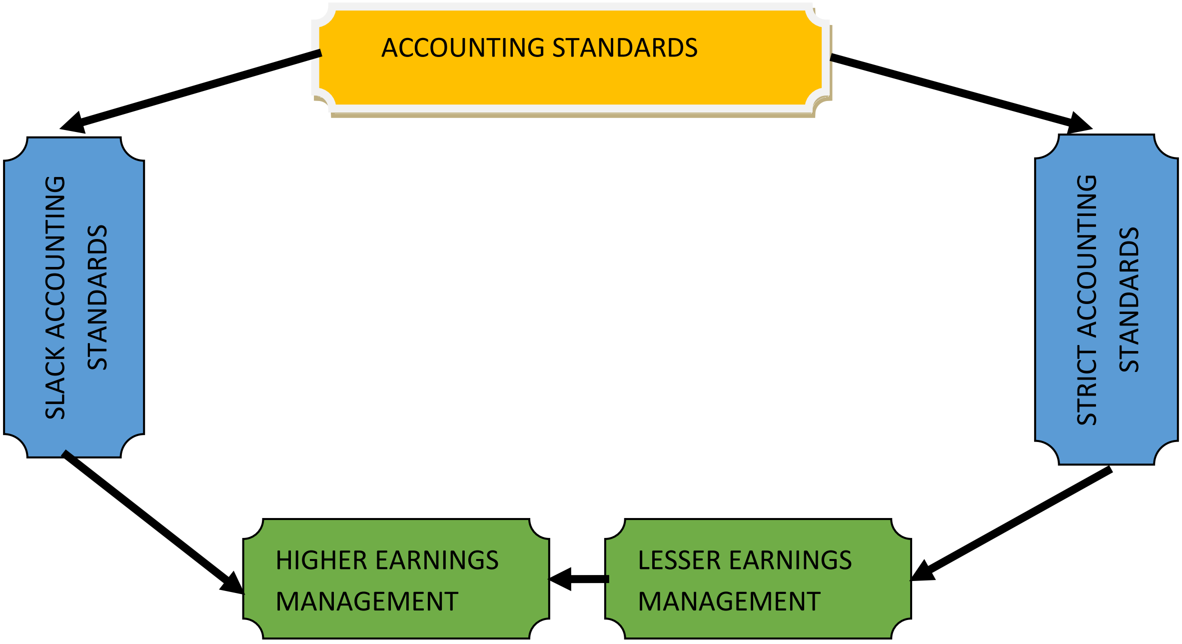


Figure 2-3Prediction that the adoption of a high quality standard such as IFRS will improve quality of financial reporting

2.24 Theoretical Framework

The theoretical framework underpinning this research hinges on or calls upon Agency Theory and its sub-set of theories i.e. Market Efficiency Theory; Signalling or Opportunism Theory; Theory of Capital Need; Stakeholders Theory etc.

2.24.1 Agency Theory

When a company is first established the owners are generally the manager, but as the company expands the owners find the need to appoint managers to run the affairs of the business, this is the idea which agency theory is based. Agency theory has to do with the association stuck between “agents” and “principals” i.e. companies managers and shareholders (ICAN, 2014; Morris, 1987). The company’s owners expect the managers (agents) to run the activities of the company in the paramount interest of the owners. Thus, an agency relationship does exist between the business owners and the company’s managers who communicate to users of financial accounting reports. Likewise, agency conflict comes into play when managers engaged in opportunistic behaviour through earnings manipulation or smoothing in order to satisfied themselves (Sun, Salma and Hussainey, 2010). The work of Jensen and Meckling, (1976, p.308) provided a clear view of the agency relationships by describing as:

> "a contract under which one or more persons (principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent".

In this context the first person could be regarded as investor whilst the other as the company. Therefore, the company's managers are working on behalf of the owners (principals) whilst the managers act as agents to the company (Shapiro, 2005). However, both the principal and the agent are presumed to act in order to maximise their utility roles. Given this scenario, the decision to adopt IFRS which has become a global phenomenon could be a mechanism to address the conflicts of interest between principal (shareholders) and managers (agents).

Moreover, it would be in the interest of shareholders to embrace the mandatory adoption of IFRS which is a more principle-based standard which stand to limit manager's discretionary accounting practices by reducing their opportunistic behaviour (Cuijpers and Buijnik, 2005). One major interest of shareholders is to create and attain a desired result that is favourable to them. As a result of this, the preparation of accounts in accordance to IFRS could increase equity value and enhance the quality of reported income by firms. For instance, the investigation by Jermalowicz, (2004) stated that the implementation of IFRS in Belgium shows a momentous change in net-income and shareholders-equity. Also, in the study of Jermakowicz and Tomaszewski, (2006) on the impact of IFRS adoption among 112 EU firms. The outcome of their findings shows that the application of IFRS by these firms indicates a positive impact. The adoption of IFRS will not only benefit shareholders it is also beneficial for managers as well, in the sense that managers do have some autonomy when making accounting choices as they search for utility maximization. Thus, to avoid manager's opportunistic behaviour that is contrary to shareholders interest, a percentage of their reparation should be tied to the company's financial performance. Hence, managers tend to be more likely to support the adoption of IFRS since these high quality standards will have positive impact on the book-value of the firm.

Nevertheless, an agency association occurs when one party called "the principal" decides to seek the services of another known as "the agent" to perform a task on his behalf (Berle and Means, 1932; Jensen and Meckling, 1976). Lambert, (2001) explained that agency theory is a relationship that involves two parties, the first been the principal and the second is the agent. The principal (i.e. shareholders) are expected to provide the capital or funds, at the same time accept they have to bear any risks involved whilst the second being the agent (i.e. managers) is required to carry out or perform the tasks on behalf of the principal and also bear some risks as well. Both parties always seek to maximize their personal interest but do not have the same interest with the principal. When it comes to making decisions, the agents are quite autonomous.

The agency theory intends to resolve the agency problem and the risk bearing problem. The major problem according to the agency theory is that, the managers (i.e. agent) may not be performing in the best interest of the shareholders (i.e. the principal) due to the fact that the goals of the principal are always at variance with that of the agent which makes very costly or difficult for the principal to monitor and evaluate the actions of the agent fully. However, the risk bearing problem arises because the principal and the agent have entirely different risk attitudes, they both act differently when confronted with the similar risk. These agency problems may also lead to information asymmetry which result in agency problems such as adverse selection and moral hazard. These information asymmetries generate “agency cost “that can be disaggregated across agency cost of equity and debt (Marris, 1987; McWilliams and Siegel, 2001; Miller, 2002).

Furthermore, agency problems may also have two effects on a company’s share price: firstly, it can influence expected cash flows which accrues to investors and secondly the cost of capital. This could result in low stock price multiple as investors anticipate that cash-flows could be diverted by the agent. According to the theoretical models by Shleifer and Wolfenzon, (2002) and La Porta, et al. (2002) shareholders invest more of their funds because they acknowledge that, with improved legal protection in place, more of the company’s profit would come back to them as dividends or interest as opposed to being misappropriated by the agents who managed the company on their behalf. Theoretically the kind of association that exists between the principals and the agents is a very difficult one, hence the application of IASs such as the adoption of IFRS will plays a significant role in improving firm’s performance and monitoring of management behaviour.

Given the above, it could be argued that mandatory adoption of IFRS in Nigeria, which requires increased mandatory financial statement publications reduces agency costs, arising from information asymmetries and at the same time strengthens management reputation and increases external sources of funding for firms. Consequently, management have the enticements to deliver a high compliance level with IFRS mandatory adoption. This study attempts to examine the impact IFRS mandatory adoption will have on company’s stock price through critical examination of its value relevance and also study the factors that will make managers (i.e. agent) act opportunistically by using earnings management as an instrument. A better understanding of these factors, the agency problem will be ameliorated. In essence, the adoption of IFRS in Nigeria is expected to mitigate and reduce the conflict of interest and reduce agency problems between managers and shareholders. As a result, shareholders would rely more on the financial reports as presented by managers. By implication, share prices would be more sensitive to accounting data in the post IFRS adoption than in the pre IFRS adoption period. Thus, we expect accounting figures to be more statistically significant in the post IFRS adoption periods in Nigeria. It is within this framework that the conceptual framework of this research is developed.

2.24.2 Efficient Market Theory

It is expected that in an efficient market when information is made publicly available, it is quickly reflected into the value of stocks prices. When a financial assets price is able to reflect or replicate all the relevant information made available about an assets intrinsic value, the market can be termed an efficient market. This is because informational efficiency of share prices assists financial statements users such as investors to determine their investments options in order to beat the market or earn excess returns (Froidevaux, 2004; Olowolaj and Ogunsan, 2016). Given, the impact accounting information has on share prices, the relevance of accounting information disclosed becomes a major factor. According to the work of Chouinard and Youngman, (2008); Beisland, (2009) that accounting information serves as a major determinant in an efficient market and that value relevant is the ability of published financial statement information is able to capture and summarise a company's value or performance. Prior research has long used prices of stock to reveal the usefulness of financial data to market participants (Ball and Brown; 1968 and Beaver, 1968).

Market efficiency is concerned with the way published information is processed and absorbed by the market participants, as well as how current prices reflect all the publicly available information about stock dealings (Osaze, 2007). Thus, financial statements information plays a vital role in market efficiency level. Fama, (1970) describes three forms of market efficiency, the strong, semi-strong and weak form. Firstly, the strong form affirms that share prices reflect all information made available for a firm whether the information is available to a certain group of individuals that has monopolistic access to it. In this case, we do not expect share price to be more sensitive to firm data after IFRS adoption and hence, no change in R-square should be noticed. The semi-strong asserts that, share prices reflects all publicly disclosed information about a firm. It includes the information provided in the firm's annual reports. Implicitly, if the Nigerian market is semi strong, it means all publicly available information is incorporated into the share price of firm before and after IFRS adoption. As such, we expect the R-square of the pre and post to remain constant and do not expect further sensitivity of the share price to company data after adoption of IFRS. Whilst, the weak form indicates that, the stock price at a given point in time is a reflection of the sequence of its historic price. Efficient market arises when new information is swiftly integrated into share price so that price becomes informative (Dasgupta, et al. 2010). In other words, current market share prices reflect or replicate all available information. Since IFRS adoption encourages full disclosure of information by managers of firms, we expect share prices to be sensitive to accounting information after the adoption than in the pre-adoption years. Multi-national companies are more likely to be listed in more than one capital markets and are forced to fully comply with required financial accounting standards of those counties. However, the quality of financial accounting information reported serves as a key ingredient in market efficiency and development of capital market (Bruggemann, et al. 2013). The fundamental question being asked, has the mandatory adoption of IFRS and application across many countries improved information availability to market participants, in a way that is useful? We expect that IFRS being a more principle based standard, given the nature of information requirement by firms to the market participants may significantly defer from that provided by countries national GAAP due to requirements differences between IFRS and national GAAP.

Keane, (1993) expressed that the fundamentals for a market to be informational efficient, there must be relative strong regulated accounting standards and quality audit practice in place. He also argued that there should be a clear and distinctive information need of the market users; a swift and extensive diffusion of the information provided by firms. These should be supported by well-organized institutional infrastructures such as effective investor's protection, well-informed investors and analysts as well as rigorous monitoring of insider transactions (Keane, 1993).

Landsman, et al. (2011) investigated the impact of the application of IFRS on share-price and transaction which includes abnormal volatility returns and volume of trading. The outcome of their finding shows that the information content of earnings pronouncements does improve with the application of IFRS by reducing reporting lapses, increased foreign direct investment and increasing analyst following. They also discovered that IFRS impact depends wholly on a country level of enforcement mechanism.

In the study of Horton et al. (2012) they find that analysts following IFRS companies have higher accuracy in their forecasts when compared to analysts following non-IFRS companies. They further stated that IFRS have improved the information atmosphere by increasing the comparability level and the quality of information reported. Furthermore, there are studies demonstrating that current accounting data are value relevant (e.g. Dimitropoulos and Asteriou, 2009; Karathanassis and Spilioti, 2005; Hevas, 2005; Hevas and Papadaki, 2001; Hevas et al., 2000). This shows that information presently available are reflected on market stock prices, hence this market based theory provides a better grounded framework for this study to investigate. The implication of these is that accounting data in the post IFRS era would be more value relevance, become more sensitive to share price and earnings manipulative ability would be reduced since IFRS encourages and mandates the disclosure more information to the market.

2.24.3 Signalling Theory

The golden idea behind signalling theory is a situation when company management decides to send information about their performance to stakeholders or other financial statements users in order to attract their attention (Watts and Zimmerman, 1978). The theory of signalling is mainly focused on problems involving information asymmetries in the market, at the same time, how these asymmetries information can be abridged by the party that has the most information signalling to the other party (Morris, 1987). There are two significant reason why asymmetry information exists in the market as described by Spence, (1973). Firstly, the sellers of high quality goods might decide to withdraw their goods from the market due to difficulties of differentiating those high quality products from the low quality ones which means their goods are priced in accordance to the normal quality in the market. Therefore, it caused the market to slip up when evaluating the quality of the products and this could lead to error when assigning economic resources to their best use. Secondly, these are the features and efforts which the sellers undertake to communicate information to the buyers, in relation to the quality of its goods. This will give the seller the motivation to increase its resources of how to inform the buyers of the superiority of its goods (Spence, 1973; Spear and Taylor, 2011).

Akerlof, (1970) explained that the non-existence of unknowledgeable buyers leads to all products being valued at an average market price based solely on buyers perceptions about the quality of the goods, rather than the actual quality of the product itself. This represents an opportunity loss for the seller of higher quality goods in the market because the later could also be sold at a higher price as well. On the other hand, this can be minimised through communication of the higher quality of the goods.

According to the signalling theory, managers use cash-dividend pronouncement to signal changes in anticipation of their company future prospect when markets are imperfect (Lev and Penman, 1990). With regards to corporate disclosure, managers with greater information that indicates greater companies' values than those allotted by the market are more likely to increase the level of their information disclosure, with the anticipation that their share price will increased further (Lev and Penman, 1990; Berhardt, et al. 2005; Nyabundi, 2013). Therefore, in contrast to this, managers with a firm's value lower than those prescribed by the market will prefer to remain quiet. Thus, a situation where there is lack of disclosure, it will be deduced by the market as the firm being a "lemon" which means no information is professed to be a bad information (Akerlof, 1970). The after effect of this, will result in the firm stocks prices being reversed downwards. Consequently, the reversed in the prices of shares of non-disclosing firms will inspire those firms with good news even further by screening themselves out of the crowd by disclosing this information to the market. This process will carry on until all companies' positions are identified in the valuation hierarchy (Berhardt, et al. 2005). The "market for lemon" perception serves as a motivation for firms to disclose available information to the market, failure to disclose may lead to increased agency-cost (Spence, 1974; 93; Lev and Penman, 1990; 49).

Signalling concept holds that, in the circumstance where information is completely free from bias, information asymmetry lapse. It also helps to inform analysts, reduce forecasting mistakes by ensuring proficiency and accurate pricing in the market (Reynolds-Moehrle, 2005). Hence, signalling theory is deemed to be fundamentally relevant for the purpose of this research because with the mandatory adoption of IFRS in Nigeria, there is a transition from NGAAP to IFRS. In essence, IFRS being a more principle-based standards would increase the disclosure requirements for "good" Nigeria firms with the opportunity of "screening" themselves out of those firms that are perceived to be of lower quality in the market. The implication is that the share price of these firms will increase with information disclosure indicating a positive and significant effect of accounting data on stock price and a negative effect on earnings management.

2.24.4 Theory of Capital Need

Attracting external finance to increase capital is one major ambition of companies either through equity or debt. The capital need theory asserts that the factor behind a firm's motivation to increase the level of their disclosure is to attract and raised capital (Choi, 1973; Abd-Elsalam, 1999). Thus, increased level of financial information disclosure by companies may be seen by managers as key to low cost of new capital, this is because they diminish information asymmetry (Firth, 1980; Cooke, 1993). FASB, (2001) expressed that competition among firms for capital leads to increased voluntary financial disclosures. The rationale for this is that a firm cost of capital is presumed to include "a premium for investors, uncertainty in relation to adequacy and accuracy of the level of information made available about the firm". Hence, a decrease in a firm cost of capital can be accomplished when investors and users of financial information are able to understand as well as interpret a firm's economic prospects through the voluntary information disclosure (Francis, et al. 2005; Gietzmann and Ireland, 2005).

However, prior literature on voluntary financial information disclosures demonstrate that there is an association between companies' disclosures, cost of capital and risk (e.g. Welker, 1995; Botosan, 1997; Francis, et al. 1997; Sengupta, 1998; Rashid, 2000; Hail, 2002; Botosan and Plumlee, 2002; Kothari and Short, 2003; Francis, et al. 2005; Gietzmann and Ireland, 2005). Nonetheless, the association between them are negative in most cases. Spero, (1979) expressed that the type of information disclosed by entities depends on the association, it could be a positive type, or it may be that there is no any association. Disclosed information that increases uncertainty in the market will lead to higher cost of capital (Leventis, 2001). Empirical investigations suggest little evidence about economic consequences in relation to mandatory disclosures (Bushee and Leuz, 2005; Leuz and Wysocki, 2008). Presumably, capital need theory is also relevant within the context of this study. In this context, greater transparency and disclosure brought about by the adoption of IFRS would lead to lower cost of capital. Although, this study does not examine the effect of IFRS adoption on cost of capital, it is sufficient to say that lower cost of capital implies that diverse investors are confidence that accounting data presented in the financial statement represent to a fairer extent the actual activities of the firm. As such, earnings management is expected to be reduced in the post IFRS adoption period and accounting data are expected to be more reflective on the stock returns of firms. The implications are lower earnings manipulative ability and share price sensitivity to accounting data in the post IFRS adoption era in Nigeria.

2.25 Chapter Summary

The global harmonisation of IASs by the IASB has been a major phenomenon in the history of financial reporting. Both current and previous literature have acknowledged the benefit of different countries adopting IFRS to include better financial reporting qualities due to anticipated improvement as it is easier to understand, it's comparability, relevance, reliability and its usefulness for investment decision making. As highlighted in this chapter, the paramount aim of IFRS is to provide a high quality standard of financial reporting that is transparent and universally accepted. However, the adoption of IFRS which has now become a global financial reporting rules across good number of countries, the financial reporting role has changed from the earlier viewpoint of performance evaluation to providing useful financial information for investor's and various stakeholders about a firm's true value (e.g. see Owolabi, and Iyoha, 2012). On the other hand, some scholars are concerned if the much preached IFRS would actually improve the quality of financial statements as well as decreased the level of earnings manipulation (e.g. see Callao and Jarne, 2010; Barth, et al. 2008; Van Tendeloo and Vanstraelen, 2005). Furthermore, most of these scholars believed that the benefits of IFRS were over emphasized.

As highlighted, it is expected that the mandatory adoption of IFRS in Nigeria which is a new standard, would reduce the leeway in preparing financial accounts statements as well as decrease the managerial manipulative practices. To the best of my knowledge as at the time of this study no research has particularly examined the impact of IFRS on the quality of published financial reports in Nigeria non-financial sectors. This research suggests that the mandatory adoption of IFRS in Nigeria might mitigate the activities of managerial opportunist behaviours as well as improves the quality of financial reporting. In other economies and the banking sector in Nigeria, several mixed outcomes have been identified by prior researchers as to whether if adoption of IFRS improves the quality of accounting data.

This research tends to lend credence to literature by examining if IFRS improves financial reporting or not.

The next chapter will take an in-depth look on the role that political, institutional, economic and professional accounting bodies play on the accounting profession in the Nigerian environment. Taking a somewhat historical approach, the chapter explores the development of accounting in Nigeria over time and how these external factors have influenced it.

CHAPTER THREE

Political, Institutional, Economic and Professional Accounting Bodies in the Nigeria Environment

3 Introduction

After the compulsory adoption of IFRS for listed companies by the European Union in 2005 resulted in a good number of countries approximately 140 adopting IFRS officially, the government of Nigeria in 2011 signed into law; the Financial Reporting Council of Nigeria (FRC) Act, with emphasis outlining the county road-map to the mandatory adoption of IFRS with effect from 1^{st} of January 2012. The Financial Reporting Council of Nigeria (FRCN) replaced the Nigerian Accounting Standard Board which had been charged with developing and implementing accounting standards over the country.

Also, the road map for Small and Medium firms are to comply with IFRSs as of January 2014. The Nigerian government has empowered FRCN to create the enabling atmosphere for the smooth take-off of IFRS and ensure quality publication of financial information both in the public and private entities. This is to increase comparability of financial information disclosure that could enable financial users make better investments decisions that will give a more optimal allocation of resources across the country and the global economy (Jacob and Madu, 2009). Akpan-Essien, (2011) explained that IFRS Standard will guarantee accountability, transparency, and reliability when reporting financial statements and this will help in addressing any possible financial catastrophe in the economy.

3.1 International Influence on IFRS Development

The America and the UK GAAPs for accounting practices have enormous influence worldwide including Nigeria (Maduwaki, 2012). Nigeria as a nation follows the global trend by establishing and developing its own accounting standards by Nigerian Accounting Standard Board (NASB) in 1982. The USA and the UK Accounting Standards determine considerably the International Accounting Standards (IASs) now known as International Financial Reporting Standard (IFRS) in which developing nations Accounting Standards are tailored (Abata, 2015). NASB, which has been established since 1982, has issued various standards such as accounting disclosure policies, taxations, accounting for depreciation, information to be disclose under financial statement and abridge financial statement. Accounting Standards such as countries' GAAPs are meant to boost companies' practices thereby contributing to economic growth. On the other hand, businesses continue to experience weak profitability, insolvency and problems of instability, which have an adverse effect on a nation's economy (Oghuma and Iyoha, 2005). In other words, to get the situation under control is what led to the review and development of the IASs (International Accounting Standards) now IFRS.

3.2 Standardization of Accounting in Nigeria

The Nigerian Accounting Standard Board (NASB) which was formed in 1982 and was formally enacted in 2003 has now been replaced by the Financial Reporting Council of Nigeria (FRCN) which was signed into law in 2011. However, the function of the then NASB is similar to the current FRCN except with some improvements. The Financial Reporting Council of Nigeria was basically established sequel to the adoption of IFRS in Nigeria. The FRCN is responsible for the development and formulation of Accounting Standards in Nigeria. Below are the roles of the FRC:

- Developing and publishing accounting standards that follow when preparing published financial statements.
- Promoting the general acceptance of standards adoption by users of financial information and preparer of accounts.
- Ensuring compliance of prescribed acceptable accounting standards, developed and reviewed.
- Periodic review of accounting standard developed and/or adopted, such as the IFRS.
- Receiving notice of non-compliance of the standards from preparers of accounts, auditors and users of financial information.
- Receive copies of every qualified reports, it includes detail explanation of the report from auditors within sixty day from the qualification date.
- Advice ministers of the development of regulations under the Companies and Allied Matters Act 1990, section 356.
- Advice the Federal Government of Nigeria on issues relating to accounting standards and

- They also perform other duties which in the board judgment are necessary and require urgent attention to ensure efficient performance of its responsibilities.

However, the transformation of the Nigeria Accounting Standard Board (NASB) to Financial Reporting Council of Nigeria (FRCN) is a key step towards the eventual adoption of IFRS and its implantation in Nigeria on January 1, 2012.

3.3 Nigeria Capital Market Financial Reporting Requirements

One very important development in the economic history of Nigeria has been the financial sector establishment of the Nigeria stock exchange (NSE) in the early 1960s. Prior to the 1960s almost all formal Nigerian deposit and savings were made in the banking sector with no opportunities for entities to locally raise funds to finance their business operations. However, Nigerian corporations have no other alternative than turn to the London stock exchange (LSE) for fund raising. During that period the London stock exchange was where the Nigerian government invested its major capital balance through the London based dealers and brokers (Sanusi, 2009, p. 118).

On the 15th of September 1960 the Nigeria stock exchange was officially established but did not commerce operation until 15th of June 1961, upon its establishment, it was first named Lagos stock exchange incorporated as a private limited liability entity but in 1990 it became a guarantee under the provision of Lagos stock exchange act of 1960 (SEC-Nigeria, 2009). When the Lagos stock exchange commenced operation, there were only three equities, ten industrial loans and six Federal government bonds listed on the stock exchange. In 1977, the Lagos stock exchange was renamed Nigeria stock exchange (NSE) due to the recommendations of the 1977 indigenisation degree. Subsequently, other branches of the exchange were opened in other parts of the country, first in Kaduna 1978, Port-Harcourt 1980, Kano 1989, Onitsha 1990 and Yola 2002 etc. (Oshikoya, et al. 2010). Beneath is a diagram showing the development of the Nigeria stock exchange:

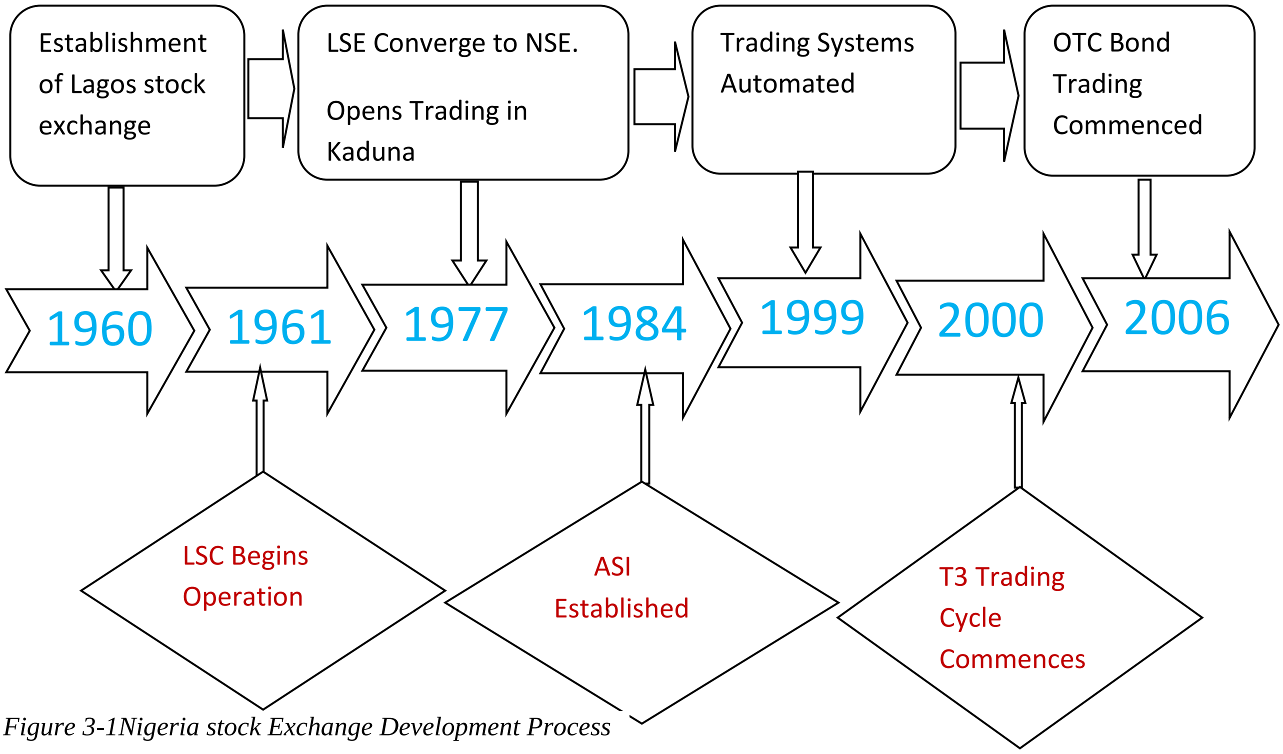


Figure 3-1Nigeria stock Exchange Development Process

Source: Author's own construct.

However, as at 2012 when Nigeria finally adopted IFRS, the Nigeria stock exchange in 1988 grew from \$96 million in market capitalisation to \$56 billion in 2012, making it one of the largest stock market in Africa. It continued to grow at a rapid stride thereby attracting international capital investors in to the exchange (Oshikoya, et al. 2010 and Osaze, 2007).

3.4 Overview of the Financial Reporting Council of Nigeria

The financial reporting council Act, 2011 (Sec. 1) established the Financial Reporting Council of Nigeria (FRCN). Section 2, of the Act established the council of board with the overall responsibility of control of the FRCN Council and gave further composition as follows. The person who shall head the council board (i.e. The Chairman) must be a qualified professional accountant with years of professional considerable experience in accounting practice, the executive secretary of the council shall be representatives from the two well-known accounting bodies in the country, Institute of Charter Accountants of Nigeria (ICAN) and Association of National Accountants of Nigeria (ANAN) one representative each and one representative from each of the following institutions (SEC-Nigeria, 2009).

1. The office of accountant general of the federation
2. Auditor general of the federation office.
3. Central bank of Nigeria
4. Federal inland revenue service
5. Institute of stockbrokers
6. Corporate affair commission
7. Chartered institute of taxation of Nigeria
8. Federal ministry of finance
9. Federal ministry of commerce
10 Nigeria accounting association
11. Nigeria deposit Insurance Corporation
12. Nigeria association of chamber of commerce
13. Nigeria institute of estate surveyors & values' industries, mines & agriculture, Nigeria stock exchange
14. National insurance commission
15. National pension commission
16. Security & exchange commission

Section 8 of the Act prescribed the functions of the council board to include the following (SEC-Nigeria, 2009):

- To develop and issue accounting, financial reporting standards to be used when preparing financial statement.
- To review and enforce strict compliance of the stipulated accounting and financial reporting standard adopted or issued by the board.
- Entities must submit copies of annual financial statement report to the council within 60days of company board approval.
- Receives non-compliance notice of approved standard from preparer of accounts, users and other stakeholders.
- Act as an adviser to the federal government on matters relating to accounting and financial reporting issues.
- Promote full compliance with any accounting standard adopted by the council, such as the mandatory adoption of IAS's.

- Keeps and maintains approved registered professional accountants and other professionals allowed to prepare and report financial statements.
- Monitor strictly compliance entrenched in the reporting requirements as specified in the adopted standard code of practice.
- Review practice conducts of professional registered.
- Promote continuous research training in the accounting discipline, education of staffs, audit training, financial reporting skills needed.
- Constant review of financial statement of public interest entities.
- Receive copies of all qualified reports from auditors of financial statements within 30days, with detailed explanation of such qualification of the report and the report shall not be disclose until all outstanding accounting issue relating to the report is addressed by the council; and
- The council have to put in place a system or scheme that will possibly engage all relevant agencies or organisation in activities that will enhance quality standards, be it local or international in the discharge of its functions.

3.5 Professional Accounting Practice Development in Nigeria and its Audit Market

The professional accounting practice came into prominence in the 60's after Nigeria's independence. Prior to 1960, Nigerian Accountants were predominantly trained by the United Kingdom professional accounting bodies' (Maduwaki, 2012). After independence, there was a need to have a domestic body that will be charged with the responsibility of training Professional Accountants for the economy. Thus, Accounting Bodies in the UK who were in charge of training before collaborated with Nigerian's Accountants to form a professional accounting body now responsible for training accountants in Nigeria by fostering professional accountant development in the nation (Maduwaki, 2012). Currently, Nigeria has a number of professional bodies that carried out the duty of training accountants in the country (Chubike, 2008).

There are two well-known professional accounting bodies in Nigeria. These are The Institute of Chartered Accountants of Nigeria (ICAN) and Association of National Accountants of Nigeria (ANAN). These professionals' bodies are autonomous and self- regulated (Chubike, 2008).

Each of the body elects their own governing council. ICAN represents the training and examining body which awards Chartered Accountants Certification and also grants its members who engaged in public audit practice licensing authority. The Institute of Charter Accountants of Nigeria members are officially acknowledged by the Company and Allied Matter Act as the sole auditors of companies' accounts (Uche, 2002). ICAN as a body is a member of International federation of Accountants (IFAC) with a strong international foundational background. Association of National Accountants of Nigeria (ANAN) members are predominantly employed in the public-sector area. Furthermore, ICAN members are the dominant players in the private sector accounting and auditing practice in Nigeria (Maduwaki, 2012; Anyanwu, 1992).

3.6 Nigeria Audit Practice

The Nigeria audit practice sector is another very significant historical development that helps to augment justification for the adoption of International Financial Reporting Standards (IFRS) as a result of the audit sector expansion in Nigeria. The Nigeria audit sector diffused from Britain its former colonial master took its rules and governance similar to that of British tradition which become institutionalised overtime Uche, (2007; 2010) The Nigeria audit sector is as old as the accounting profession Wallace, 1992). Historically, the migration of accountants from the United Kingdom to Nigeria helped to develop the audit sector consequently, increased the demand for audit services across its province (Uche, 2010). The 1922 Nigeria companies' ordinance act required all registered corporations to file a comprehensive list of all foreign directors of the company and also provide a certified true copy of its account to the headquarters to be filed in Britain with the registrar of companies (Uche, 2002). The companies' ordinance act of 1922 requirement ignited flocks of expatriate audit firm operating in Nigeria to acquire certified copies of the accountants of British companies' resident in Nigeria (Mary and Samson, 2013). According to Camfferman and Zeff, (2007) identified correctly that firms of auditors and professional accountants followed traders, miners, planters and the baking sectors moving from Britain into Nigeria during the nineteenth and early twentieth century.

The significance of these regulatory changes within the audit profession in the United Kingdom, which was now prescribed by the Companies Ordinance of 1922 in Nigeria requires all registered companies to file a full list of all directors of foreign companies, as well as provide a certified true copy of their account statement with the headquarters of the company in Britain (Uche, 2002). By 1905 a Liverpool based accounting firm called Lewis and Mounsey & Co opened a local branch office in Nigeria which provided audit services to its clients in Mercantile business and Tin mining industries (Wallace, 1992). The decline in the mining industry during the First World War period forced the audit firm to withdraw it service from Nigeria completely. Again, in 1920 another company re-emerged from the United Kingdom, a chartered accounting firm named “West African Accounting Services” which provided on-site supervisory services to its customers that does businesses or trading along the West African shore (Wallace, 1992). The Amalgamated Tin Mines of Nigeria in 1928, appointed Cassleton Elliot a British firm to provide audit services to its Nigeria based Mine Company (Wallace, 1992). The audit firm faced with the challenged of moving personnel from the United Kingdom to Nigeria, led the firm to procure clientele of West African Accounting Services in 1929, which turned out to be the first audit firm in Nigeria history (Camfferman and Zeff, 2007). However, between 1948 and 1953, other professional accounting corporations sprang-up from the United Kingdom to set-up clientele in Nigeria, they opened various offices in the country, among them are Midgley, Snelling & Barnes (now part of Price Waterhouse Coopers); Lybrand Deloitte (which is now part of Deloitte and Touche Tomatsu) and Crewdson & Hardy now called PKF International (Wallace, 1992).

Over the years, the Nigerian audit sector has developed to become one of the biggest audit services providers in accountancy within the Africa region (Mary & Samson, 2013). The sector has over forty thousand (40,000) qualified chartered accountants and approximately seven hundred thousand (700,000) registered businesses that required audit and accounting services. The sector been actively involved in playing a significant role by assuring its customers of the financial statement credibility to the Nigeria economy (Uche, 2010). Although, the “Big Four Audit Firms” remain a dominant force, these firms still continue to be a solid stakeholder in the standardisation of accounting by providing a huge technical support to accounting standards setter especially when it comes to area of making informed decisions on the choice of accounting standard to use (Uche, 2010).The sector might not be directly connected to the accounting regulators in the adoption of IFRS in Nigeria but have supported in the decision to adopt IFRS or imparted some influences on the regulator decision.

3.7 Regulatory Accounting Framework in Nigeria:

The major aim of creating accounting regulations is to ensure that financial statement users have minimum sufficient access to appropriate information they may need in making important investment decisions across the globe (Fowokan, 2011). These regulations are implemented by statutory agencies or organisations, in Nigeria the following are bodies responsible:

1. the NASB (Nigeria Accounting Standard Board) now known as FRC (Financial Reporting Council),
1. CBN (Central Bank of Nigeria),
2. SEC (Security and Exchange Commission),
3. NIC (National Insurance Commission),
4. ANAN (Association of National Accountants of Nigeria),
5. NSE (Nigeria Stock Exchange)
6. FMF (Federal Ministry of Finance),
7. FMCIT (Federal Ministry of Commerce, Industry and Tourism),
8. NDIC (Nigeria Deposit Insurance Corporation) and
9. ICAN (Institute of Chartered Accountants of Nigeria).

Accounting regulatory framework of financial reporting are also known as guiding principles, regulations and rules lay down in the preparation and reporting of accounting financial statements (Oraka, 2015). More-also, the lay down guidelines and rules can be classified into two that is institutional and legal framework (Oyekanmi, 2003).

The NASB (Nigeria Accounting Standards Board) is the main body that is responsible for the development and setting of Accounting Standards in Nigeria, their previous role was fundamentally advisory. They only produced set of standards which serves a guide to preparer of accounts, when preparing entities' financial statements. However, after the enactment Act in 2003 of the Nigeria Accounting Standard Board, the board now makes it compulsory for preparer of accounts (i.e. Accountants) to strictly prepare entities accounts according to the accounting standard provisions issued by NASB. The standards developed and issued by the board are prescribed as the Generally Accepted Accounting Principles of the country (Oraka, 2015). This is to ensure accounting preparation uniformity of corporate reporting in the country, to make sure accountants in the country complied the Generally Accepted Accounting Principle laid down, to also ensure that standards are in line with existing accounting framework, and to ensure that standards addressed key domestic accounting needs of the country (Uche, 2010 and Fowokan, 2011).

3.7.1 CAMA, 1990-(Companies and Allied Matter Act):

The Nigeria legal business background derives its origin from the United Kingdom who was the formal colonial master. After Nigeria gained its independence in October 1st, 1960, a Company Act was then enacted in 1968. The issue of company accounts was addressed in Section 142, Schedule 8 under the company Act of 1968. After a review of the 1968 company Act, the then Nigeria military government in 1987 decided to set up a consultative committee to reassess the Act. Before the emergence of Companies and Allied Matter Act, 1990, the Companies Act is only responsible for the regulation of public and private companies that were incorporated or registered in the country (Okike, 1994). CAMA, 1990 was signed in to law by the then military government under Degree No.10. The Companies and Allied Matter Act, Section 358 (1) explained auditor’s qualification while Section 358 (C) state that audit companies involved in consultancy service with corporation should not be appointed auditor to the same corporation. Companies and Allied Matter Act 1990 currently prescribe companies financial statement disclosure requirement standards, content and format (Uche, 2002; Madawaki, 2014).

3.7.2 Nigeria Capital Market Regulatory Bodies:

The Nigeria capital market regulatory bodies are the NSE (Nigeria Stock Exchange) and SEC (Security and Exchange Commission) they regulate and specify disclosure requirements and financial reporting of companies quoted in Nigeria market Security and Exchange Commission Act was passed in 1979 and was later re-passed in 1998, as Act 29 (Odiananson, 2011; ROSC, 2011). The operations of the Security and Exchange Commission (SEC) were assisted through ISA, 1999 (Investment and Securities Act) which was later replaced with the Investment and Securities Act 2007. The 2007 Investment and Securities Act, Section 66 of the Act demanded that auditors should compulsorily make a statement of audit in their report, showing the firm existence (i.e. going concern), proficiency and the company internal control mechanism of the listed firm. The Security and Exchange Commission 1999, rules and regulates securities and business investments (ROSC, 2011; Madawaki, 2014).

3.7.3 The 2003 National Insurance Act:

The Nigeria Insurance Commission is the Nigeria regulatory body for the insurance industry. The 2003 National Insurance Act is the legal statutes that regulates all insurance companies in Nigeria and it specifies that the insurance firms must heed to the rules and regulations guiding the preparation of financial statement reporting disclosure prerequisites, which must be in compliance and conformity with auditing and accounting standard stipulation (ROSC, 2011).

3.7.4 NSE Act of 1961 (Nigeria Stock Exchange):

The Nigeria Stock Exchange commenced full operational service in 1966. The NSE Act stipulates that in order for any corporation to be listed on the Nigeria Stock Exchange floor the corporation must first agreed to conform to the accounting standards issued by Nigeria Accounting Standard Board (NASB) (Osaze, 2007).

3.7.5 CBN, Act 1991 (Central Bank of Nigeria):

The Central Bank of Nigeria specifies the supervision framework guidelines for the banking industry and the CBN, Act of 1991 was later replaced with the 2007 Central Bank Act. The CBN sets the minimum financial statement disclosure prerequisite and nomination of legal auditors. Furthermore, banks information disclosure is also guided by other regulations and rules. For instance, BOFIA, Act of 1991 No. 25, CAMA, Act of 1990 No.1, NDIC, Act of 1988, No. 22 and also the CBN, Act of 2007, Section 43 fully backed the committee on financial service regulation to organise and handle the financial institutions supervision (ROSC, 2011).

3.7.6 Role of CAC (Corporate Affairs Commission) in Nigeria:

Corporate Affairs Commission (CAC) is an independent body created to replace the business Registry which is part of FMC&T (Federal Ministry of Commerce and Tourism), is responsible for the controlling of company’s registration and administration (Inyang 2009). The Companies and Allied Matter Act 1990, Section 1, formed the Corporate Affair

Commission and was empowered manage and oversee company’s formation, incorporations, registration and companies winding-up. It is also prescribes that all companies in Nigeria must prepare and submit their audited financial account statement to the Corporate Affairs Commission within forty two days after every company annual general meeting Inyang, 2009 and SEC-Nigeria, 2009).

3.7.7 CITA, 2004 (Companies Income Tax):

The Companies Income Tax Act 2004 also prescribes to companies the manner in which they are expected to prepare their financial account statement for taxation purposes, they must complied fully with CITA laws and guidelines. Companies must also present their audited financial account statement to the tax authority (Assenso-Okofo, et al. 2011 and Madawaki, 2014).

3.7.8 Professional Accounting Bodies in Nigeria:

In Nigeria there are two well-known profession accounting bodies that self-regulates its chartered practicing members. ICAN (Institute of Chartered Accountants of Nigeria) was enacted in 1965 by the legislative Act, No. 15; it examines and awards chartered members accounting certificates to practice and also issues audit licence to members. The second one, ANAN (Association of National Accountants of Nigeria) was promulgated in 1993 by Degree No.73 which was officially endorsed into law 25th of August 1993. Both bodies are vested with the responsibilities for regulating and advancing the professional accounting career in the country. They are also expected to determine what skills and knowledge are required for anybody seeking a career in the accountancy profession (Chibuke, 2008 and Madawaki, 2012).

3.7.9 ISE, Act 2007 (Investment and Security Exchange):

The Investment and Security Exchange Act of 2007 directs public companies’ corporate accountabilities, such as the filling of their annual reports, registration of public corporation auditors and disclosure of companies internal control structure with the commission. Investment and Security Exchange also make sure that companies prepare their financial accounts statement in compliance with Nigeria Accounting Standard Board (NASB) prescribed format (Oraka, 2015).

3.8 Financial Reporting and Market Regulation in Nigeria

Once the Nigeria stock market commenced operation after its establishment, the need to regulate and monitor the happenings of the market participants was observed so as to protect investors. NSE also tries to signal that it could function efficiently by following the international best practice of securities dealings (Osaze, 2007).

However, in order to accomplish this goal, the Federal Ministry of Finance in conjunction with the Central Bank of Nigeria set-up a Capital Issue Committee in 1962 to regulate public issue securities in the market (Osaze, 2007 p.55). The mandate of the committee in 1962 was to control all public issue of securities and to investigate all application from entities seeking to generate fund from the market, although it had no legal backing (SEC-Nigeria, 2009, p. 19). The committee operated unofficially as the capital market consultative as well as advisory body to the Central Bank of Nigeria within the Nigeria capital market regulations until the late 1990s when legislative reform began to occur (SEC-Nigeria, 2009).

The security and exchange commission has often adopted its corporate code of governance from other countries, especially from the United Kingdom and United States of America since the early 1980s when ICAN introduced the idea of accounting standardisation in Nigeria (Poullaos and Uche, 2012 and Camfferman and Zeff, 2007). The NSE green book which contains details of all listing requirement of firms seeking to be listed in the exchange, shows details of the firms longing to be listed in Nigeria security exchange will have to present a financial statements report prepared in line with the relevant accounting standards set and acceptable by the Nigerian Standard Accounting Board (SEC, 2009, p19). The SEC states the following:

> "Reports in respect of other overseas issuers are required to conform with accounting standards acceptable to The Exchange, which will normally be at least the International Accounting Standards Committee. Where the Stock Exchange allows financial reports to be drawn up otherwise than in conformity with accounting standards approved by country's Institute of Chartered Accountants or its Accounting Standard Board or the International Accounting Standards Committee, the Exchange may, having regard to the jurisdiction in which the overseas issuer is incorporated or otherwise established,

> require the report to contain a statement of material differences (if any) from either of those standards"(SEC, 1999, 2009).

The Nigeria Security Exchange commission officially joined the International Organisation of Securities Commission (IOSCO) in June 1985. After the SEC affiliation with the IOSCO, its regulative appetite increased even further as the IOSCO required all its members to fully comply with the corporate governance code stipulated. In 2003, the Nigeria capital market regulatory body stated to bring in various reforms, like the revision of the investment and securities act, in lieu of strengthening and improving its regulatory ability. Nevertheless, the major aim of reversing the investment and securities act was to reposition SEC so it could adequately perform it functions and carry out its power of ensuring companies are fully complying with the International best practice code as required by the IOSCO (SEC, 1999, p46 paragraph 16). The reform undertaken by SEC helped to pave way for the regulative body to gain membership of emerging markets committee of the IOSCO and chair the IOSCO Africa and Middle East Regional Committee (SEC, 2006, p13).

The Nigeria SEC mandated in June 1985 the usage of International Accounting Standard (IASs) by prospective participants of the Nigeria capital market, it started the legitimisation process of IASs long before the mandatory adoption of IFRS in 2012. In the late 1990s legislative changes began to take place during which the Nigerian Investment act was passed by the security regulative body and the Nigeria stock market stared to grow tremendously (SEC-Nigeria, 1999, 2009). This attracted enormous improvement in foreign investments from industrialised nations. The quest to further attract foreign investors after the financial crisis in 2009, the committee reviewed further by stating that there was a need for the Nigeria capital market to partner with the Nigeria accounting regulator to bridge the gap existing between local accounting practice and that of industrialised nations market practices such as that of the United Kingdom and United States of America (SEC, 2006, p15).

However, most of the practice of the SEC are copied or modified from IASs to meet the Nigeria Accounting standards requirements, the quest to fully meet up the global standards practices resulted in the regulatory committee to recommend the full adoption of IFRS in Nigeria and they stated that:

> "On the part of disclosure, transparency and accountability, standard procedures should be developed to ensure speedy penalties on participants who flout the rules in the capital markets. Specifically, the SEC should also mandate that all listed entities convert to using IFRS as the accounting standard. This

> will ensure that more company financial details are available to investors. There should also be an increased focus on governance with immediate implementation of previously developed principles such as the 'Peterside Code' and the outcomes of the ongoing review of public companies' corporate governance practices" (SEC, 2009, p.29).

The committee concluded in the work by recommending to the Securities and Exchange Commission, the regulatory body, to inspire all accounting regulators to adopt IFRS for first tier entities within three years of the recommendation.

According to recommendation 24; which established structures of timely access to reliable information state that:

> In the interests of improving enforcement and compliance with defined processes for market transparency, companies should be mandated to release detailed quarterly results and profit forecasts directly to the public on the same day this information receives board approval. The SEC should create clear, detailed formats for these results and forecasts to ensure consistency. The timely market information provided in this way will increase transparency, ensure availability of information to all the participants contemporaneously and enhance investor confidence. It will also improve the amount of research information available to investors. The SEC should encourage the adoption of IFRS by the NASB. A plan should be developed to move all companies listed on the 1st tier of the Exchange to convert to IFRS as benchmark standard for disclosure over the next 3 years (SEC, 2009, p.52).

Nevertheless, the securities regulator recommendation still did not get the required attention of the accounting standards regulator until the beginning of the global financial crisis that took place in 2008/2009 which was then followed the reformed and the action of accounting standards setter to adopt International Financial Reporting Standard in Nigeria (Nigeria-SEC, 2009).

3.9 The Role of The World Bank on Accounting Development

International Accounting Standards (IASs) had been well known to financial accounting regulators in Nigeria. Dating back to the early 1980s, the Nigeria accounting regulators decided to bring a unique accounting standard that would enhance the Nigeria economic environment through the international accounting standard committee (IASC) which helped them to develop the statement of accounting standards of Nigeria (SAS) during that period. The Nigeria accounting standard board (NASB) was able to operate successfully with the accounting standards issue by IASC by incorporating them into the statement of accounting standards of Nigeria (Osaze, 2007; Sanusi, 2009; Sec, 2009).

In 2004 the World Bank carried out a report on the observance of standards and code in Nigeria, the motive of the study was to examine the compliance level of accounting standards within the Nigeria community and international accounting standards. As part of their findings, The World Bank reports that:

- There are gaps between the local and international accounting standards. There are many areas of accounting issues covered by IAS/IFRS that are yet to be addressed by NASB. Also, some current IAS-based national standards were effective at the time of their issuance; but some IAS have since either been revised or withdrawn. The Nigerian Statements of Accounting Standards (SAS) seem incomplete as an authoritative guide to the preparation of financial statements. The NASB does not have a work plan to harmonize its SAS with IAS. To date, the NASB has issued 21 SAS compared with 41 IAS. The international equivalents of certain national standards have been withdrawn while 20 active IAS have not been reflected in the SAS. Four SAS exist with no international equivalent.

- There is no local standard based on agriculture (i.e., an equivalent of IAS 41), despite the prominence of agricultural sector in Nigeria. The omission of a Framework for Preparation and Presentation of Financial Statements is especially detrimental as there are several areas where no local standards exist, and the framework should guide the setting of relevant and reliable accounting policies in such circumstances.

- Moreover, NASB has not prepared any equivalent Standard Interpretations Committee (SIC) interpretations issued by the IASB other than an implementation guide on Accounting for Leases. Over the past years, extensive revisions have been made to IAS that is not reflected in existing SAS. Large sections and paragraphs in IAS cannot be found in the SAS, particularly with respect to the six IAS that have been superseded by new standards. The assumption of some users and practitioners that SAS materially conform to IAS is not correct. Differences relate broadly to scope, level of detail in content, and disclosure requirements. (See ROSC Report-Nigeria 2004 pg. 10 & 11)

The findings above by the ROSC team of researchers pointed out that, given the Nigeria regulator claim of largely complying with the IASs, those claims cannot be substantiated due to the fact that a lot of gaps still exist between the Nigeria accounting standards and the international accounting practice. However, the ROSC team recommended to the Nigeria accounting regulators amongst other things to deliberate on how they can possibly adopt IFRS in full without any kind of alterations through proper consultation with all relevance stakeholders' view on the future course of Nigeria accounting standards.

However, in spite of the recommendation by the World Bank and call from International Monetary Fund (IMF) for financial reporting reforms in Nigeria, the accounting regulators still did not take any action to implement these policies recommendations references. Although, before the prior research by the ROSC team in 2004, the Nigeria government launched an Economic Recovery and Governance Project (ERGP) programme which has been an ongoing project to help in strengthening transparency, accountability and efficiency in significant economic management areas like financial management and procurement, budgeting etc. and also creating a systematic attack on corruption platform (ERGP Policy Document 2004). Another major component of this project was to also strengthen the financial reporting structure of the private sector. Hence, to achieve the set objectives; the project committee recommended that the 2003 Nigerian accounting standards board be reviewed, which was acted upon to create the financial reporting council of Nigeria (FRCN) which addresses the institutional weaknesses in terms of regulatory lapses and to enforce compliance of accounting standards issued (World-Bank, 2014b, p. 19). The World Bank maintained its financial support pledge for the project and continuously sought for funding from its branch of international development department, which subsequently led to the mandatory adopting of IFRS in 2012 by the Nigeria authority.

3.10 IFRS Adoption in Nigeria:

There has been a global advocacy among large capital markets for a unified acceptable accounting standard everywhere in the world (Maduwaki, 2012; and Abata, (2015). However, not until recently, after the mandatory adoption by the European Union, that the unified accounting standard clamour for (IFRS) began to receive huge attention worldwide (Nnorom, 2013). However, having considered the overwhelming benefits and challenges the globally connected banks in Nigeria have fully complied with the development and implementation of IFRS (Abata, 2015). In 2010, after series of deliberation and contemplation, Nigeria formally agreed to adopt IFRS as from 1st January 2012. Prior to the adoption, the Nigeria Accounting

Standard Board (NASB) was renamed Federal Reporting Council (FRC) and charged with the responsibility of ensuring mandatory transition to IFRS and ensuring that companies in Nigeria complied fully with the mandatory adoption of IFRS (David, 2013).

The adoption of IFRS goes beyond financial reporting. It includes information on how financial users can make key business investment decision. Welch and Schizas, (2013) expressed that even nations with frail investors' protection and legal enforcement such as in Nigeria, the adoption of IFRS can still lead to improved quality financial reporting standard. The major aim of IFRS adoption is to bring accounting quality, comparability and transparency (Demaki, 2013). This can only be achieved through a sophisticated application of an accounting standard such as the IFRS. Nevertheless, a good number of Africa countries have adopted the IFRS or have declared intention to adopt it. For instance, Nigeria, South Africa, Kenya, Ghana, Sierra Leone, Tunisia and Zimbabwe and a lot more have adopted or put forward their intention to adopt (Iyoha and Faboyede 2011 and Maduwaki 2012). However, if the IASB is to carry on with the development and review of the quality IFRS, one would expect that financial reporting disclosure under IFRS will increase value relevance and reliability (Mary, et al. 2013).

IASB issued a roadmap on the IFRS adoption, Nigeria used this guideline in the preparation of its statutory financial statement reporting (Ayuba, 2012) The roadmap thus outlines meticulous landmarks or milestones to follow, which could facilitate the actualization of IFRS. The Nigeria roadmap outlines that by January 1st, 2012, public listed entities and significant public interest entities should have adopted the IFRS in the preparation of their financial report, other public interest entities should adopt IFRS by 2013, while small and medium entities should do so by 2014 (Maduwaki 2012).

In order to ensure effective adoption and implementation of IFRS in Nigeria various areas of importance were discussed and taken into consideration by concerned stakeholders. The diagram shows the timeline and implantation landmarks process of the IFRS in Nigeria (Oyedele, 2011 and Nyor, 2012).

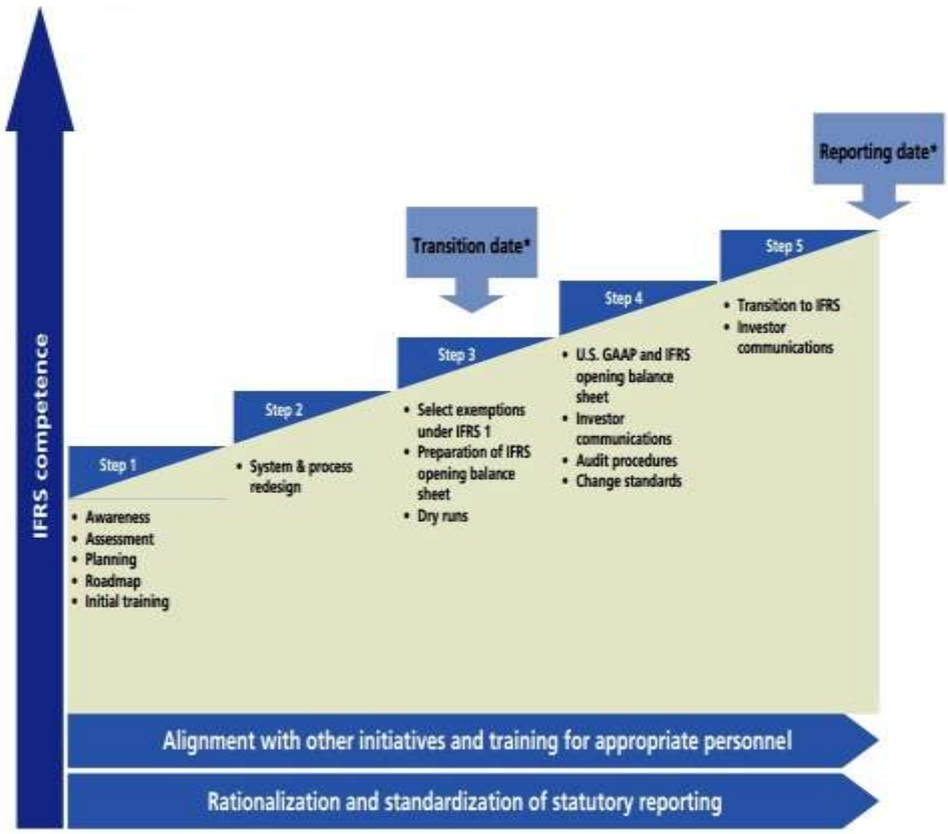


Figure 3-22010-2014 IFRS Timeline for Implementation Landmarks

(Herbert, 2010 and Oyedele, 2011).

3.11 Stages in the Adoption of International Financial Reporting Standard (IFRS) in Nigeria

Before arriving at the Nigeria roadmap, IFRS potential impact on the Nigeria economy was considered and it was recommended that IFRS should be adopted in Nigeria (Herbert, 2010). The statement of the adoption states that “the adoption of IFRS will be in the best interest of the nation” (Oyedele, 2011, and Augustine, 2012). There should be a transition stages in order to achieve the key objectives within the timeline framework as outline in the roadmap milestone. The stages are discussed below (Maduwaki, 2012). Edogbanya and Kamardin (2014).

3.11.1 Stage One: Listed Public Entities and Significant Public Interest Entities

This includes government business entities, all other companies that are quoted in the Nigeria Stock Exchange or foreign Stock Exchange. For Instance, Banks, Insurance companies NNPC (Nigeria National Petroleum Corporation). However, the transition commences by raising awareness to enlighten financial information users and preparers of financial statements.

3.11.2 Stage Two: Other Public Interest Entities

These are entities that are of public interest due to the nature of business, number of employees their size and importance to the nation but are not quoted in the stock exchange. These entities are non-profit making organisation such as Charitable Entities, Pension Funds and NGOs. According to the roadmap these entities were expected to commence their quarterly financial report in 2013 using the IFRS.

3.11.3 Stage Three: Small and Medium Entities

The small and medium scale entities are entities which may or may not have public accountability and are not listed in the Nigeria stock exchange, also, that do not meet the IFRS criterion. The SME were to commence their mandatory application of IFRS by 2014 with full compliance. The SME that did not meet the IFRS criteria were then advised to follow the Accounting Guideline issued by United Nation Conference on Trade and Development, Level 3 (Maduwaki, 2012; Edogbanya and Kamardin 2014).

3.11.4 Stage Four:

The report to the roadmap recommends for prompt country-wide intensive competence building programme in order to facilitate and sustain the IFRS adoption process. The establishment of an IFRS centre of excellence as an institutional platform for competence building was also recommended.

3.11.5 Stage Five:

The report also recommended the establishment of the proposed Financial Reporting Council of Nigeria (FRCN) in order to ensure strict enforcement of IFRS. However, this bill has now been signed to law and in 2011 the Nigerian Accounting Standard Board (NASB) were fully transited into FRC (Herbert, 2010).

3.12 CORE DISTINCTION BETWEEN IFRS and NIG-GAAP

IFRS offers more disclosures than the NIG-GAAP (Nigeria-Generally Accepted Accounting Principle) (Adekoya, 2012; Madawaki, 2012). With the IFRS, the majority of assets are measured at fair value, with only a small number of assets being measured at amortised cost while the NIG-GAAP measured all assets at amortised cost or historical cost (Mohammed and Lode, 2015). The following diagram highlights the core distinctions which exist between IFRS and NIG-GAAP:

Table 3-1 Comparative Summary of IFRS and NIG-GAAP

NO	Theme	IFRS	NIG-GAAP
1	Detailed Statement of Financial Presentation	It comprises of: ❖ Comprehensive Financial Income Statement ❖ Financial Position of Statement ❖ Changes in Equity statement ❖ Cash-Flow Statement ❖ Accounts Policies ❖ End Notes and ❖ Others ❖ Significant Management Estimate and Judgement	It comprises of: ❖ Financial Income Statement ❖ Balance Sheet ❖ Cash-flow Financial Statement ❖ Accounts Policies ❖ And Others ❖ No Significant Management Estimate and Judgement
2	Tangible Assets: Plant and Equipment	All financial assets are measured at a fair value except loans and receivables and few others. They applied cost	Measured all assets using historical cost model.

NO	Theme	IFRS	NIG-GAAP
		model with detailed guide lines such as; ❖ Residual Value ❖ Componentization and ❖ Useful Lives	
3	IFRS First time Adoption	Offers roadmap on IFRS transition with extensive guidelines.	Not connected to NIG-GAAP
4	Segment-Reporting	Segments operation principally depends on management judgement.	Centred on Geography
5	Related-Parties	Both financial-asset and non-financial assets are impaired	Limited disclosure, standards are not clearly stipulated
6	Financial-Guarantees	Financial guarantees are required to be recognized at fair value basis.	They are disclosed as contingent liabilities
7	Benefits of Employees	❖ Accounting criteria are complex ❖ Undisclosed amount of short term employee's benefits are recognized.	General expenses and pension disclosure
8	Consolidation Scope	❖ Investment that are under-control are consolidated and ❖ SPEs are also potentially consolidated as well.	General Principles
9	Risk Management	Extensive disclosure is highly required on: ❖ Risk management ❖ Foreign risk ❖ Credit risk ❖ Liquidity risk and ❖ Price risk etc.	Inadequate disclosure on: ❖ Credit risk and ❖ Foreign exchange risk

NO	Theme	IFRS	NIG-GAAP
10	Classification of Financial-Asset and Valuation	Its classification are: ❖ Fair value ❖ Amortized cost This is determined by the business model and also by the nature of instrument.	Its classification are: ❖ Amortized cost ❖ Cost
11	Impairment	Impairments are carry out based on: ❖ Impairment on non-financial assets: IFRS-36 ❖ Impairment on financial assets: IAS-39.	There are no specific accounting standard
12	Leases	It is valued on fair value bases and amortized cost.	It is based on general guidelines of operating and funding lease

Source: Oyedele, T. (2011) in Abata, M. A., (2015).

IFRS was developed by the International Accounting Standard Board (IASB) while the Nigerian GAAP was developed by the Nigerian Standard Accounting Board (NSAB). A significant difference does exist between the two as detailed in the above table. However, differences that appeared in the presentation of financial statements such as income statement, change in equity and significant judgemental application by management are issues that were not addressed in the local GAAP. Therefore, there are significant variations in plant and equipment, segment reporting, impairment, leases, related parties and risk disclosure. Other differences are also found in areas such as employee’s benefits, scope of consolidation and financial guarantees.

3.13 Nigerian Capital Market and IFRS Adoption

The quality of financial statement reporting in less developed countries is weak and very difficult to accomplish when compared to advanced countries like the United State and United Kingdom and even some developing nations such as Mexico and South Africa (Prather-Kinsey, 2006; Mohammed and Lode, 2015). Due to the market immaturity investors are scared of making a tangible investment into the country stock exchange as the insufficient reporting system provides less investor protection. The adoption of IFRS becomes imperative due to the facts that businesses have become very complex, especially with more multinational firms been listed in countries stock market. Gordons, Loeb & Barros, (2012) assert that the adoption of IFRS by less developed countries will improve foreign investment into the capital market.

Nonetheless, currently investors and other capital market participants are able to carry out investment and financial transactions globally across different countries without much difficulties. Financing decisions and capital allocation are more assessable on a global level than ever before because communication is now more efficient and capital markets are even closely linked together (Munter and Reckers, 2009). Technological advancement has helped in facilitating securities trading, it reduces market barriers which existed and make cross boarder listing, institutional and retail investment easy. With the adoption of IFRS investors and other stakeholders can obtain financial statement information on a broader range of international investments opportunities than it used to be, this is basically due to information made available on the internet this days. Nigeria investors now have access to real time securities dealings data from the stock exchange as well as access to other countries capital market through the online accounts they manage (Sanusi, 2009).

With the global increase in investments and trading investors are faced with high demand for complete, reliable and fair financial information reports that are comparable which can enable them make valid business decisions across other countries globally. It is believed that the mandatory adoption of IFRS in Nigeria which is a more principle based and investor's protector, will boost investor's confidence. In the US a good number of investors hold securities of non-US issuers through cross-border listing investments which is as a result of availability of information (Osaze, 2007; US-SEC, 2008). IFRS has changed the financial information made available to capital market participants in a way that is beneficial to investors and stakeholders, this because information provided by companies to market participants differs significantly from information which are based on countries local GAAP, due to the differences between national standards requirements and IFRS (Tarca, 2012).

According to Akpan, (2011) the increase in globalisation and competition has pushed entities and countries across the globe to focus on issues that will be attractive to investors or attract investors to invest in their capital market. Cross border listing and capital market transactions have gone global with adoption of IASs, firms can now raise funds from different stock market across the globe. The mandatory adoption of IFRS in Nigeria and around the world is to make financial statement reporting information available for reasonable investment decision making. Financial reporting diversity occurred as a result of different countries tax system, legal system and industrial structures. IFRS is introduced in order to harmonise these different diversities by making financial information more accessible, comparable, transparent and easier to interpret thereby increasing the volume of trading in the stock exchange and as well reduced the cost of capital (Demaki, 2013).

Prior researchers have used share-price to disclose information which shows the usefulness of financial statement data (Beaver, 1968; Ball and Brown, 1968). Landsman, et al. (2011) investigated the impact IFRS has on share-price, trading volatility and trade volume. They found that information content with regards to earning announcement has improved for those reporting in accordance to IFRS, it has also reduced the reporting lapses and increased foreign investments. Their findings discovered further that IFRS effects depends on individual countries level of enforcement. The study undertaken by Bruggemann, et al. (2009) examined foreign investment of firms made through individual investors on the open market operation at the Frankfurt stock exchange using 4,869 firms' data from 31 different countries. They found that there is an increase in the countries trading activities after the adoption of IFRS and that IFRS has the tendency of promoting more foreign equity investments even at the individual level. Defond, et al. (2011) investigated cross-border investment and its relationship with IFRS among US firms. They found that US mutual funds ownership actually increased for mandatory adopters of IFRS who are seen to be credible.

Prior research has shown that IFRS adoption has led to increase in institutional equity ownership and thus indicates that IFRS does affects allocation decisions of institutional financiers. Ownership changes under IFRS related firms tend to be of much higher value and investor's growth, especially for those who used financial statements for making their investment decision. It also caveats that positive IFRS ownership effects are mostly found in countries with a low level of corruption and stringent compliance enforcement in place

(Flourou and Pope, 2011; Tarca, 2012). Tan, et al. (2011) disclosed that IFRS mandatory adoption by different countries attract analysts to entities and at the same time improves the accuracy level of forecast. Increase in analyst following is positively correlated with the level of changes which exist between a country's indigenous GAAP and IFRS. Although, indigenous analysts are more attracted to IFRS adoption it does not necessarily influence their level of forecast accuracy.

Thus, evidence from prior studies indicates that accounting harmonisation and widespread adoption of IFRS has brought a lot of benefit capital market. These benefits arise from the nature of IFRS which a more principle-based standard is compared to local GAAP, with improved information comparability for foreign analysts and potential investors. However, not all empirical studies are in support of the assertion that IFRS is beneficial to countries capital markets. Some investigators or studies question if comparability actually improves with the adoption of IFRS, stating evidence of protraction of pre-IFRS adoption policy choice (Lang, et al. 2010; Kvaal and Nobes, 2011; Tarca, 2012). Hence, the institutional setting significantly supports the market development by promoting capital market growth that involve a comprehensive and healthy financial infrastructure which includes the use of high quality accounting standards, like IFRS.

The World Bank and IMF encouraged countries to adopt and use IASs such as IFRS to assist the development of capital market and to improve the quality of financial information made available to the various sectors of the economy, in other to attract international investors (Hegarty, et al. 2004; Hope, et al. 2006; World-Bank, 2011). Consequently, developing nations like Nigeria need harmonised accounting preparation which will be in line with the global requirements of quality financial reporting among firms quoted or unquoted.

3.14 Key Challenges to the Adoption/Implementation of IFRS in Nigeria

With Nigeria's mandatory adoption of IFRS come some challenges. This is due to the fact that the risk of diversity in the accounting practice has been increased in the sense that IFRS requires huge professional judgements which Nigeria is currently lacking (Oyekanmi, 2003 and Abata, 2015).

However, the imminent principal issues in the adoption of IFRS in the European Union, U.S and around the world is obviously not related to technical issues, rather is more of cultural complexity, legal hurdles, educational and training necessitate, mental models and political interference (Rong-Ruey, 2006 and Obazee, 2007). A good number of previous research carried out by scholars such as Li and Meeks, 2006; Alp and Ustundag, 2009; Shleifer and Vishny, 2003; Irrine and Lucas, 2006 and Martins, 2011 enumerated various challenges faced by adopter of IFRS. Below are some of the challenges faced by the country in its effort to adopt the IFRS as the dominant standard in the Accounting system in Nigeria.

3.14.1 The Level of Awareness

The IFRS transition arrangement and implementation course should be properly communicated to preparers of accounts, financial statement information users, educators, regulators and the various stakeholders. A good awareness level of the conversion impact of IFRS should be conveyed to entities, this is because the implementation of IAS/IFRS could be very challenging and at the same time requires real time preparations whether at country level or organisational level. There should be clarification of areas where there exist conflict between local GAAP and the adopted IFRS, in other for the existing regulations not to be violated (Obazee, 2007).

3.14.2 IFRS Educational Training:

For IFRS to be effectively implemented it requires adequate technical-knowhow skills by preparers of financial statements, auditors and regulatory bodies. The nations adopting IFRS tend to face the challenge of competence related difficulties. Although, it depends on individual nations approach, most of the potential challenges Nigeria might encounter will be a shortage of professional accountants, auditors and lecturers in tertiary institutions that are competent enough to handle new IFRS challenges that may arise. Also, the time lag between the period of adoption and implantation is not sufficient for competent hands to be adequately educated and trained. According to McGee, (2006) no accounting reform projects are complete without improvement of the accounting national curriculum within universities across the county (Martins, 2011). Today in some tertiary institutions in the country, students are still not aware that there is a change in standards. Even some lecturers still make use of NASB instead of IFRS (Iyoha and Faboyede, 2011). To solve this problem, there should be massive training of both employees and management in organisations and the trainers in the tertiary institutions.

IFRS Foundation (2013) refer to "IFRS Education" as the effective education of accountants. However, such effective education of IFRS requires the inclusion of critical thinking development and adequate judgemental skill (Jermakowicz and Hayes, 2011; Conrod, 2010; Lopes, 2011). In countries such as Brazil, Albania and Canada, concerns were raised about IFRS Education readiness which is also a potential challenge Nigeria might face (Shkurti and Naqellari, 2010; Lopes, 2011; Conrod, 2010). In order to aid the smooth transition of the IFRS; "Accounting Curriculum" in the undergraduate and postgraduate level should be incorporated into the tertiary teaching programmed such as PBL (Problem Based Learning), POGL (Process Oriented Guided Inquiry Learning) and PLTL (Pear Led Team Learning) (Irvine & Lucas, 2006). Accounting Curriculum in this regard refers to courses which are included in the accounting syllabus (Tan, et. al, 2013). In order for this new accounting language of IFRS to be successfully implemented, the government and other stakeholders must pay attention to the education and training of accountants in the country

3.14.3 Resource Training:

The materials for training IFRS preparers (Accountants) are not readily available in Nigeria and the cost of acquiring such training material for huge numbers of personnel poses an enormous challenge to the mandatory IFRS adoption (Irvine and Lucas, 2006; Madawaki, 2012). Also, accountants who are mainly the preparers of IFRS along with auditors, government officials, financial analysts, accounting lecturers, tax practitioners, regulators etc are all looked upon to the successful actualisation and smooth implementation of IFRS (Chamisa, 2000; Madawaki, 2012; Siaga, 2012).

3.14.4 Reporting of tax:

Under IFRS, tax reporting with regards to tax conversion is very complex (Irvine and Lucas, 2006). IFRS conversion required more aspects of the tax law and tax administration to be reviewed with detailed explanation; this is to ensure that countries specific tax rules are able to accommodate the new IFRS adjustments. For instance, first time adopters of IFRS are required to recognize all "Assets and Liabilities" whose recognition is required by IFRS and not to recognize items as "Assets or Liabilities" if is not permitted to be recognized by IFRS (IASB, 2001).

3.14.5 Existing Law Amendments:

The accounting practices in Nigeria are regulated by CAMA (Companies and Allied Matter Act) of 1990, others include SAS (Statement of Accounting Standard), NSE (Nigeria Stock Exchange) Act 1961, BOFIA (Banks and other Financial Institution Act) 1991, Investment and Securities Act 2007, Federal Inland Revenue Services Act 2007 and Companies Income Tax Act 2004. These bodies provide rules and guidelines to entities when preparing financial statements in Nigeria. However, IFRS does not recognize the existing laws that were already in place; rather accountants and preparers of accounts have to comply fully to IFRS with no paramount provision of the rules. In essence, Nigeria's governing body will have to make adequate amendments, in order to successfully and smoothly execute the IFRS (Martins, 2011).

3.15 Other Key Challenges Faced by Nigeria Includes the Following:

Other major challenges faced by Nigeria include; cost of implementation, poor technical capability, level of technology in Nigeria, lack of proper planning, participation of private sector inadequate and method of enforcement are not unique to Nigeria alone, rather it also applied to other countries who are adopting or in the process of adopting IFRS (Herbert, 2010 and Abata, 2015). Numerous challenges are always encountered when implementing or changing from standard a county is used to (e.g. local GAAP) and suddenly converged to a new set of global standards such as IFRS. Although, some of these challenges are unusual to particular countries such as developing economies like Nigeria.

According to Iyoha and Faboyede, (2011) described environmental ethical issues and how firms will be able to hang on to their most experienced employees without them being lured away by their fellow competitors is a major challenge facing companies in Nigeria as well. Furthermore, IFRS has a broader financial statement reporting requirements to be applied by firms which might consistently increase operational cost of the firms (Robyn and Graeme, 2009). These challenges are widely discussed beneath:

3.15.1 Cost of Implementation:

Those adopting IFRS for the first time are bound to incur additional cost in the process of implementation and this cost is usually perceived by organizations to be expensive. These costs generally relate to personnel training cost, consultancy fees and costs involved in converging from local GAAP to IFRS. These challenges have made a lot of countries and firms to be very reluctant to adopt or converged to IFRS which is the case of Nigeria before its final Mandatory adoption in 2012 (Ionascu, et al. 2007 and Oduware, 2012).

3.15.2 Poor Technical Capability:

In order for the IFRS framework to be adequately implemented, it requires good technical capability among the various stakeholders such as the regulatory bodies, auditors, preparers of accounts and financial report users (Madawaki, 2012). In Nigeria, one major challenge facing the county or businesses in the implementation process is the shortage of preparers of accounts and auditors that are skillful and knowledgeable enough to apply IFRS system of reporting. As noted by Oduware, (2012) a lot of the accountants within the organizations do not have the relevant skills or understanding of advanced financial management skills, such as impairment analysis, financial instruments and forecasting techniques, which is also a huge challenged in Nigeria in the implementation of IFRS.

3.15.3 The Level of technology in Nigeria:

The implementation process of IFRS, technology has a key role to play. A good information technology system will expedite the smooth transition process of IFRS implementation, for instance, the “Enterprise Resource Plaining” (ERP). In Nigeria, businesses do not pay serious attention to the use of Information Technology (IT) which is a major setback to the implementation process (Uzor, 2011).

3.15.4 Lack of Proper Planning:

IFRS is a principle-based standard with a lot of complexity involved. The report of KPMG, (2012), expressed that companies executives most of the time underrates the difficulties and complexities involved in IFRS transition and implementation by procrastinating and in the long run it turns out to be an intensive process and time consuming. This is one of the challenges facing companies and experts in the implementation process in Nigeria.

3.15.5 Management Transition Process:

Another challenge facing the IFRS implementation is the mandatory change which reporting organizations must comply with, in order to key into the new IFRS regime change. Companies are faced with the difficulty of having to cope with the additional data elements and the rigor involved in converging into the new reporting process. Furthermore, IFRS also required new adopters to report simultaneously and comparatively based on the county existing local GAAP and the newly adopted standard (i.e. IFRS) with clear understanding of both standards (Baba, B. U. 2013).

3.15.6 Participation of Private Sector Inadequate:

The participation process of the roadmap to the adoption and implementation in Nigeria, the private sector involvement was not adequate enough. In the committee which was constituted by Nigeria Standard Accounting Board (NSAB), major players of the private sectors were not duly represented, which impacted on the transition process (Baba, B. U. 2013).

3.15.7 Methods of Enforcement:

IFRS transitions have severe consequence for standard regulators, it requires enormous appliance of judgmental decisions and assumptions. Nigeria being a coding country, the legal system is very slow, and it discourage regulators from carrying out legal proceedings against those who fail to comply appropriately with accounting and publication or reporting prerequisite (Ehijeagbon, 2010).

3.16 Environmental Influences that Affects Accounting Development in Nigeria

The International Accounting Standard Board task is a laborious one, in relation to the requisite consideration of economic consequences when making their decisions. However, before now accounting scholars have always been engrossed in the extent which external factors or forces might influence accounting policies, basically, politics does affect accounting standard settings (Herbert and Tsegba, 2013). Dating back to the 1970s, the work of Beaver, (1973); Watts, (1977); Wyatt, (1977); Watts and Zimmerman, (1978); Rappaport, (1977) and Zeff, (1978), carried out a casual surveillance of the standard settings procedures, their findings indicated a picture of political influence in the determination of accounting standards.

Moreover, economic, political and legal system influence the quality of accounting in various ways either directly or indirectly through accounting standard (Herbert and Tsegba, 2013). The accounting standard settings follows a political procedure in which financial accounting users such as tax authorities, shareholders, banks, labour unions and managers have significant influence on the standard setters (Soderstrom and Sun, 2007). However, I shall examine the economic, political, taxation and legal factors that could influence or hinder the quality of financial publication in Nigeria, even with the mandatory adoption of IFRS in 2012 which is a more principle-based reporting.

3.16.1 Economic Influence

Adhikari and Tondkar, (1992) explained that the level of economic growth of a country impacts significantly on accounting development and practice. Before Nigeria gained independence in 1960 and few years after independence, the Nigerian economy was more reliant on agriculture and non-oil sectors with agriculture contributing approximately 60% of the GDP and 90% of export. Thus, the manufacturing sector contributed less than 3% to the GDP with 1% export whilst the oil sector then contributed 0.2% to the national GDP (UNCTAD, 2009).

However, in the 1970s Nigeria began to experience an oil boom, this fundamental change that occurred in the Nigerian economy led to the abandonment of the non-oil sector of the economy which resulted in an immense decline in the non-oil sector contribution to the national GDP (Anyanwu, et al. 1997). Due to the huge concentration on the oil sector, by the 1980s the sector now accounts for 22% of the national GDP and approximately 80% of the Nigerian government total revenue with over 96% of export earnings (Anyanwu, et al 1997). After the oil boom, in the mid-1980s the world oil market started to collapse this automatically plunged the Nigerian economy in to serious economic crisis due to a heavy reliance on the oil sector. The economic crisis without delay was quickly reflected in the country’s revenue and the government public finance was thrown into disarray (Madawaki, 2014).

The collapse of the oil boom that plunged the Nigerian economy into financial disarray in the mid-1980s and the recent world financial crisis that took place in 2007/2008, actually prompted the Nigerian government to introduce reforms such as structural adjustment programme (SAP) in order to boost the non-oil sector contribution to national GDP. Furthermore, even the current administration of President Mohammad Buhari is now very focused on how to boost the non-oil sector revenue by focusing on agriculture, tourism and hospitality industries, manufacturing and solid mineral.

3.16.2 Political Influence

Accounting is not only shaped by economic influences but also by other forces such as political influence (Watts and Zimmerman, 1986). Assenso-okofo, et al. (2011) expressed that the political system of a country affects financial reporting practice. Political considerations observably plays a key role in the development of accounting standards as well as its implementation, therefore, such standards are certainly subject to some degree of manipulation (Zeff, 1978; Herbert and Tsegba, 2013). Nigeria as a nation has experienced numerous military coup d'états and political unrest as well as a civil war which affects the political stability of the country. Nigeria officially got its independence in October 1960, since then the country has experienced 14 different government of which eight were military regimes while six were civilian government (Anyanwu, 1992; Madawaki, 2014).

It can be argue that such political instability and turbulence will have an enormous effect on the quality of financial publication, given the numerous coup d'états as well as the civil war that took place in 1967/69. Nevertheless, the democratic government which is now in place since 1999 has brought some improvement to the accounting practice especially with the enactment of the Nigeria Accounting Standard Board Act in 2003, now known as Financial Reporting Council (FRC) (Uche, 2007).

The quality of financial reporting is also affected directly, this is because, political rent-seeking is dominant in nations with corrupt political practices. Managers and owners of entities have the motivations to influence or bribe political leaders to seek favourable treatment such as low tax payments (Soderstrom and Sun, 2007).

3.16.3 Legal System

The legal systems of common law countries are generally strong enough to protect investors as suggested by prior research on corporate disclosure (Ball, Wu and Robin, 2003; La Porta, Lopez-de-Salines, Sheleiferi and Vishny, 1998). The common law has spread to British colonies, including Nigeria, Ghana, United State, Canada and many other countries. Thus, a county's legal system can help to shape the orientation of firms accounting practice and regulation. (Asseno-Okofo, Ali and Ahmed, 2009). However, a common law system gives priority to individual rights as opposed to the state due to its decentralised nature. This is because common law structure assures that transactions are done between independent parties hence it could lead to higher level of information disclosure to the public at large (see Mueller and Meek, 1997; Ho and Wong, 2001; Beck, Demirguc-Kunt and Levine, 2003).

The scope and level of service that professional accountants provide is influenced by legislation as well as case-law (Bushman and Piotroski, 2006). Every investors expect their investment to be protected against any potential fraud and unscrupulous losses (Mensah, et al. 2003). These investors also expect that in a situation where their rights are been infringed upon or violated they can seek adequate redress through the system. Protection of investors is usually enshrined in a country's legal system that is effective, swift and efficient, such a system is very significant and most likely to attract quality investors that can provide capital for the development and growth of the country economy (La Porta, et al. 1998; Mensah, et al. 2003).

However, Nigeria being a former British colony is a common law country; its legal system is drawn from the British common law tradition which is then supplemented with its customary (i.e. written and unwritten) laws (Madawaki, 2012; Osaze, 2007). Several accounting items exhibit more value relevance in countries where the judicial system is effective with better investor's protection as well as a high quality of accounting and auditing practice (La Porta, et al. 2002; Francis, et al. 2003). Lopez-de-Silanes, (2003) explained that countries with a strong common law legal structure or framework are more investor oriented therefore, push for high quality financial disclosure. Hence, I posit that since Nigeria practices a common law legal system, its financial accounting disclosure environment is likely to be better than code law countries within its fellow Africa countries.

3.17 Chapter Summary

The instance of Nigeria's decision to adopt International Financial Reporting Standards is examined in this chapter. A case is also open to critically examine the Nigerian political, institutional, economic and professional accounting bodies and why developing countries adopt international norms, standards, and best practice from abroad and how players construct their motivations in deciding to adopt IAS. Nonetheless, the question that interests me is "How do accounting standard-setters construct their motivation in deciding whether to adopt international practices?" Economic scholars view that the search for policy alternatives is in response to underperforming status quo. To improve performance, policy makers are more likely to seek alternative efficient solutions that have the potential to outperform current policies by comparing the benefits to the cost of adopting such policies.

Drawing on institutional scholarship on the notion of institutional pressures, the case argues that several actors in the field of accounting standardization exerted pressure on the accounting regulator to conduct accounting reforms and there by ditching the Nigerian Statements of Accounting Standards in favour of IFRS. However, in the case of IFRS adoption in Nigeria, policy makers were unable to point to the specific economic costs versus benefits of adopting IFRS. Rather, their perception of the economic benefits of IFRS is premised on what is constructed by other actors such as the World Bank and the International Federation of Accountants (IFAC) More so, the role of professional accountants in the decision of the accounting regulator to adopt IFRS have proven that, professional accountants pursue legitimacy strategies as self-interest seeking before considering the state interest of efficiency improvements. Although the final decision to adopt IFRS rests with the state, professional accountants collectively aligned themselves to comply with the statement of membership requirements of the IFAC and persuaded the accounting regulator into adopting IFRS.

The next chapter focuses on the research methodology. From a starting point of exploring different research paradigms, the chapter will also look at sources of data, population and sample size of the study, and eventually culminate with model specifications and method of data analysis.

CHAPTER 4

RESEARCH METHODOLOGY

4 Introduction

This chapter generally presents methods of data collection and analysis for the purpose of examining the effects of IFRS adoption on the quality of published financial statements. But first, research paradigms in accounting such as positivism, interpretivism, ontology and epistemology assumptions will be considered as this will give an indication and also serve as a justification for the research methodology adopted for this study. In particular, the chapter specifies the research design, the population, the sampling technique and the method for generating the sample. This chapter also considers the model specification, measurement of variables and the method for hypotheses testing.

4.1 Overview of research methodology and methods

4.2 Assessing Research Paradigms in Accounting

Researchers in social sciences approach their studies either through explicit or implicit philosophical assumptions that holds basic philosophies about the nature (Ontology) of the social-world as well as the way it should be observed (Burrell and Morgan, 1979).The researcher's supposition's that is, their propositions and values about the nature of actual reality are what constitutes valid knowledge, this consequently, leads them towards selecting appropriate research methodologies and gadgets(Burrell and Morgan, 1979). According to Burrell and Morgan, (1979) classical quadrants to be philosophical presumptions that are positioned within four social science research paradigms; interpretive, radical humanist, radical structuralist and functionalist. These are well known classical paradigms that helps researchers to design their research appropriately, as well as presenting a useful understanding of their investigation (Jackson and Carter 1991). However, to improve the significance of these to accounting and finance research, Ryan, et al. (2002) connected or classified them into three groups of accounting and finance research; positivist (mainstream), interpretive and critical. The Burrell and Morgan's four paradigms approach for the analysis of social phenomena is further express in the diagram beneath:

RADICAL HUMANIST	RADICAL STRUCTURIST
INTERPRETATIVE (RESEARCHERS)	FUNCTIONALIST

Figure 4-1Social Research Paradigm

Source: Burrell and Morgan, (1979, p13)

4.3 Accounting Research on Positivist Approach

Positivist accounting research literature mostly in the area of International Financial Reporting has conventionally depended on the positivist approach, thus, the mainstream analyses are centred on orthodox financial economics as well as investigations of the effect of IAS on capital markets (Mantzari, 2014). The positivist epistemologies habitually tend to be applied in quantitative studies, it maintains the phenomenon that is significant to the research by sourcing reliable data and testing the study hypotheses which could possibly conflict with or criticise theories that are already existing (Saunders, et al. 2007).

The empirical investigation by Christensen, et al. (2007) and Daske, et al. (2008) applied the neoclassical mathematical theories of profit maximisation and data sets to examine models. However, in these studies the market apparatuses are presumed to be efficient, for instance, the global harmonisation of IFRS is a direct response to investors and capital providers need for transparency and comparability in a globalised world of capital market (Dye and Sunder, 2001). Accounting is seen as an information system that helps to provides users of financial statements with information that is relevant for decision making. More also, the accounting markets are regarded as natural phenomena that is existing in a social vacuity, completely independent of the researcher (Hopper and Powell, 1985).

Ryan, et al. (2002) expressed that central to the positivist epistemological view is the philosophical supposition that the existence of autonomous social realism could merely be verified through observation. Hence, this technique advocates that a certain objectivity in relation to reality is measurable and knowledge can only be meaningful if it is relatively based on observation of external realism. In essence, observations are factual hence, it is not subject to interpretation, prejudice or the cultural background of the researcher's (Easterby-Smith, et al. 2002).

One main advantage when using a positivist approach is that it can be generalised in the sense that, a finding in one circumstances can be used to predict recurrence in another, when applying the same set of variables under the same situation. The researchers remain independent or unbiased during the data collection stages and presentation of findings, this is because the researchers have less significant impact on the collected data, this gives the investigators more power to actually generalise the extracted data results (Burrell and Morgan, (1979). The following figure explains the nature of social science approach:

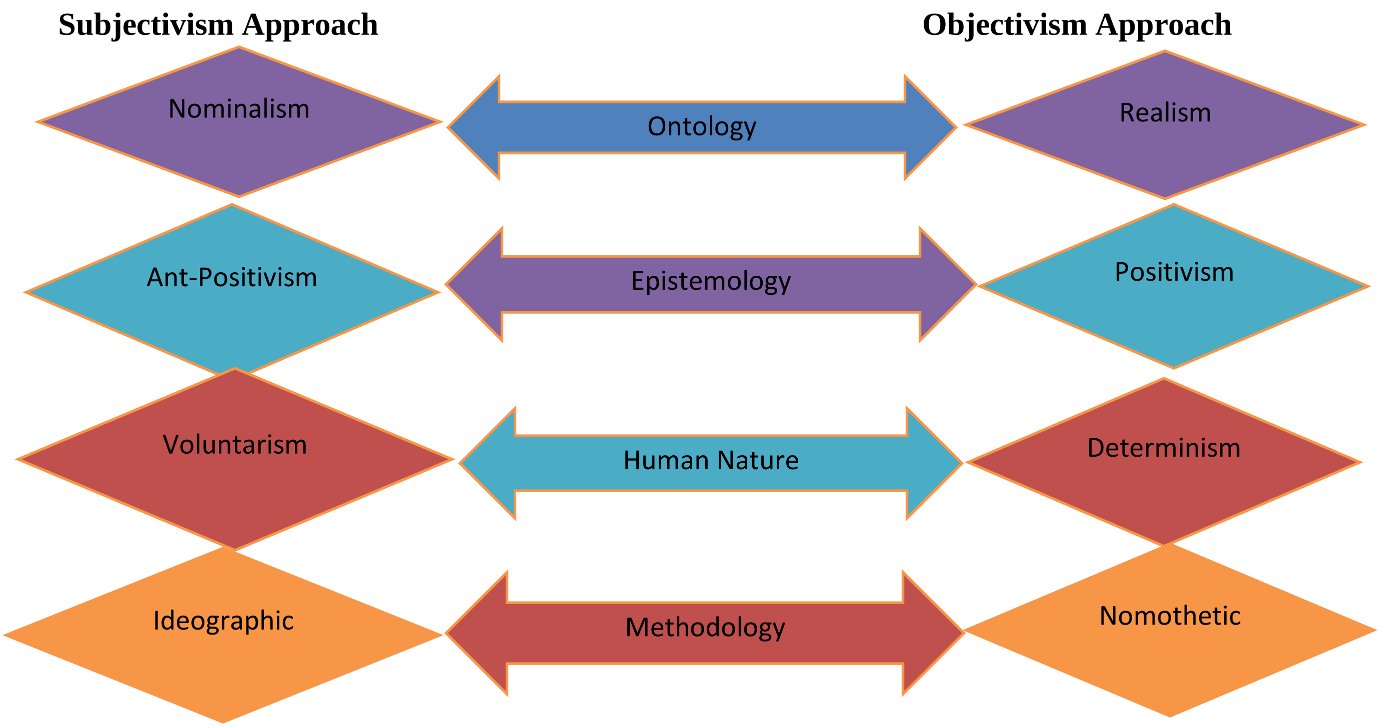


Figure 4-2Assumptions of the Nature of Social Science Approach

Source: Burrell and Morgan, (1979, p3).

However, given the significance of passive observation, this methodology is mostly applied for management research by examining issues where researchers generally depend on existing realities rather than carrying-out experiments (Burrell and Morgan, 1979).

4.4 Accounting Research Approach of Interpretivist

In contrast to the anticipations of positivist approach in accounting research, the wider structural 1970 economic crisis that occurred and the failure of liberal as well as the Keynesian economic does played a very momentous role in problematising accounting (Chua, 1986). Thus, from 1980s onward researchers in the field of accounting began to expand their research beyond organisations, thereby acknowledging its impact in everyday activities and its ability of shaping the social dealings (Chua, 1986).

However, in recent times researchers in accounting and finance disciplines became more interested in critical philosophies by paying more attention to the role of accounting regulations, accounting profession, accounting history and accounting rhetoric through discourse which relates to the society at large (Hopwood, 1987). The researchers in the accounting field argued that more importance should be attached to social and organisational perspective in which accounting operation takes place as it help to shape the wider social approaches (Burchell, et al. 1985; Lowe, and Tinker, 1977).

Researchers such as Lukka and Granlund, 2002; Humphrey and Scapens, 1996; Hopwood, 1983; Willmott, 1983; Scapens, 1990; Scapens & Roberts, 1993; Tomkins and Groves, 1983, recommend that researchers should adopt alternative research techniques such as behavioural and organisational interpretive to investigate nature of accounting practices that allows researchers to adequately interpret accounting practices in a way that will enable them to emphasize on social, political and cultural creation. Dash, (2005) stresses that Interpretivist research is a social reality that is viewed and interpreted by the researcher’s own ideological stands. Furthermore, knowledge is personally generated rather than having been imposed from external. Thus, interpretivists believe that reality is multidimensional and could be challenging (Cohen, et al. 2000). Burrell and Morgan (1979) expressed that interpretive techniques of sociological research, outlining the procedure of understanding the way through which accounting is assembled and reassembled through human activity.

However, the interpretivist approach solicits that research is a procedure of seeking, defining and interpreting in order to get an understanding of a collective meaning. Thus, it is not an exploration for causal associations nor fundamental laws or an objective representation of reality (Hopper and Powell, 1985). Hence, the interpretivist paradigm cannot be generalised to other situations, this has led to criticisms of its inability to evaluate results commendably, due to the subjective nature of interpretive observation behaviour (see Chua, 1986; Mason, 2002), and as such those who apply interpretive approach will have to present their work as convincingly as possible. Nevertheless, when interpretive paradigm is applied in accounting research, it focuses on how players use accounting to give meaning to day-to-day practices and situations by exploring how accounting practice interacts with its environment and other organisational settings, as well as how to rationalise the adoption of a given course of judgement (Hopper and Powell, 1985; Morgan, 1988).

Accounting has a contested history therefore, it is not static this can help to improve our overall understanding of accounting practice, which Chua, (1986, pg. 615) argued that it could tentatively increase “the possibility of mutual communication and influence”. However, interpretive paradigm is seen to be consistent with the research environment given its fortitude and objectives (Saunders, 2007). More-also, with interpretive approach the focus is less on the technical aspect of accounting practice rather it is more on observation in order to offer conceivable interpretation (Smith, 2011).

4.5 Assumptions Statement of Ontology and Epistemology

The nature of social science, applies either a subjective or objective research approach and these two major philosophical techniques are led by various assumptions regarding ontology (i.e. Reality) and epistemology (i.e. Knowledge), human nature (Pre-determined or not) (Burrell and Morgan 1979). As was stated in chapter one, this study focuses on investigating the effect of IFRS adoption in Nigeria on the quality of published financial information. However, to address the stated research objectives, the current study follows a realist ontological position as it investigates ‘how things truly are’ ‘and how things truly work ‘and ‘not how things should be’ (Crotty, 1998, pg.10; Mattessich, 1995, 2009). In research, the nature of reality also has inferences for how we come to know that reality of epistemology (Chua, 1986; Denzin and Lincoln, 1998; Bryman and Bell, 2007; Easterby-Smith, Thorpe, and Jackson, 2008; Silverman, 2010). According to Chua, (1986, pg.604), “[e]pistemological assumptions decide what is to count as acceptable truth by specifying the criteria and process of assessing truth claims.” Furthermore, epistemology does influence our choice of methodology which, according to Denzin and Lincoln (1998, pg.185), “focuses on how we gain knowledge about the world.” Epistemology of positivism focuses on objective empirical analysis of 'facts' about the external world while interpretive or phenomenological epistemology focuses on understanding from the perspective of individual actors (Morgan and Smircich, 1980). Nonetheless, in accounting research area, the positivistic epistemology approach is better represented in the sense that, explanation and prediction are largely stressed rather than prescription, which is one of the characteristics of normative exploration (Ryan, et al. 2002; Burrell and Morgan, 1979).

More precisely, this research follows the functionalist paradigm in accounting exploration by adopting positivistic epistemology approach. Burrell and Morgan (1979) view positivism and anti-positivism (or interpretivist) as an epistemological dichotomy associated with realist and nominalist ontology respectively. Also, under accounting research framework, this paradigm views accounting phenomena as "concrete real-world relations possessing regularities and causal relationships that are amendable to scientific explanation and prediction" (Belkaoui, 1996, pg.10). However, this view is integrated with the positive accounting theory development known as "Rochester School of Accounting" which supports the theories that explain real accounting practice, (i.e. why accountants behave as they do) in relation to goal-oriented, rational and utility maximising behaviour (Jensen, 1983, pg.319).

The positivism philosophy has two major limitations. Thus, "theories are a simplification of reality and the world is complex and changing", (Watts and Zimmerman, 1986, cited in Abd-Elsalam, 1999, pg.19). Furthermore, even close associations between selected variable and objective facts do not provide causation, therefore positivism theory cannot perfectly predict. This is why one main criticism of positive accounting philosophy is that, empirical science does not make positive statement of "what is" (Belkaoui, 1996, pg.58). As stated by Saunders, et al. (2007) the key distinction between qualitative and quantitative research is not the quality rather it is the procedure used. A qualitative approach reflects on perspective of knowledge and research objectives whereas, a quantitative approach uses measurements. So, this study tries to examine the effect of IFRS mandatory adoption on the quality of published accounting information.

However, an investigation of various literature regarding adoption and implementation of International Accounting Standards suggests numerous procedures which could be applied to examine IFRS adoption (Chen, et al. 2008). Most recent literatures on the adoption of IFRS in Nigeria used surveyed, exploratory study with questionnaires administered or a conceptual study such as Umuren and Enang, (2015), Abata (2015), Saidi, Badara and Danrimi, (2014), Umoren and Jeremiah, (2015) and Edogbanya and Kamardin, (2014) in analysing these literatures. To the best of my knowledge, this current study is the first to combine value-relevance and earnings management measures in the Nigerian context to investigate the effect of IFRS on the quality of published financial statement of non-financial firms as well as offering a quantitative approach drawn from firms published financial statements report.

The methodology applied in this research is considered to be the connection between the theoretical and empirical aspect. According to the theoretical framework underpinning this research hinges on agency theory and its sub-set of theories (i.e. market efficiency; signalling or opportunism and capital need theories). Thus, these theories justify the research methodology to test the hypotheses that have been developed, based on these theories. In order to accomplish that, quantitative approach is applied and secondary data collected from the Nigerian Stock Exchange during the period of research which are pre (2007 – 2011) and post (2012 – 2016).

Given, the objective of this present research it becomes apparent that quantitative research is selected as the most suitable approach for testing the tentative hypothesis (where appropriate). This is in line with the positivistic approach described by Wolin, (1973) who states that “methods and techniques are dependent upon epistemological justifications” (cited in Hughes and Sharrock, 1997, pg.12). Furthermore, this is also in line with Creswell (2003, pg.21) who contends that “if the problem is identifying factors that influence an outcome or understanding the best predictors of results, then a quantitative approach is best”. Again, one good advantage of conducting a study of this nature using the positivist approach which is largely based on quantitative data is its generalisability, this implies that an outcome/finding in one situation can be forecast to recur in another when given the same set of variables and settings.

4.6 Research Design

This study adopts the longitudinal research design. The study seeks to describe the pattern of variation that exists in the quality of financial statements as a result of the adoption of IFRS in Nigeria. The study also seeks to determine the direction and magnitude of change in the quality of these published financial statements resulting from the adoption of IFRS.

The study adopted Ohlson, (1995) value relevance model as modified by Müller, (2014) as a measure of quality of financial statements. In particular, the sensitive nature of share prices to specific accounting information such as book value per share, earnings per share, net asset per share and cash flow is used to capture quality of financial statements. Prior studies like Verleun, et al. (2011); Tsalavoutas and Dionysiou, 2014, Kothari, et al. 2005 and Aderin and Otakefe, (2015) support this approach to determining the quality of financial statements.

To ascertain the effect of adoption IFRS on the quality of financial statements we determine the sensitivity of share prices to book value per share, earnings per share, net asset per share and cash flow prior to the adoption of IFRS and subsequent to its adoption in Nigeria. The study gathered panel data for both share prices and accounting information variables for a sample of quoted Nigeria companies for pre-IFRS and post-IFRS periods. We regress the accounting variables on the share price prices for the pre-IFRS panel data, and then for the post-IFRS panel data. By comparing the resulting adjusted R^2 for the two periods, we conclude on the value relevance and hence the quality of financial statement. Specifically, if the adjusted R^2 is greater for the post-IFRS panel data than that of the pre-IFRS period, we conclude that IFRS is more value relevant in the post-IFRS period than the pre-IFRS period, and hence IFRS has a higher quality than the Nigerian GAAP (Collins et al., 1997; Barth et al., 1998; Francis and Schipper, 1999; Lev and Zarowin, 1999; Chamisa, et al., 2012; Kim and Key,2014; Tsalavoutas and Dionysiou, 2014).

For robustness, we approach the study using earnings management accrual model as another proxy for quality of published financial statements. In particular, we use the Modified Jones Model (MJM) to determine the level of earnings management. The residuals for the MJM were compared for the pre- and post-IFRS periods. Using two sample t-test, we ascertain whether there was a significant difference in the level of accruals as determined by the MJM. Where the absolute value of the t-statistic is greater than 0.05, we conclude that there is a significant difference between the means in the pre- and post-adoption period. In particular, where the mean of the residuals (or discretionary accruals) is lower post-IFRS.

4.7 Population and Sample

4.7.1 Population

The population of the study consists of 172 companies listed on the Nigeria stock exchange as at 30thApril 2017. On the date there were 172 companies listed on the Nigerian Stock Exchange (NSE) (Nigerian Stock Exchange, 2017). These companies were listed under 11 industry sectors including (i) Agriculture; (ii) Conglomerates; (iii) Construction/Real Estate; (iv) Consumer Goods; (v) Financial Services; (vi) Healthcare; (vii) ICT; (viii) Industrial Goods; (ix) Natural Resources; (x) Oil and Gas; (xi) Services.

Of these 172 companies 5 are in the agricultural sector, 6 are the conglomerate sector, 7 are in the construction/real estate, 22 are the consumer goods sector, 11 are the health services sector, 7 are the ICT sector, 17 are the industrial goods sector, 4 are the natural resources sector, 12 are the oil and gas sector, 24 are in the services sector.

The population is further divided into 115 non-financial companies and 57 financial companies. However, since accrual models are not amenable to companies in the financial sector because of the definition of accruals in the Modified Jones Model adapted for this study, we confine our study to the 115 non-financial firms quoted on the stock exchange as at April 30th, 2017. This is technically the population for this study.

4.7.2 Sample

The sample is a purposive or judgemental sample of 87 companies (See Appendix II). This is appropriate because of the unavailability of data for some of the companies in the population either because companies were delisted, or their annual reports were complicated by the fact that they were consolidated with their subsidiaries. The sample therefore consisted of 87 companies 5 are in the agricultural sector, 5 are the conglomerate sector, 4 are in the construction/real estate, 18 are the consumer goods sector, 7 are the health services sector, 5 are the ICT sector, 9 are the oil and gas sector, 14 are the industrial goods sector, 2 are the natural resources sector, 3 natural resources, 17 are in the services. The sample is 75.65% of the population, which deemed appropriated by Mugenda and Mugenda (2005). Table 4.1 shows how we arrived at the sample size of 87, while table 4.2 shows the breakdown of the sample into industry sub-sector.

Table 4-1 The Sample Size

Number of Companies quoted on the Nigerian Stock Exchange		172
Excluding:		
Financial firms	57	
Missing data firms	28	85
Final sample size		87

Source: Author's construct

Table 4-2 Sample Breakdown Based on Industry

S/N	SUBSECTOR	NUMBER OF COMPANIES	PERCENTAGE OF SAMPLE
1	Agriculture	5	5.75%
2	Conglomerate	5	5.75%
3	Construction & Real Estate	4	4.60%
4	Consumer Goods	18	20.69%
5	Health Service	7	8.05%
6	ICT	5	5.75%
7	Oil & Gas	9	10.34%
8	Industrial Goods	14	16.09%
9	Natural Resources	3	3.45%
10	Services	17	19.54%
	TOTAL	**87**	**100.00%**

Source: Author's construct

4.8 Data Sources

The study used archival data from secondary source. Accounting variables were hand-sourced from the annual reports of the sampled firms for the period 2007 to 2016. The share prices are sourced from NSE fact book, Data Stream, Salford university database (i.e. Osiris) and publications of the Nigerian Securities and Exchange Commission.

4.9 Hypotheses

To achieve the objectives of the study below, we restate the following null hypotheses:

i. To measure if the mandatory adoption of IFRS in Nigeria has led to an increased value relevance in comparison to the local GAAP issued by the Nigeria Accounting Standard Board;

ii. To measure if the adoption of IFRS has led to incremental value relevance over the past years; and

iii. To measure if the adoption of IFRS has reduced the earning manipulative ability of managers and thus improve the financial reporting quality of firms.

$H_0 1$: There is no significant increase in value relevance of financial statements post-IFRS adoption.

$H_o 2$: There is no significant incremental value relevance post-IFRS adoption in Nigeria.

$H_o 3$: There is no significant decrease in earnings management post-IFRS adoption in Nigeria.

4.10 Value Relevance

The majority of value relevance studies are based on an assessment between market values and book values, this study will investigate value relevance of N-GAAP and IFRS accounting figures by measuring their statistical relationship with the stock market numbers. The approach in this section will include testing whether the relation between book value per share, earnings per share, net asset per share and cash flow with stock prices varies between local accounting principle (N-GAAP) and IFRS. However, with this kind of regression analyses the key variable of interest is the explanatory power of the model (i.e. Adj. R^2); in this case if the adjusted-R^2 is higher in the pre-IFRS adoption period indicate a higher quality of financial statement. Precisely, if the adjusted R^2 is higher for the post-IFRS than that of the pre-IFRS period, we conclude that IFRS is more value relevant in the post-IFRS period than the pre-IFRS period, and hence IFRS has a higher quality than the Nigerian GAAP (Collins, et al. 1997; Barth, et al. 1998; Francis and Schipper, 1999; Chamisa, et al. 2012; Kim and

Key, 2014). More-also, the regression coefficients of the independent variables could also unveil some interesting information which exists between the independent and dependent variable.

The Ohlson, (1995) model is classified as the most popular valuation model use for measuring value relevance (Verleun, et al. (2011). The model is usually applicable when value relevance is investigated over several periods of time because it is very compactable with inter-periods comparison. The study adopted Ohlson, (1995) value relevance model as modified by Müller, (2014) to see the improvements on value relevance of quality of accounting information in the pre and post-IFRS periods. The model consists of two key indicators from financial statements report (i.e. Balance sheet and Income statement) on stock price. The model is defined as follows:

(Pre-IFRS) $SP_{it} = \beta_0 + \beta_1 BV_{it} + \beta_2 EPS_{it} + \beta_3 CF_{it} + \beta_4 NA_{it} + \beta_5 E_{it} + \varepsilon_{it}$..............................(1)

(Post-IFRS) $SP_{it} = \beta_0 + \beta_1 BV_{it} + \beta_2 EPS_{it} + \beta_3 CF_{it} + \beta_4 NA_{it} + \beta_5 E_{it} + \varepsilon_{it}$..............................(2)

Where:
SP_{IT}= Share price at the fiscal year
BV_{it} = book value of company i in year t
E_{it} = net income/share of company i in year t
NA_{it} = net assets of of company i in year t
CF_{it} = cash flow of parents company/share of company i in year t
EPS_{it} = earnings per share of company i in year t

The combined value relevance metrics is measure by the adjusted-R^2 and the regression coefficients of the Ohlson, (1995) model. Thus, after the accounting numbers are obtained for both pre-IFRS and post-IFRS adoption a comparison can then be made between these periods. In this manner it can then be thoroughly investigate whether there has been a change in the quality of published financial information after the mandatory adoption of IFRS in Nigeria. However, given the fact that IFRS been a more principle based regulation, we expect an increase in value relevance after the mandatory adoption of IFRS.

4.11 Earnings Management

Our second metric for measuring quality of published financial statement is earnings management which is often used to assess accounting quality due to the impact it usually has on reported earnings of firms (Chen, et al. 2009; Liou and Yaang, 2008). However, there are basically two ways of measuring earnings management either with discretionary accrual models or the models based on earnings distribution (Verleun, et al. 2011). In this study we select or settle for the discretionary accrual model due to the fact that metrics based on earning distributions are clustered with a lot of ambiguity (McNihols, 2000). Nevertheless, discretionary accrual model is not completely free from errors either but to a lesser degree. According to prior research such as Korthari, et al. (2005) and Verleun, et al. (2011) used discretionary accrual model measures of earnings management. Thus, comparability increases when discretionary accrual model is applied.

However, evidence from prior studies show that various discretionary accrual model has been applied but the Modified Jones Model is by far the most used in those research. The work of Dechow, et al. (1995) revealed that the MJM exhibits more supremacy in detecting earnings management when used for four various samples. Korthari, et al. (2005) developed a further MJM version by providing additional control for heteroscedasticity that is not alleviated by deflating the variable with total-assets. More also, a constant term help to mitigate against problems that arise from omitted size variables, it also produces discretionary accrual methods that are more symmetric by overcoming models misspecification, thus, making the power of comparison test much clearer. Korthari stated further that the inclusion of profitability measure (ROA) is intended to improve the efficiency of performance matching method.

The Modified Jones model (1991) by Kothari, et al. (2005) for calculated discretionary accruals model were defined as the residuals from estimating equation:

(Pre-IFRS) $TACC_{it}/A_{it-1} = \alpha_0 + [\alpha_{1t}(1/A_{it-1})] + \alpha_{2i}[(\Delta REV_{it} - \Delta REC_{it})/A_{it-1}] + \alpha 3i\,(PPE_{it}/A_{it-1}) + \alpha_{4i}\,(Perf._{it}) + \mu_{it}$……………………………………………………………………(3)

(Post-IFRS) $TACC_{it}/A_{it-1} = \alpha_0 + [\alpha_{1t}(1/A_{it-1})] + \alpha_{2i}[(\Delta REV_{it} - \Delta REC_{it})/A_{it-1}] + \alpha_{3i}\,(PPE_{it}/Ait\text{-}1) + \alpha_{4i}\,(Perf._{it}) + \mu_{it}$……………………………………………………………………(4)

Where,

$TACC_{it}$ = total accrual of company I in year t
A_{it-1} = total assets of company I in time t-1
ΔREV_{it}= change in revenue of company I in time t

ΔREC_{it} = change in account receivable of company I in time t
PPE_{it} = property, plant and equipment of company I in time t
μ_{it}, ε_{it} = residuals
Perf. = Performance = Return on Assets (ROAit)

In this thesis, to enable us estimate for performance matching discretionary accruals we followed the Korthari, et al. (2005) by matching each firm's year observation with another from the same industry classification and economic settings. As argued by Korthari, et al. (2005) that the performance matching method based on ROA, thus, applying the Jones model approach result in more salient discretionary accrual measure since the mean and median in the performance connected sub-samples set are close to zero more frequently when compare to the other methods. Korthari, et al. (2005) model was also applied in the work of Sun, N., Salama, A., Hussainey, K., and Habbash, M. (2010).

A recent work by Kothari, et al. (2012) used alternative modified Jones model. They applied panel data models to examine discretionary accruals earnings management by including net income (NI) to the accruals regression in place of ROA whilst other models are the same as the modified Jones model by Kothari, et al. (2005). They suggested further that the modified Jones model by Dechow, et al. (1995) can also be improved upon by adjusting for earnings (i.e. NI).

4.12 Model Specification

The study specifies the following models based on prior studies reviewed (see, Muller, 2014; Verleun, et al. 2011; He, et al. 2009; Chamisa, et al. 2012 Kothari, et al. 2005; Tsalavoutas and Dionysion, 2014 Kim and Key, 2014; Collins, et al. 1997).

Model 1: (Pre-IFRS) $SP_{it} = \beta_0 + \beta_1 BV_{it} + \beta_2 NA_{it} + \beta_3 NI_{it} + \beta_4 CF_{it} + \beta_5 EPS_{it} + \varepsilon_{it}$ ....(1)

Model 2: (Post-IFRS) $SP_{it} = \beta_0 + \beta_1 BV_{it} + \beta_2 NA_{it} + \beta_3 NI_{it} + \beta_4 CF_{it} + \beta_5 EPS_{it} + \varepsilon_{it}$ ....(2)

Model 3: (Pre-IFRS) $TACC_{it}/A_{it-1} = \alpha_0 + [\alpha_{1t}(1/A_{it-1})] + \alpha_{2i}[(\Delta REV_{it} - \Delta REC_{it})/A_{it-1}] + \alpha 3i\,(PPE_{it}/A_{it-1}) + \alpha_{4i}\,(Perf._{it}) + \mu_{it}$..(3)

Model 4: (Post-IFRS) $TACC_{it}/A_{it-1} = \alpha_0 + [\alpha_{1t}\,(1/A_{it-1})] + \alpha_{2i}[(\Delta REV_{it} - \Delta REC_{it})/A_{it-1}] + \alpha_{3i}\,(PPE_{it}/Ait\text{-}1) + \alpha_{4i}\,(Perf._{it}) + \mu_{it}$..(4)

Where
SP_{IT}= Share price at the fiscal year
BV_{it} = book value of company i in year t
E_{it} = net income/share of company i in year t
NA_{it} = net assets of company i in year t
CF_{it} = cash flow of parents company/share of company i in year t
EPS_{it} = earnings per share of company i in year t
$TACC_{it}$ = total accrual of company I in year t
A_{it-1} = total assets of company I in time t-1
ΔREV_{it}= change in revenue of company I in time t
ΔREC_{it} = change in account receivable of company I in time t
PPE_{it} = property, plant and equipment of company I in time t
μ_{it}, ε_{it} = residuals
Perf. = Performance = Return on Assets (ROAit)

4.13 Data Collection

The data collected for this study is secondary data. The data is collected from the Nigerian Stock Exchange for the period of research which are pre (2007 – 2011) and post (2012 – 2016). The data is extracted manually from the annual reports of the companies sampled. The share prices were gathered from the Nigerian Securities and Exchange Commission, Salford university database (i.e. Osiris), related companies website and the Fact Book of the Nigerian Stock Exchange.

4.14 Method of Data Analyses

The study employed the ordinary least square regression analysis. Since the study seeks to ascertain the effect of accounting information on share price, and more than one accounting information variable is employed, the study used the ordinary least square multiple regression method. However, the data gathered has both cross-sectional and time series properties. It is in essence a panel data.

Panel data is preferred as it considers the cross-sectional and time-series characteristics of the sample data. In essence, the panel data analysis accommodates time as well as the heterogeneity effects of the quoted companies. In all, the panel data analysis captures the aforementioned characteristics by including the quoted company's specific effects which may be random or fixed. Moreover, the fixed effect model could be costly in degree of freedom because it is equivalent to the use of a dummy variable for every quoted company. The random effect model, on the other hand, assumes the independence between the error term and the independent variables. In any case, we shall use the *Hausman test* to select between fixed and random panel estimation techniques. However, for ease of comparison, the simple pooled ordinary least square (OLS) as well as the fixed and random effect regression models shall be adopted in this study.

The panel data econometric techniques to be adopted in this study would be unbalanced or balanced panel data regression techniques based on the possibility of some missing data. The use of panel data regression methodology in this study shall be based on three fundamental justifications:

(1) The data to be collected is subject to time and cross sectional attributes and this will enable us to study financial reporting timeliness of firms over time (time series) as well as across the sampled quoted companies (cross-section)

(2) The panel data regression provides better results since it increases sample size and reduces the problem of degree of freedom

(3) The use of panel regression would avoid the problem of multicollinearity, aggregation bias and endogeneity problems (Greene, 2002).

The estimation results would be evaluated based on individual statistical significance test (t-test) and overall statistical significance test (F-test). The goodness of fit of the model would be tested using the coefficient of determination (R-squared). In this study, we hope to conduct descriptive statistics and correlation analysis to properly describe the nature of our data. In conducting all our data analysis, we will use Stata 14 statistical package.

4.15 Chapter Summary

The chapter assesses the different research paradigms in accounting which are classified into the positivist, interpretivist and critical approaches. The central theme of the positivist approach is observation and that the findings in one circumstance can be used to predict another when the same sets of variables under the same situation are applied. For the interpretivist approach, it argues that more emphasis should be placed on the social and organisational perspective/environment in which accounting operations take place.

The credibility of any scientific inquiry to a large extent depends on the ability of such study to be free from any form of subjective bias and the sample to adequately explain the population. This study adopts a longitudinal research design which looks at 87 firms over the period of 10 years (2007-2016) which are equally divided into the pre and post-adoption eras.

The effects of IFRS adoption on value relevance and earnings management will be ascertained by comparing the adjusted R-squared and discretionary accruals in both eras respectively. Because of the unavailability of data, out of the population which consists of 172 listed companies on the Nigerian Stock Exchange, 87 companies (75.65%) make up the sample size which span across ten industries/sub-sectors of the Nigerian economy.

As mentioned above, this study will compare the adjusted R-squared in both eras to find out the effect of IFRS adoption on value relevance; this approach is modeled after Ohlson's 1995 model, while for earnings management, the use of discretionary accruals (which increases comparability) in line with the modified Jones model of 1991 is adopted. The nature of our study makes the use of panel data regression for estimating our specified model necessary because the data gathered has both time series and cross-sectional properties.

The next chapter provides the first part of estimation and analysis of this study. Specifically, the analysis will be centred on value relevance. Different statistical and econometric techniques will be employed so as to provide adequate testing of the relevant research hypothesis.

CHAPTER FIVE

AN ANALYSIS OF VALUE RELEVANCE IN THE IFRS BASED FINANCIAL STATEMENTS

5 Introduction

This chapter focuses on the value relevance analysis which forms the first part of the empirical investigation of the study. This is done through the presentation and analysis of the estimated results based on the first two models specified in chapter four. The chapter is structured into sub-section. The first section presents and discusses the descriptive statistics of data used in the study as well as the Pearson's correlation technique. This is followed by the second section which dwells primarily on empirical analysis using panel data regression in the pre and post adoption periods. The panel data regression technique is also used for a year-by-year cross-sectional analysis. The final section in this chapter contains a robustness check using the difference-in-differences approach and the chapter's summary.

5.1 Descriptive Statistics

The trend behaviour of the variables is first observed through the descriptive statistics (*See Appendices iv - vi*). This is usually an early approach to studying the variables statistical properties. The observed variables are the share price at a given fiscal year, book value of the company equity/share of company (BVit), earnings per share (EPS), net asset of the companies /share of company (NAit), net income of the companies (NIit) and cash flow of the companies (CFit). The Share price is a close proxy for the quality of published financial statements. This becomes relevant because IFRS closely monitors the quality of published financial statements, and thus impacting on the company's quality standard measured by the share price. The descriptive statistics for the preliminary statistical properties of the variables considers the full sample size (2007-2016) and the subsample size 2007-2011 (pre-IFRS) and 2012-2016 (post IFRS) as shown in the tables below.

Table 5.1 shows the distribution of the variables' statistical properties. It must be noted that the major aim of this table is to get a general view of the trend of the variables before they are broken down into smaller samples, particularly into pre and post-adoption periods. During the

2007-2016 periods, the highest mean value was recorded by net income with a value of 48.9 million. This is mainly attributed to the magnitude of the earnings by the firms during the period. Companies' activities tended to boost quality control thereby making their stocks perform well in the capital market and hence, the earnings were significantly larger during the period. Next in the series is the cash flow of companies with a mean value of 24.4 million. The book value of the company's equity, net assets of companies all maintained positive averages within the period of study. It is also worth noticing that the share price during this period maintained a relatively healthy mean value.

Table 5-1 Descriptive Statistics (2007-2016)

Statistic	SharePrice	Book Value	Net Assets	Net Income	EPS	Cash Flow
Mean	28.1	22,719,398.2	22,493,022.6	48,911,883.5	83.4	24,406,486.1
Std. Dev.	84.5	165382974	163676721.5	828664282.3	263.5	184712196.2
Minimum	0	-19,217,754	-19,025,576	-2,900,609,000	-2076	-25,060,091
Maximum	1200	4,580,000,000	4,532,359,473	21,735,465,000	4011.9	1,726,506,461
Obs	870	870	870	870	870	870

On the fluctuation pattern, the net income was the most fluctuating during the period which is understandable because the period combines both the Pre-IFRS and Post-IFRS years and also, considering the volatility of the capital market during these years, it is no surprise that the net income, net assets, cash flow and book values exhibited such volatility. The net income in this period had staggering minimum and maximum values at -2.9 billion and 21.7 billion respectively.

In table 5.2, the pre-IFRS behavioural pattern of the financial variables is presented and some interesting facts were observed. The net income which had the highest mean value during the 2007-2016 periods was the lowest (bar the mean values of share price and earnings per share). The cash flow had the highest mean value in the pre-IFRS period with a value of 22.9 million followed by the book value (21.4 million) and then net assets (21.2 million). Interestingly, net income had the lowest value in this period with -1.6 billion while book value had the highest value with 4.58 billion. All the variables performed well in this era mainly because the economy of the country was in a very healthy condition and growing fast; interest and exchange rates were an investor's dream, and this helped companies' performance. In table 5.3, we examine how the variables fared in the post-adoption period.

Table 5-2 Descriptive Statistics (PRE-IFRS) (2007-2011)

Statistic	SharePrice	BookValue	NetAssets	Net Income	EPS	CashFlow
Mean	23. 2	21,443,86.2	21,226,955.5	3,896,625	85.2	22,861,863.1
Std. Dev.	49.95	221580254.8	219279531.3	230773318.9	199.2	184454566.1
Minimum	0	-2,980,044	-2,950,244	-1,609,820,000	-542.9	-19,012,461
Maximum	455.7	4,580,000,000	4,532,359,473	3,990,726,000	2019	1,726,506,461
Obs	435	435	435	435	435	435

Table 5.3 below shows the descriptive statistics for the selected variables during the post-IFRS period. As expected, most of the variables experienced a significant increase after the adoption of IFRS in Nigeria. Take for instance, the share price which witnessed a massive 41.8% increase in its mean value during the post-adoption period. In the same vein, the mean value of the net income in the post adoption period is twenty-four times its value in the pre-adoption period. Unlike the pre-IFRS era the net income has the highest mean value in this period with 93.9 million, this is followed by cash flow with 25.9 million. Other variables (except earnings-per-share) have higher mean values in the post-IFRS era than they do in the pre-IFRS era.

These findings already provide strong indications for an increase in value relevance after IFRS was adopted in Nigeria. The higher means in this post-adoption period invariably means greater value relevance of accounting information. This increased value relevance of accounting information could be attributed to the higher mean under IFRS. Also, in 2012, Nigeria witnessed a drastic growth of its capital market that attracted many investors as evidenced by the growing number of investors in the Nigerian economy. This growth of numbers of investors greatly improved the bond registration of the Nigerian domestic currency with JP Morgan's currency index in the year 2012 (CBN, 2015). Additionally, the local bond reported a significant boost in 2013 in Nigeria because of the inclusion in the sovereign bonds of Barclay's Emerging bond index (CBN, 2015). In this same post-adoption period, 2013 to be exact, the Nigerian Stock Exchange reported that market capitalization during the period recorded a growth rate of 13.55% in December 2012 with consistent growth of about 0.61% on a daily basis (NSE, 2013).

Table 5-3 Descriptive Statistics (POST-IFRS) (2011-2016)

Statistic	SharePrice	Book Value	Net Assets	Net Income	EPS	Cash Flow
Mean	32.9	23,948,576.6	23,713,190.1	93,924,105.4	81.7	25,987,644.8
Std. Dev.	108.5	76009432.8	75267817.2	1147935561.2	315.2	185378318.4
Minimum	0	-19,217,754	-19,025,576	-2,900,609,000	-2076	-25,060,091
Maximum	1200	805,000,000	797,345,000	21,735,465,000	4011.9	1,726,506,461
Obs	435	435	435	435	435	435

This era also sees net income with staggering minimum and maximum values at -2.9 billion and 21.7 billion respectively. The standard deviation statistic shows that the degree of variability increased in this period with variables such as the share price seeing a 117.2% increase in its standard deviation. Moreover, the variability of net income increased in the post-adoption period as seen by the standard deviation values in both periods. This is probably consistent with a decrease in earnings smoothing. Despite the economic downturn which took place in this period, there was a contemporaneous significant increase in the mean levels as well as the variability of key variables. It must also be noted however that the increase in standard deviation in the post-adoption period means that some of the key variables have become more volatile.

Generally, the adoption of IFRS in Nigeria has positively affected the overall financial performance and position of firms as key financial figures, such as net income, net assets and cash flow, appear to be higher after the mandatory adoption. This is in line with the findings of Iatridis, (2010) who finds that IFRS implementation has favourably affected the financial performance of firms in the United Kingdom. Similarly, Blanchette, (2011) also found that IFRS adoption increased growth and profitability in Canada.

In an effort to understand the univariate relationships between the variables, make use of the Pearson correlation technique which is shown in the tables 5.4, 5.5 and 5.6. **(*For original tables, see Appendices vii-ix*).**

Table 5.4 shows the univariate correlation coefficients between the six variables used in the first two models of the study. A cursory look shows that all the variables have a positive relationship with each other. The strongest positive relationship is between cash flow and net income which have a correlation coefficient of 0.6486. This is followed by the relationship between share price and earnings per share. On the other hand, the weakest relationship is between the net income and the book value. All the coefficients are statistically significant at the 5% level. Apart from the correlation coefficient of cash flow and net income, all the other coefficients are low, and this serves as an early indication of the absence of multicollinearity. Next, we take a look at the correlation matrix in both the pre-IFRS and post-IFRS eras.

Table 5-4 Pearson Correlation Matrix (2007 – 2016)

	Lnshareprice	lnBVit	lnNAit	lnNIit	lnCFit	lnEPS
lnshareprice	1.0000 [870]					
lnBVit	0.4256* (0.0000) [870]	1.0000 [870]				
lnNAit	0.2749* (0.0000) [870]	0.1973* (0.0000) [870]	1.0000 [870]			
lnNIit	0.4189* (0.0000) [870]	0.1763* (0.0000) [870]	0.4389* (0.0000) [870]	1.0000 [870]		
lnCFit	0.3855* (0.0000) [870]	0.2035* (0.0000) [870]	0.4148* (0.0000) [870]	0.6486* (0.0000) [870]	1.0000 [870]	
lnEPS	0.4498* (0.0000) [870]	0.1960* (0.0000) [870]	0.1669* (0.0000) [870]	0.2822* (0.0000) [870]	0.3124* (0.0000) [870]	1.0000 [870]

**** - Significant at5% level   ( ) – p-value   [ ] – number of observations***

Table 5.5 shows the correlation coefficients between the variables during the pre-IFRS era. Again, all the variables have a positive relationship with each other. The strongest positive relationship is between cash flow and net income which have a correlation coefficient of 0.6022. This is followed by the relationship between share price and earnings per share. On the other hand, the weakest relationship is between the net income and the book value. It can be seen that there is a similar trend with the earlier discussed correlation matrix and all the coefficients are still statistically significant at the 5% level. Just like earlier observed, all the correlation coefficients are relatively low which indicates absence of multi-collinearity amongst the variables.

Table 5-5 Pearson Correlation Matrix (PRE-IFRS) (2007 – 2011)

	Lnshareprice	lnBVit	lnNAit	lnNIit	lnCFit	lnEPS
lnshareprice	1.0000 [435]					
lnBVit	0.3372* (0.0000) [435]	1.0000 [435]				
lnNAit	0.1810* (0.0001) [435]	0.0000 (0.0000) [435]	1.0000 [435]			
lnNIit	0.3455* (0.0000) [435]	0.0967* (0.0439) [435]	0.3818* (0.0000) [435]	1.0000 [435]		
lnCFit	0.3347* (0.0000) [435]	0.0000* (0.0000) [435]	0.3456* (0.0000) [435]	0.6022* (0.0000) [435]	1.0000 [435]	
lnEPS	0.4570* (0.0000) [435]	0.1159* (0.0156) [435]	0.1645* (0.0006) [435]	0.3239* (0.0000) [435]	0.3748* (0.0000) [435]	1.0000 [435]

***** - Significant at5% level** **( ) – p-value** **[ ] – number of observations**

Source: **Author's Computation using Stata**

In the post-IFRS era, the Pearson correlation coefficient continues to follow a similar trend as observed in the pre-IFRS era with all the variables having a positive relationship with each other (See table 5.6). Again, the strongest positive relationship is between cash flow and net income which have a correlation coefficient of 0.7139. This is followed by the relationship between share price and earnings per share. Conversely, the weakest relationship is between the net assets and earnings per share. All the coefficients in this era are also statistically significant at the 5% level. It is important to note that the positive relationship between the variables and share price implies that such variables such as book value, net income and earnings per share exert a positive influence on share price. Looking at the trend of these variables especially in the post-IFRS era reveals that there was a steady increase in their values and if this is the case, it essentially means that share price has also increased in the post-adoption period.

Table 5-6 Pearson Correlation Matrix (POST-IFRS) (2012 – 2016)

	Lnshareprice	lnBVit	lnNAit	lnNIit	lnCFit	lnEPS
lnshareprice	1.0000 [435]					
lnBVit	0.5314* (0.0000) [435]	1.0000 [435]				
lnNAit	0.3775* (0.0000) [435]	0.3521* (0.0000) [435]	1.0000 [435]			
lnNIit	0.4730* (0.0000) [435]	0.2602* (0.0000) [435]	0.5040* (0.0000) [435]	1.0000 [435]		
lnCFit	0.4525* (0.0000) [435]	0.3843* (0.0000) [435]	0.4834* (0.0000) [435]	0.7139* (0.0000) [435]	1.0000 [435]	
lnEPS	0.4405* (0.0000) [435]	0.2998* (0.0000) [435]	0.1895* (0.0000) [435]	0.2485* (0.0000) [435]	0.2783* (0.0000) [435]	1.0000 [435]

**** - Significant at5% level*** ***( ) – p-value*** ***[ ] – number of observations***

The above sub-section has carefully considered the descriptive statistics and Pearson's correlation matrix of the study variables and the findings have set a solid and promising foundation on which the rest of the analysis in this chapter will build upon. With the results from the descriptive statistics, it is seen that key financial variables were significantly improved after the adoption of IFRS in Nigeria. Similarly, the Pearson's correlation results reveal a positive interrelationship between the variables which is of a higher magnitude in the post-adoption era. However, these results are preliminary in nature which is why the empirical analysis in the next section is necessary.

5.2 Empirical Analysis of Estimation Results

Having looked at the descriptive statistics which explained trend behaviour in the previous section, an empirical analysis and estimation of the models earlier specified will be done in this section. Due to the nature of the data, for the first two models, the natural logarithm (LN) of all the data were computed and used for the panel regression. This was done so as to contain the degree of extremes noticed in the data. The univariate correlation coefficients are generally low in this period except for cash flow and net income suggesting absence of multicollinearity. We therefore proceed to the panel data regression in the next section. (***Full results on Appendices x-xii***)

5.3 Value relevance and IFRS based financial statements

In line with previous studies such as Iatridis, (2010) and as earlier indicated in the fourth chapter, the panel data regression will reveal the adjusted r-squared which is vital in drawing inferences or making decisions related to value relevance. In this section, the panel data estimates will be done in the pre and post adoption periods as well as for all the periods together. This will help to provide a perspective on the impact of IFRS on value relevance and in the same vein, enable the testing of the first hypothesis as stated below;

5.3.1 Hypothesis 1 – H_0: There is no significant increase in value relevance of financial statements post-IFRS adoption.

The interpretation of the below panel regression result is done based on statistical and econometric criteria. The model included the basic factors affecting share price namely book value, Net assets, net income, cash flow and earnings-per-share in the pre-IFRS era. All the variables in the model conform to the expected signs because of the positive influence they have on share price. We cannot at this point observe the effect of the adoption of IFRS on share price and value relevance until we make an analysis of the post-IFRS but before then, we take a look at the regression coefficients, that is, the effects of the independent variables on share price during this period.

Table 5-7 Panel Regression – Model 1: Pre-IFRS (2007 – 2011)

	Dependent Variable – Share Price		
Variables	Co-efficient	t-statistic	p-value
Intercept	1.500998*** (0.296022)	5.07	0.0000
Book Value	0.213399*** (0.030450)	7.01	0.0000
Net Assets	0.008150 (0.018355)	0.44	0.6570
Net Income	0.040929*** (0.015138)	2.70	0.0070
Cash Flow	0.025357** (0.012353)	2.05	0.0410
Earnings per Share	0.221020*** (0.028226)	7.83	0.0000
F-stat. (5, 429) = 43.17		R-squared = 0.3347	
Prob (F-stat.) = 0.0000		Adj. R-squared = 0.3270	
Total Panel Observations = 435		Root MSE = 1.3227	

Standard errors in parenthesis.
Significance levels: *<0.10, **<0.05, ***<0.01.

From the result, it can be seen that book value has a positive and significant impact on share price as a percentage increase in book value leads to 21.34 percent increase in share price. The p-value indicates that this relationship is significant at 1%, 5% and 10% levels of significance. Similarly, there is a positive and significant relationship between cash flow and share price as a percent increase in cash flow will cause share price to increase by 2.54 percent.

Net income also has a positive impact on share price as one percent increase in net income will cause share price to rise by 4.09 percent. Net assets positively impact share price as a percentage increase in Net assets causes share price to increase by 0.82percent. Earnings-per-share significantly impacts share price positively as a percentage increase in earnings-per-share will cause share price to increase by 22.10 percent.

The intercept value of 1.500998 implies that without all the independent variables used in this regression or if they are held constant, then the share price will have a value of 1. 500998. The test of individual significance of each of the independent variables was done using the t-statistics and their respective p-values. The t-ratios and their respective p-values reveal that all the coefficients of net income, book value, earnings-per-share and the intercept are statistically significant at 1% significance level that of cash flow is significant at 5%, while the coefficient of net asset is not statistically significant.

The model has relatively decent explanatory and predictive powers as suggested by the R-squared and the adjusted R-squared values respectively considering the fact that the regression is cross-sectional in nature. The R-squared value of 0.3347 suggests that about 33.47% of the systematic variations in share prices can be explained jointly by book value, net income, net assets, cash flow and earnings-per-share. This implies that there are other variables that significantly impact share price but due to the fact that this is a panel regression dealing with about 87 companies, it would not make sense econometrically to try and capture all those variables in our model. The adjusted R-squared value of 32.70% shows that the model has a relatively good predictive power. The goodness-of-fit of the model is further emphasized by the statistical significance of the F-statistics which is 43.17 with a p-value of 0.0000 this means that all the explanatory variables taken together are significant. In summary, in the pre-IFRS era, the model is good, and the explanatory variables are good instruments for attaining a high and positive share price.

As with the pre-IFRS model, this panel regression result is done based on statistical and econometric criteria. The model included the basic factors affecting share price such as book value, net income, net assets, cash flow and earnings-per-share in the post-IFRS era.

Table 5-8 Panel Regression – Model 2: Post-IFRS (2011 – 2016)

Dependent Variable – Share Price			
Variables	Co-efficient	t-statistic	p-value
Intercept	1.611340*** (0.386147)	4.17	0.0000
Book Value	0.344129*** (0.038876)	8.85	0.0000
Net Assets	0.027796 (0.021647)	1.28	0.2000
Net Income	0.073986*** (0.014299)	5.17	0.0070
Cash Flow	0.007063 (0.025761)	0.46	0.6470
Earnings per Share	0.168539*** (0.386147)	6.54	0.0000
F-stat. (5, 429) = 73.16		R-squared = 0.4602	
Prob (F-stat.) = 0.0000		Adj. R-squared = 0.4539	
Total Panel Observations = 435		Root MSE = 1.3211	

Standard errors in parenthesis.
Significance levels: *<0.10, **<0.05, ***<0.01.

First, looking at the regression coefficients, it can be seen that the result here is quite similar to the earlier one in that all the independent variables have a positive impact on share price. However, upon further observation, it is found that book value increases its influence on share prices under IFRS with a positive and significant impact as a percentage increase in book value leads to34.41percent increase in share price. This is consistent with Paglietti, (2009) findings in a study that examined the effects of mandatory adoption of IFRS on Italian listed companies.

Likewise, net income has a significant and positive impact on share price as one percent increase in net income will cause a 7.40 percent increase in share price. Cash flow also has a positive impact on share price as a percentage increase in cash flow will cause share price to rise by 0.71 percent. In the Post-IFRS era, net assets still have a positive outcome but not statistically significant impact on share price as a percentage increase in net assets causes share price to increase by 2.78 percent.

Lastly, earnings per share impacts share price positively as a percentage increase in earnings-per-share will cause share price to increase by16.85 percent and this relationship is statistically significant. There is a general observation that share price always moves up with an increase in earnings per share and since this holds in both the pre and post adoption periods, a major deciding factor on the importance of IFRS adoption will have to lie on whether value relevance is increased post-adoption or not. However, the higher association between accounting numbers and share prices in the post-adoption period indicates that investors consider accounting information useful for their economic decisions.

The intercept value of 1.6113 implies that without all the independent variables used in this regression or if they are held constant, then share price will be 1.6113. It can be noticed that this value is higher than it was in the Pre-IFRS era. Using the coefficients t-statistic and their respective p-values, the test of individual significance reveals that the coefficients of book value, net income, earnings per share and the intercept are statistically significant at 1% level of significance while the coefficient of net assets and cash flow are not significant. It can be seen that the magnitude of significance in the post-IFRS period is larger than that of the pre-IFRS era.

It is, however, interesting to note that in the pre and post adoption periods, book value, net income and earnings per share have significant effects on the share price. Aderin and Otakefe, (2015) also had such findings and their rationale for it was based on the fact that these variables are very important indicators to investors of a firm's performance. If this is the case, then the value relevance provided by such information cannot be overemphasised because this is what will guide investors in making decisions in the capital market.

The model has good explanatory and predictive powers as suggested by the R-squared and the adjusted R-squared values. The R-squared value of 0.4602 suggests that about 46.02% of the systematic variations in share prices can be jointly explained by book value, net income, net assets, cash flow and earnings-per-share. The adjusted R-squared value of 45.39% shows that the model has a relatively good predictive power. The adjusted R-squared in this era is higher than the one in pre-IFRS era. This indicates that in this era, there is an increase in value relevance of firms and hence higher quality of information and this suggests that IFRS adoption has a significant positive effect on the quality of published financial information. This is in agreement with the findings of Iatridis, (2010), Liu, et al. (2012); Kargin, (2013); Muller, (2014); Okoye, et al. (2014); Aderin and Otakefe, (2015) and Abubakar, Abdulsallam and Alkali, (2017).

Similarly, the adjusted R-squared value being higher in the post-IFRS era suggests that the adoption of IFRS has a significant and positive effect on the quality of published financial information. Okoye, et al. (2014); Muller, (2014) and Aderin and Otakefe, (2015) also made such discovery. With this overwhelming evidence, we can reject the first null hypothesis which states that, there is no significant increase in value relevance of financial statements post-IFRS adoption. The goodness-of-fit of the model is further emphasized by the statistical significance of the F-statistics which is 73.16 with a p-value of 0.0000. This means that all the explanatory variables taken together are significant. In summary, in the Post-IFRS era, the model is good, and the explanatory variables are good instruments for attaining a high and positive share price.

Next, we take a look at what happens when both eras are combined together;

Table 5-9 Panel Regression (2007 – 2016)

	Dependent Variable – Share Price		
Variables	Co-efficient	t-statistic	p-value
Intercept	1.413478*** (0.023203)	6.09	0.0000
Book Value	0.262347*** (0.023583)	11.12	0.0000
Net Assets	0.018263 (0.013967)	1.31	0.1910
Net Income	0.060593*** (0.010149)	5.97	0.0000
Cash Flow	0.019269** (0.009443)	2.04	0.0420
Earnings per Share	0.199308*** (0.018838)	10.58	0.0000
F-stat. (5, 429) = 112.58		R-squared = 0.3945	
Prob (F-stat.) = 0.0000		Adj. R-squared = 0.3910	
Total Panel Observations = 870		Root MSE = 1.3291	

Standard errors in parenthesis.
Significance levels: *<0.10, **<0.05, ***<0.01.

As with both models earlier analysed, this regression result is also done based on statistical and econometric criteria. The model included the basic factors affecting share price such as book value, net income, net assets, cash flow and earnings-per-share in the pre & post-IFRS era (See table 5.9). Here, the book value maintains a positive and significant impact on share price as a percentage increase in book value leads to26.23percent increase in share price.

Net assets and cash flow both have positive but not significant impacts on share price while earnings per share still significantly impacts share price positively as a percentage increase in earnings per share will cause share price to increase by19.93 percent. The intercept value of 1.4135implies that without all the independent variables used in this regression or if they are held constant, then share price will have a value of 1.4135. The test of individual significance reveals that all the coefficients except net assets and cash flow are statistically significant.

This model like the previous ones has relatively decent explanatory and predictive powers as suggested by the R-squared and the adjusted R-squared values respectively. The R-squared value of 0.3945 suggests that about 39.45% of the systematic variations in share prices can be explained by book value, net income, net assets, cash flow and earnings-per-share. The adjusted R-squared value of 39.10% shows that the model has a relatively good predictive power. The F-statistics which is 112.58 with a p-value of 0.0000 this means that all the explanatory variables taken together are significant.

One of the highlights of the analysis done is that value relevance and quality of published financial information is higher in the Post-IFRS era than it is in the Pre-IFRS, this is further emphasized by another regression result (*which can be found in* **Appendix xxxiv**) which was done using a dummy variable. The value of 0 was assigned to the pre-IFRS era while the value of 1 was assigned to the post-IFRS era. The dummy variable coefficient of 0.153171 which is positive and statistically significant at 10% level of significance therefore gives more credibility to our earlier findings on value relevance and also suggests that the share prices were higher in the post-IFRS era than they are in the pre-IFRS era.

5.4 Value Relevance Test using Trend Analysis

In this section, we look at the adjusted R-squared from the pre-adoption period (2007-2011) to the post-adoption period (2012 – 2016). Also, considering that 2012 was the year IFRS was adopted in Nigeria, it was set as the base year for further analysis. The result is presented in table 5.10.

Table 5-10 Adjusted R-Squared from pre-IFRS to post-IFRS period

Panel A: Pre-IFRS			Panel B: Post-IFRS		
	Adjusted R^2	**F-stat (P-value)**		**Adjusted R^2**	**F-stat (p-value)**
2007	0.4192	13.41 **(0.0000)*****	**2012 (BaseYear)**	0.3414	9.92 **(0.0000)*****
2008	0.3243	9.25 **(0.0000)*****	2013	0.4373	14.37 **(0.0000)*****
2009	0.2771	7.59 **(0.0000)*****	2014	0.5254	20.04 **(0.0000)*****
2010	0.3984	12.39 **(0.0000)*****	2015	0.5020	18.34 **(0.0000)*****
2011	0.4180	13.35 **(0.0000)*****	2016	0.4012	12.53 **(0.0000)*****

Source: ***Author's Computation (2017)***

***** Sig. at 1%** **** Sig. at 5%** *** Sig. at 10%**

From table 5.10, the adjusted R-squared, F-statistic and their respective p-values from 2007 to 2016 can be seen. 2012 is tagged the base year because that is the year that the adoption of IFRS was mandated in Nigeria, it can also be seen as a transitional year from the old GAAP system to IFRS. The adjusted R-squared saw a steady decline from 2007 (41.92%) till 2009 (27.71%). It witnessed a significant increase in the following two years (2010 – 2011) but fell again in the next year which is the transitional year (2012). However, in the next year (2013), the adjusted R-squared witnessed a very significant increase with the value of 0.4373 and increased even further in 2014 with 52.54% (See table 5.10 panel B). However, in the years 2015 and 2016, there was a decline in the adjusted R-squared values, especially in 2016.

This change and decrease in value might be due to the political and economic environment of Nigeria. As earlier discussed in chapter three of this study, the structure of Nigeria's economy is largely based on oil-related activities which date back to the oil boom era of the 1970s, according to Anyanwu, et al. (1997) this fundamental change eventually led to the overdependence on oil revenues as the major source the country's national income. For the purpose of this study, focus will be placed between 2014 – 2016, when Nigeria's economy started to pay dearly for its neglect of non-oil sources of revenue and as a result of this, the crash of oil price in 2014 led to series of after-shock effects which plunged the economy into recession by 2015 (NBS, 2015). Concurrently, the political scene during this period was not friendly for the accounting practice; granted, the democratic system of governance in Nigeria since 1999 has brought some form of stability, however, political rent-seeking and corruption still persists which according to Soderstrom and Sun, (2007), has a direct effect on the quality of financial reporting. Also, in 2015, there was a significant regime change in the leadership structure as the nation's ruling party was defeated by the opposition party in the presidential polls causing quite a stir in the political landscape. All these contributed significantly in adversely affecting various financial variables in Nigeria.

Moreover, the fall in value relevance was greatest in 2016, a year of political uncertainty occasioned by the tense pressure generated by the general election. Also, the fall in crude prices, general fall in the value of the naira, depletion of the foreign reserves and rise in inflation rate characterize this period. These factors could have weakened the value relevance of IFRS in the post adoption years as well as highlight the peculiar circumstances of the Nigerian economic and political environments. The accompanying F-statistics were significant in all the years at 1% significance level. It can also be seen from the table that the F-statistics and their statistical significance were strongest in the post-IFRS period.

Bringing the base year (2012) into perspective, the year before and after it will serve as proxies for the pre-IFRS and post-IFRS periods respectively. That is, while 2011 will serve as the pre-adoption period, 2013 will serve as the post-adoption period. In 2011 (pre-IFRS), the adjusted R-squared had a value of 0.4180 (41.80%) while in 2013 (post-IFRS), the adjusted R-squared had a value of 0.4373 (43.73%) which is higher than that of the pre-adoption period. This goes to show that the value relevance and quality of published financial information is higher in the post-adoption period. Generally, the results of value relevance tests done so far strongly indicate that the mandatory adoption of IFRS in Nigeria has improved the quality of published financial information, that is, the ability of accounting numbers to provide investors with useful information to aid their investment decision-making.

5.5 The Effect of IFRS Adoption on Value Relevance using Chronological and Year-Specific Analysis

Having seen the estimations of the model in both the pre and post-adoption periods, we will take a look at the yearly cross-sectional regressions of share price on the book value, net assets, net income, cash flow and earnings per share. This method was employed by Kargin, (2013) in his study on the impact of IFRS on the value relevance of accounting information from Turkish firms. The regression results are presented chronologically, and we will examine some of the major issues that occurred within the fiscal years in study before the IFRS adoption year and the years after. (***Full results on Appendix xiii***)

Table 5-11 Yearly Panel Regression (2007)

	Dependent Variable – Share Price		
Variables	Co-efficient	t-statistic	p-value
Intercept	0.3383643 (0.7124448)	0.47	0.636
Book Value	0.1593272** (0.0610925)	2.61	0.011
Net Assets	0.0527259 (0.0511970)	1.03	0.306
Net Income	-0.0273437 (0.0439133)	-0.62	0.535
Cash Flow	0.1711063*** (0.0336864)	5.08	0.000
Earnings per Share	0.0486449 (0.0770339)	0.63	0.530
F-stat. (5, 429) = 13.41		R-squared = 0.4602	
Prob (F-stat.) = 0.0000		Adj. R-squared = 0.4539	
Total Panel Observations = 87	Root MSE	= 1.2973	

Standard errors in parenthesis.
Significance levels: *<0.10, **<0.05, ***<0.01.

From table 5.11 regression result, it can be seen that all the variables (except net income) had a positive impact on share price. The variables that were statistically significant are book value and cash flow. This shows that the firms in this year were experiencing a healthy financial and liquidity positions. It is also important to note that this is the year that the global financial crisis, heralded by the sub-prime mortgage crisis, hit full gear. However, the effect was not felt in the Nigerian business environment until mid-2008. The p-value of the F-statistics emphasizes the overall significance of the model.

Table 5-12 Yearly Panel Regression (2008)

Dependent Variable – Share Price			
Variables	Co-efficient	t-statistic	p-value
Intercept	1.8485010*** (0.6000965)	3.08	0.003
Book Value	0.1570333** (0.0640653)	2.45	0.016
Net Assets	-0.0506047 (0.0449673)	-1.13	0.264
Net Income	0.0251872 (0.0364470)	0.69	0.492
Cash Flow	0.0738084** (0.0282985)	2.61	0.011
Earnings per Share	0.2072741*** (0.0701228)	2.96	0.004
F-stat. (5, 429) = 9.25		R-squared = 0.3636	
Prob (F-stat.) = 0.0000		Adj. R-squared = 0.3243	
Total Panel Observations = 87	Root MSE	= 1.2902	

Standard errors in parenthesis.
Significance levels: *<0.10, **<0.05, ***<0.01.

As earlier mentioned, the financial crisis was felt in mid-2008 but from the results in table 5.12, the financial and liquidity position of firms held steady as seen by the positive and significant effects by book value, earnings per share and cash flow on share price but unlike the previous year, net assets which had a positive influence on share price now has a negative influence on share price. Here, earnings per share have a more pronounced effect on share price than the previous year. The F-statistics is statistically significant indicating the overall significance of the model.

Table 5-13 Yearly Panel Regression (2009)

Dependent Variable – Share Price			
Variables	Co-efficient	t-statistic	p-value
Intercept	1.4965120** (0.6578557)	2.27	0.026
Book Value	0.1915341*** (0.0667501)	2.87	0.005
Net Assets	0.0356362 (0.0391558)	0.91	0.365
Net Income	0.0524840 (0.0337502)	1.56	0.124
Cash Flow	-0.0586640* (0.0316265)	-1.85	0.067
Earnings per Share	0.3072227*** (0.0672387)	4.57	0.000
F-stat. (5, 429) = 7.59		R-squared = 0.3191	
Prob (F-stat.) = 0.0000		Adj. R-squared = 0.2771	
Total Panel Observations = 87	Root MSE	= 1.3432	

Standard errors in parenthesis.
Significance levels: *<0.10, **<0.05, ***<0.01.

By the year 2009, April to be precise, the All Shares Index (ASI) of the Nigerian stock exchange had shed about 70% of its value and by this time, the financial crisis was starting to crystallize into an economic slowdown characterized by credit crunch (CBN, 2010). This is evident in the regression result in table 5.13 where cash flow exerts a negative influence on share price.

In fact, 2009 was indeed a year in which the challenges posed to the world economy translated into a massive challenge and uncertainty in the Nigerian economy. Interestingly, the impact of earnings per share was up by 48% from the previous year and also statistically significant despite the unfavourable conditions in the capital market. The book value, net income and net assets also had more influence on the share price in this year compared to the previous year. The overall significance of the model as emphasized by the statistical significance of the F-statistic is still valid in this model.

Table 5-14 Yearly Panel Regression (2010)

	Dependent Variable – Share Price		
Variables	Co-efficient	t-statistic	p-value
Intercept	1.370533** (0.5889861)	2.33	0.022
Book Value	0.262460*** (0.0678334)	3.87	0.000
Net Assets	0.037609 (0.0367767)	1.02	0.310
Net Income	0.076695** (0.0290928)	2.64	0.010
Cash Flow	-0.015632 (0.0227942)	-0.69	0.495
Earnings per Share	0.212553*** (0.0590468)	3.60	0.001
F-stat. (5, 429) = 12.39		R-squared = 0.4334	
Prob (F-stat.) = 0.0000		Adj. R-squared = 0.3984	
Total Panel Observations = 87	Root MSE	= 1.2318	

Standard errors in parenthesis.
Significance levels: *<0.10, **<0.05, ***<0.01.

A closer observation of the regression result in table 5.14 reveals that except for cash flow and earnings per share, the other independent variables exerted a higher influence on share price than in the previous year. This year can somewhat be seen as the year that the recovery process started albeit minimally. However, the impact of cash flow on share price remained negative while there was a decline in the impact of earnings per share on share price. The F-statistic as in the previous years is statistically significant.

Table 5-15 Yearly Panel Regression (2011)

	Dependent Variable – Share Price		
Variables	Co-efficient	t-statistic	p-value
Intercept	3.2034370*** (0.8465406)	3.78	0.000
Book Value	0.4646787*** (0.0984786)	4.72	0.000
Net Assets	-0.0180910 (0.0369935)	-0.49	0.626
Net Income	0.0578976* (0.0297662)	1.95	0.055
Cash Flow	-0.0056610 (0.0253729)	-0.22	0.824
Earnings per Share	0.1552738*** (0.0553999)	2.80	0.006
F-stat. (5, 429) = 13.35		R-squared = 0.4519	
Prob (F-stat.) = 0.0000		Adj. R-squared = 0.4180	
Total Panel Observations = 87	Root MSE	= 1.250	

Standard errors in parenthesis.
Significance levels: *<0.10, **<0.05, ***<0.01.

The year 2011 marks the end of the Pre-IFRS era and judging by the coefficients of the regression result in table 5.15, all the variables except book value had lesser impact on share price than they did in the previous year. It is important to note that book value has been increasing and remained statistically significant since 2007. The study by Kargin, (2013) also had similar findings.

Table 5-16 Yearly Panel Regression (2012)

Dependent Variable – Share Price			
Variables	Co-efficient	t-statistic	p-value
Intercept	2.6662550*** (0.8499319)	3.14	0.002
Book Value	0.2990497*** (0.0889532)	3.36	0.001
Net Assets	-0.0689584 (0.0497069)	-1.39	0.169
Net Income	0.0917184** (0.0350739)	2.62	0.011
Cash Flow	0.0090804 (0.0306726)	0.30	0.768
Earnings per Share	0.1550079** (0.0620514)	2.50	0.015
F-stat. (5, 429) = 9.92		R-squared = 0.3797	
Prob (F-stat.) = 0.0000		Adj. R-squared = 0.3414	
Total Panel Observations = 87	Root MSE	= 1.3682	

Standard errors in parenthesis.
Significance levels: *<0.10, **<0.05, ***<0.01.

This year serves as a gateway, sort of, into the post-adoption period as this is the year IFRS was adopted in Nigeria. In this year, the all share index of the Nigerian Stock Exchange hit a 35% growth rate and for the first time since 2008, the coefficient of cash flow is seen to be positive while that of book value declined by 35.6%, its first ever decline since 2007. The coefficients of book value, net income and earnings per share are however statistically significant and so is the F-statistics, implying the overall statistical significance of the model (See table 5.16).

Table 5-17 Yearly Panel Regression (2013)

Dependent Variable – Share Price			
Variables	Co-efficient	t-statistic	p-value
Intercept	2.1294910** (0.9770239)	2.18	0.032
Book Value	0.3661816*** (0.0940133)	3.89	0.000
Net Assets	-0.0061256 (0.0570091)	-0.11	0.915
Net Income	0.0733070** (0.0362871)	2.02	0.047
Cash Flow	0.0214734 (0.0326579)	0.66	0.513
Earnings per Share	0.1925727*** (0.0622972)	3.09	0.003
F-stat. (5, 429) = 14.37		R-squared = 0.4701	
Prob (F-stat.) = 0.0000		Adj. R-squared = 0.4373	
Total Panel Observations = 87	Root MSE	= 1.3667	

Standard errors in parenthesis.
Significance levels: *<0.10, **<0.05, ***<0.01.

This year being the first post-adoption year saw all-round significant increases in the coefficients of the independent variables except net assets (See table 5.17). Book value, net income, cash flow and earnings per share all had increased impacts on share price compared to the previous year. Also, the adjusted R-squared saw a 28% increase from its value in the previous year thereby presenting strong evidence of increased value relevance and quality of published financial information in the post-adoption period. The F-statistic is also significant at 1% level of significance.

Table 5-18 Yearly Panel Regression (2014)

	Dependent Variable – Share Price		
Variables	Co-efficient	t-statistic	p-value
Intercept	1.652226* (0.9336128)	1.77	0.081
Book Value	0.4640418*** (0.0943139)	4.92	0.000
Net Assets	0.0791365 (0.0477717)	1.66	0.101
Net Income	0.1202379*** (0.0380798)	3.16	0.002
Cash Flow	-0.058870 (0.0461589)	-1.28	0.206
Earnings per Share	0.1527689*** (0.0552673)	2.76	0.007
F-stat. (5, 429) = 20.04		R-squared = 0.5530	
Prob (F-stat.) = 0.0000		Adj. R-squared = 0.5254	
Total Panel Observations = 87	Root MSE	= 1.2594	

Standard errors in parenthesis.
Significance levels: *<0.10, **<0.05, ***<0.01.

From a global perspective, analysts around the world agree that the world showed signs of recovery at a cautious but incremental pace in 2013 (CBN, 2015). This was also carried over to the year 2014 as evidenced by the remarkable growth in the capital market; the All Share Index of the Nigerian Stock Exchange had a recovery growth rate of 43.28%, a more impressive growth than that of 2012 at 35% (NSE, 2015). The evidence of the assertions made above is clear in the regression estimate in table 5.18. It can be seen that the adjusted R-squared increased further to 52.54% making an even stronger case that the mandatory adoption of IFRS in Nigeria has led to increase in value relevance as well as the quality of published financial information that investors can rely on for decision making.

Table 5-19 Yearly Panel Regression (2015)

	Dependent Variable – Share Price		
Variables	Co-efficient	t-statistic	p-value
Intercept	1.2243280 (0.8824542)	1.39	0.169
Book Value	0.3813128*** (0.0970330)	3.93	0.000
Net Assets	0.0673242 (0.0482772)	1.39	0.167
Net Income	0.0829343** (0.0339091)	2.45	0.017
Cash Flow	-0.0060177 (0.0429335)	-0.14	0.889
Earnings per Share	0.1785608*** (0.0567344)	3.15	0.002
F-stat. (5, 429) = 18.34		R-squared = 0.5310	
Prob (F-stat.) = 0.0000		Adj. R-squared = 0.5020	
Total Panel Observations = 87	Root MSE	= 1.3005	

Standard errors in parenthesis.
Significance levels: *<0.10, **<0.05, ***<0.01.

As earlier mentioned in this study, 2015 was the year Nigeria officially entered into recession but from the regression estimates above, its effects are yet to be fully felt because even the coefficients that declined such as the book value and net assets did so at a relatively minimal rate (See table 5.19). The adjusted R-squared declined as well but only by 4.45%. Cash flow maintained its negative influence on the share price while net income and earnings per share had a more positive and significant impact than they did in the previous year.

Table 5-20 Yearly Panel Regression (2016)

Dependent Variable – Share Price			
Variables	Co-efficient	t-statistic	p-value
Intercept	0.8951828 (0.8294759)	1.08	0.284
Book Value	0.2775212*** (0.0803395)	3.45	0.001
Net Assets	0.0617586 (0.0470368)	1.31	0.193
Net Income	0.0469543 (0.0283946)	1.65	0.102
Cash Flow	0.0215896 (0.0354075)	0.61	0.544
Earnings per Share	0.1446501** (0.0620410)	2.33	0.022
F-stat. (5, 429) = 12.53		R-squared = 0.4360	
Prob (F-stat.) = 0.0000		Adj. R-squared = 0.4012	
Total Panel Observations = 87	Root MSE	= 1.3005	

Standard errors in parenthesis.
Significance levels: *<0.10, **<0.05, ***<0.01.

As the recession intensified in Nigeria so did its impact on every sector of the economy. A close observation shows that there has been significant decline in almost all the possible metrics in the regression estimate in table 5.20 except cash flow which had a positive impact on share price for the first time since 2013. The t-statistics shows that the book value and earnings per share are statistically significant. Likewise, the F-statistics is also statistically significant as it is in the previous years.

By way of summary, the table below shows the yearly cross-sectional coefficients of the independent variables and their respective p-values as well as the average adjusted R-squared in the pre and post IFRS periods.

Table 5-21 Summary of the Yearly Cross-Sectional Analysis (2007 - 2016)

Panel A: Pre-IFRS	2007	2008	2009	2010	2011
Book Value	0.1593272* (0.011)	0.1570333* (0.016)	0.1915341* (0.005)	0.262460* (0.000)	0.4646787* (0.000)
Net Assets	0.0527259 (0.306)	-0.0506047 (0.264)	0.0356362 (0.365)	0.037609 (0.310)	-0.0180910 (0.626)
Net Income	-0.0273437 (0.535)	0.0251872 (0.492)	0.0524840 (0.124)	0.076695 (0.010)	0.0578976 (0.055)
Cash Flow	0.1711063* (0.000)	0.0738084* (0.011)	-0.0586640 (0.067)	-0.015632 (0.495)	-0.0056610 (0.824)
EPS	0.0486449 (0.530)	0.2072741* (0.004)	0.3072227* (0.000)	0.212553* (0.001)	0.1552738* (0.006)
	Average	**Adjusted R-Sq.**	**= 0.3674**		

Panel B: Post-IFRS	*2012*	*2013*	2014	2015	2016
Book Value	0.2990497* (0.001)	0.3661816* (0.000)	0.4640418* (0.000)	0.3813128* (0.000)	0.2775212* (0.001)
Net Assets	-0.0689584 (0.169)	-0.0061256 (0. 915)	0.0791365 (0. 101)	0.0673242 (0.167)	0.0617586 (0.193)
Net Income	0.0917184* (0.011)	0.0733070* (0.047)	0.1202379* (0.002)	0.0829343* (0.017)	0.0469543 (0.102)
Cash Flow	0.0090804 (0.768)	0.0214734 (0.513)	-0.058870 (0.206)	-0.0060177 (0.889)	0.0215896 (0.544)
EPS	0.1550079* (0.015)	0.1925727* (0.003)	0.1527689* (0.007)	0.178560* (0.002)	0.1446501* (0.022)
	Average	**Adjusted R-Sq.**	**= 0.4415**		

From table 5.21, it can be seen that the average adjusted R-squared for the 5 years pre-IFRS is 0.3674 while the average for the 5 years post-IFRS is 0.4415, this means there is about 20.2% increase in the average adjusted R-squared in the post-adoption period suggesting that accounting information is on the average for the period of the study more value relevant post-IFRS than pre-IFRS. The influence of book value on share price for the ten years, year by year cross-sectional analyses is consistently significant and positive and earnings per share is positively and significantly related to share price yearly and consistently through the period of the study except for 2007 where it is positively and insignificantly related to share price while share prices is consistently and yearly insignificantly affected by net asset. Finally, apart from the years 2007 and 2008, cash flow is not significant in determinant of share price.

Book value of equity is consistently significant because given the risk associated with businesses in Nigeria, most businesses are equity-funded. Investors are therefore more concerned with book value of equity than with net assets. Again, the difference in the effect of both book value and net assets on share price could suggest that there is manipulation of accounting numbers in favour of book value of equity as focus is on equity funding in Nigeria. Furthermore, our inclusion of net asset in the Ohlson model is for secondary confirmation or otherwise of the importance accounting numbers as drivers of share price of a company.

Around 2007/2008, the nation's banking industry experienced a downturn, and since the banking sector is at the hub economy, this reverberated through the economy and sent negative signals to stock market participants. Of course, share prices were affected unexpected despite accounting numbers provided.

There is really no inconsistency here. Our hypothesis that IFRS financial statements are more value relevant than Nigerian GAAP financial statement is sustained by both results. There is a difference in figures because the study used not only the results of panel regression, but also the averages of R-squared in the pre- and post-IFRS periods.

5.6 Trend Analysis to Check for Incremental Changes in Value Relevance

5.6.1 Hypothesis 2 – H_0: There is no significant incremental value relevance post-IFRS adoption in Nigeria.

One of the standout observations while looking at the yearly regression estimates is that there were changes in the adjusted R-squared each year so in order to see the magnitude and direction of such changes, the percentage change technique will be used, and this will also aid us in testing the second hypothesis of this study. The table 5.22 looks at the adjusted R-squared values from 2007-2016 with their percentage increases in order to ascertain if there have been incremental changes over the years. Using 2007 as base year for pre-IFRS and 2012 for post-IFRS, the percentage changes in adjusted R-square was consistently negative for pre-IFRS period and consistently positive for post-IFRS period (See table below). We therefore deduce that there is incremental value relevance between the pre- and post-IFRS period.

Table 5-22 Test of Hypothesis 2: Incremental Changes in the Adjusted R-Squared from 2007-2016

	PRE-IFRS (Base Year = 2007)					**POST-IFRS** (Base Year = 2012)				
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Adjusted R-squared	0.4192	0.3243	0.2771	0.3984	0.4180	0.3413	0.4373	0.5254	0.5020	0.4012
Percentage Change	-	(22.64%)	(33.897%)	(4.961%)	(0.29%)	-	28.13%	53.94%	47.08%	17.55%

Source: Author's Computation (2017)

The essence of this analysis is to be able to answer the second research question which asks if there have been incremental changes in value relevance over the years due to the adoption of IFRS. From the above table 5.22, because there are two entirely different eras, 2007 is used as the base year for the pre-IFRS period while 2012 is used as the base year for the post-IFRS period. For the pre-adoption period, the percentage change all through this era is negative, while in the post-IFRS period, in 2013 precisely, a 28.13% (positive) increase was noticed immediately after adoption and the percentage increase in this entire period remained positive. However, in 2016, there was a significant decrease in the percentage change in the adjusted R-squared and just like we explained in the previous section, this decrease can be linked to the fact that Nigeria officially entered into recession in 2015, this incidentally had some impact on the financial performance of firms listed on the Nigerian Stock Exchange.

Essentially, given how the percentage change in value relevance remained positive all through the post-adoption period, we can infer from the result that financial statements prepared over the period of the study showed increasing trend in value relevance in the post-adoption years, so the null hypothesis is rejected, however, due to economic factors such as the recession, there was a decline in this trend and as a result, we cannot ascertain if the increase in value relevance would've continued if there was no recession.

5.7 Robustness Check (Using the Difference-in-Differences Approach – Value Relevance)

As seen earlier, the mandatory adoption of IFRS in Nigeria has led to increased value relevance which is evidenced by the increased adjusted R-squared in the post adoption period. This section performs a robustness check on the already established evidence using the difference-in differences approach.

Since the study by Ashenfelter and Card, (1985) the difference-in-differences methodology has become quite prevalent. The simplest way of using this method is one where an outcome variable is observed for two groups at two time periods. One of the groups is subjected to a treatment in the second period but not in the first period while the other group is not exposed to any treatment during either period. Several modifications have been applied to the difference-indifferences methodology and this study will adopt the Donald and Land, (2007) approach which uses a finite sample analysis applied to a pooled regression. However, according to their approach, we assume that the robust standard errors are uncorrelated across time. It also uses small degrees-of-freedom in a *t* distribution but does not account for uncertainty due to serial correlation.

In the same vein, following the steps from prior research (Ta, 2014; Lang, Raedy and Yetman, 2003; Leuz 2003; Lang, Raedy and Wilson, 2006; and Barth, et al. 2008), we construct the value relevance proxy using cross-sectional data by creating two groups out of the 87 firms' observations from 2007-2016; the first group comprises of firm observations with share prices above 50 naira while the second group consists of firms with share prices below 50 naira. We will then interpret the differences in the pre and post IFRS statistics relating to the proxies between the two groups being compared as evidence of differences in value relevance. This approach to comparing value relevance measures for the two groups of firms assumes that the measures within each group are drawn from the same distribution. The results are presented in the table below.

Number of observations in the DIFF-IN-DIFF: 870

	Before	**After**	**Total**
Control:	395	395	790
Treated:	40	40	80
	435	435	

Table 5-23 Difference-in Differences Estimation (Value Relevance)

Pre-IFRS				**Post-IFRS**			
Outcome Variable	**Control**	**Treated**	**Difference (T-C)**	**Control**	**Treated**	**Difference (T-C)**	**Diff-in-Diff**
Share Price	10.493	149.595	139.103 (0.000)***	11.264	247.227	235.963 (0.000)***	**96.860 (0.000)*** **
Observations	395	40		395	40		

** - Significance level* *( ) – p-value*

R-square: 0.44 * Means and Standard Errors are estimated by linear regression

**Inference: *** p<0.01; ** p<0.05; * p<0.1

Source: ***Author's Computation***

Table **5.23** shows the results for the difference-in differences estimation to check for an increase or decrease in value relevance using share prices as the outcome variable. There are two groups of the 870 observations which consist of firms with high share prices (50 naira and above), this will be seen as the treated group and firms with low share prices (below 50 naira) which will be seen as the control group. From the regression result (in **appendix**

XXVIII), it can be seen that the difference-in-differences variable is positive and statistically significant at 5% level of significance.

From the above result, in both the pre and post adoption periods, the difference between the groups is significant which confirms the large differences in the share prices of both groups. This difference-in-differences estimation confirms all our findings on value relevance in this study, in the sense that, when you move from the pre-IFRS to the post-IFRS era, the statistic for both the control and treated groups increase in the post-adoption period. For the control group, there is a 7.35% increase while for the treatment group, there is a 69.8% increase. So by inference, we can say that value relevance increased more for firms with high share prices than it did for firms with average and low share prices in Nigeria. Finally, the difference-in-differences statistic of 96.860 is positive and statistically significant which also gives credence to our earlier findings.

5.8 Chapter Summary

International Financial Reporting Standards (IFRS) was promulgated and developed by the International Accounting Standards Board which has now been accepted by more than 140 countries and reporting jurisdictions around the world and required for different types of domestic listed companies (IFRS Foundation, 2010; Palea, 2013; Isa, 2014). With the growth of the economy and numbers of publicly traded and listed companies, the Nigerian Federal Executive Council through The Financial Reporting Council of Nigeria (formerly known as the Nigerian Accounting Standards Board) required public companies to adopt IFRS for fiscal years starting on or after 1st January 2012 (Jacob and Madu, 2009).

The value relevance of accounting information has been studied in many perspectives. Literature has offered contradicting results about whether relevance of accounting information has declined or increased over time (Brochet, Jagolizer, and Riedl,2011; Alistair, 2010). The review of some empirical studies in recent times have shown mixed results; that is, while some have shown that value relevance of accounting information declines, empirical literature contains many studies revealing that value relevance of accounting numbers increases post-adoption (See DeGeorge, 2012; Effiong, 2012; Agundu and Agbahiwe, 2014).

Moreover, when looking at it on a country-wide basis, countries' results have shown that adopted IFRS significantly improves value relevance and quality of published accounting information. This is consistent with the studies that reveal an increase in the value relevance of accounting information after the adoption of IFRS. This analysis has attempted to find out the effects of IFRS adoption in Nigeria on the quality of published financial information and in doing this, it employed both descriptive and econometric techniques.

The trend behaviour of the variables was observed using descriptive statistics, firstly from 2007-2016 and the results revealed that net income was the highest and most volatile during the period while share price and earnings per share were relatively the most stable. A comparative look at the variables in the pre-IFRS (2008-2011) and post-IFRS (2012-2015) period descriptively indicated that all the key variables such as share price, book value, net income and net assets were higher in the post-IFRS period than in the pre-IFRS period and this served as an initial indication that the adoption of IFRS has improved value relevance and the quality of published financial information and also enhanced the perception of Nigeria in the international community.

The correlation analysis results have shown that all the variables have a linear and positive relationship and while the strongest relationship is between cash flow and net income, the weakest relationship is between net assets and earnings per share.

The estimation of the first and second models have revealed interesting results; all the independent variables had a positive impact on share price and the adjusted R-squared in the post-IFRS (model 2) is significantly higher than the adjusted R-squared in the pre-IFRS period. We therefore have inferred that there is a significant increase in the value relevance and quality of published financial information in the post-IFRS adoption period. Financial information needs to be relevant, comparable, reliable and understandable so it is important for companies seeking to attract investors to prepare financial information in line with globally accepted standards.

The cross-sectional year by year analysis brought to light some important findings especially in the post-adoption period. For instance, in 2013 which was the first year after IFRS adoption in Nigeria saw an all-round significant increase in the coefficients of the independent variables except net assets; variables such as book value, net income, cash flow and earnings per share all had increased impacts on share price compared to the previous year. Also, the adjusted R-squared saw a 28% increase from its value in the previous year thereby presenting strong evidence of increased value relevance and quality of published financial information in the post-adoption period. There was an increase in the adjusted R-squared even in the following year until 2015 which saw Nigeria enter into what would become the country's biggest recession in 29 years. The impact of the recession was felt in every sector of the economy such that by 2016, most of the variables' impact on share price had reduced significantly, even the adjusted R-squared fell by 20% from its 2015 value.

A robustness check was done using the difference-in-differences approach and the results solidified our primary results/findings that the mandatory adoption of IFRS in Nigeria has increased the value relevance and quality of accounting information.

Essentially, this chapter has been dedicated to ascertaining the effect of IFRS adoption on the value relevance and quality of accounting information in Nigeria. The econometric estimation and analysis of the specified models (Models 1 and 2) revealed that adjusted r-squared was higher in the post-adoption period suggesting that the adoption of IFRS has led to increase in value relevance. The trend of the adjusted r-squared over the years in study was also observed using a base year method and the result was still consistent with the fact that value relevance increased in the post-adoption period. Next, the yearly cross-sectional regression analysis from 2007-2006 saw the average adjusted r-squared in the post-IFRS era higher than that of the pre-IFRS era. In a bid to test the second hypothesis, the percentage differences between the adjusted r-squared from 2007 to 2016 and the result revealed that there were incremental changes in the first few post-adoption years.

This chapter has carefully exhausted the estimation, analysis and hypothesis tests relating to the effect of the mandatory adoption of IFRS on value relevance. The next chapter will continue from where this chapter stopped by examining the effect of IFRS adoption on earnings management.

CHAPTER SIX

AN ANALYSIS OF EARNINGS MANAGEMENTIN THE IFRS BASED FINANCIAL STATEMENTSESTIMATION

6 Introduction

In this chapter, we focus on the analysis for earnings management which forms the second part of the empirical investigation of the study. This is done through the presentation and analysis of the estimated results based on the third models specified in chapter four. We start the analysis by looking at the descriptive statistics of the data that was used in this study which will be followed by other estimation methods such as the Pearson's correlation, two sample t-test as well as robustness check using the difference-in-difference approach. Finally, overall model diagnostics will be done in this chapter as well as the summary and discussion of findings.

6.1 Earnings Management Descriptive Analysis

Discretionary accruals in both the pre and post-IFRS period is used to detect if there is any significant difference in earnings management in the pre and post-adoption period. In order to generate the discretional accruals, the model was estimated so as to be able to generate the residuals which are the discretionary accruals. This was done in both the pre and post-IFRS period, so the generated residuals will be compared to see if there is a reduction in discretionary accruals in the post-IFRS adoption period. This will also form a basis for testing the third hypothesis as stated below;

6.1.1 Hypothesis 3 – H_0: There is no significant decrease in earnings management post-IFRS adoption in Nigeria.

According to other empirical studies such as Tanko, (2012), Cohen and Zarowin, (2010) and Hunton, et al. (2006) if discretionary accruals are lower in the post-IFRS period we can conclude that earnings manipulation is reduced in the post-adoption period and vice-versa. Further, use descriptive statistics and two sample t-tests. These will be presented and discussed in the tables 6.1. (Results from Appendices xiv and xv)

In table 6.1, descriptive statistics was used to examine the trend behaviour of the variables in the earnings management model specified in this study. Panel (A) shows descriptive statistics of variables in the pre-IFRS era while Panel (B) shows descriptive statistics in the post-IFRS era. It is important to note that the descriptive statistics only provides an indication that earnings management could be lower in the post-adoption period, for example, the mean value of discretionary accrual (DAit) has a much lower value in the post-IFRS period (-6.08 x 10-17) than in the pre-IFRS period (3.04 x 10-12) (See table 6.1). A more empirical approach is seen later in table 6.5, which allows us to empirically test the hypothesis.

The full table of the generated discretionary accruals can be found in the appendix section (Appendix xvix) and even from a plain observation, it can be seen that the values are much lower in the post-adoption period. Other variables in the post-adoption period also have lower values than their pre-adoption counterparts as can be seen in the table below. This serves as an early indication that the third null hypothesis is not acceptable, but the alternative is. However, effective decision will be taken when more inferential/empirical analysis is carried out.

> The change in discretionary accruals pre- and post-IFRS explains the change in earnings management pre- and post-IFRS. The difference-in-difference estimation for pre and post-discretionary accruals is negative and significant (see pp165).

The Descriptive statistics only provides an indication that earnings management could be lower in the post-adoption period, however, to empirically determine this, the study made use of the two-sample t-test which provides a test statistic and a corresponding p-value, allowing us to make valid conclusions in respect to the hypothesis.

Table 6-1Descriptive Statistics of the Earnings Management Model

Statistic	Dis.Accrual	TACC	REVit-RECit/TA	PPE/TA	ROA
		Panel A: Pre-IFRS			
Mean	3.04×10^{-12}	2.558591	0.094872	2.917407	0.018659
Std. Dev.	0.0018014	54.17664	28.52821	25.79294	19.77755
Minimum	-0.024650	-124.9314	-447.2582	0	-189.5783
Maximum	0.017254	1118.456	389.3848	405.3773	277.2632
Obs	**435**	**435**	**435**	**435**	**435**
		Panel B: Post-IFRS			
Mean	-6.08×10^{-17}	0.123154	0.001656	2.697810	-1.448647
Std. Dev.	1.25×10^{-7}	2.692054	0.434086	46.185	36.90022
Minimum	-1.10×10^{-6}	-1.185396	-6.916987	0	-325.8085
Maximum	1.34×10^{-6}	56.04091	1.154618	963.6954	261.418
Obs	**435**	**435**	**435**	**435**	**435**

Source: ***Author's Computation***

6.2 Pearson's Univariate Correlation Analysis for Earnings Management Variables

Li, et al. (2011) and Lizam, et al. (2014) made use of Pearson correlation in their studies on accounting standards and its effect on earnings management. We present the results of the correlation analysis in table 6.2, panel A and B, for pre- and post-IFRS data respectively **(See *Appendices xxvi and xxvii*).**

Table 6-2Pearson Correlation Matrix for Model Three (Pre and Post-IFRS)

	Dis.Accrual	1/Tait	PPE/TA	REVit-RECit/TA	ROAit
		Panel A: Pre-IFRS			
Dis.Accrual	1.0000				
1/Tait	-0.2161* (0.0012)	1.0000			
PPE/TA	0.3349* (0.0000)	0.2485* (0.0000)	1.0000		
REVit-RECit/TA	0.3281* (0.0000)	-0.4184* (0.0000)	0.2734* (0.0000)	1.0000	
ROAit	0.2573* (0.0000)	-0.2119* (0.0000)	0.2380* (0.0000)	0.3480*	1.000
Obs	**435**	**435**	**435**	**435**	**435**
		Panel B: Post-IFRS			
Dis.Accrual	1.0000				
1/Tait	0.4787* (0.0012)	1.0000			
PPE/TA	-0.3755* (0.0000)	-0.1490* (0.0054)	1.0000		
REVit-RECit/TA	-0.2273* (0.0001)	-0.4920* (0.0000)	0.4074* (0.0000)	1.0000	
ROAit	-0.2060* (0.0004)	-0.6127* (0.0000)	0.1311* (0.0144)	0.8032*	1.000
Obs	**435**	**435**	**435**	**435**	**435**

****- Significant at5% level*** ***( ) – p-value***

Source: ***Author's Computation***

Table 6.2 shows the univariate correlation coefficients between discretionary accruals, total accrual, ratio of property, plant and equipment to total assets (PPE/TA), ratio of operating revenue less receivables to total assets [REVit-RECit/TA] and return on assets along with their statistical significances in both the pre and post-IFRS era.

In the pre-IFRS era, the inverse of total assets (1/TAit) has a negative relationship with discretionary accruals while the other variables have a positive relationship with discretionary accruals. Return on assets has a positive relationship with all the variables except the inverse of total assets. In the Pre-IFRS era, the strongest positive relationship is between ratio of operating revenue less receivables to total assets [REVit-RECit/TA] and return on assets while the weakest positive relationship is between return on assets and of property, plant and equipment to total assets (PPE/TA). All the relationships are statistically significant at the 5% level.

In the post-IFRS era, the reverse appears to be the case when it comes to the relationship between discretionary accruals and the other variables. Unlike the pre-IFRS era, the inverse of total assets has a positive relationship with discretionary accruals while the ratio of property, plant and equipment to total assets (PPE/TA), ratio of operating revenue less receivables to total assets [REVit-RECit/TA] and return on assets all have a negative relationship with discretionary accruals. As Lizam, et al. (2014) noted, these variables exerting a negative influence on discretionary accruals in the post-adoption period suggests that discretionary accruals is minimised post-IFRS and taking a closer look at our data, it can be seen that these variables increased over the post-adoption years which means that the discretionary accruals were actually minimised in this period. This gives further support to the validity of the third alternative hypothesis. All the relationships here as in the pre-IFRS era are also statistically significant at the 5% level.

Taking a more empirical approach, the two-sample t-test will be used to compare the means in both the pre and post-IFRS period but before then, a presentation of the estimation of the third model (in pre and post-adoption period) is done in the following tables;

Table 6-3Earnings Management Model Panel Regression – Pre-IFRS (2007 – 2011)

Dependent Variable – TACC/TAit			
Variables	Co-efficient	t-statistic	p-value
C	-0.0003166*** (0.0000875)	-3.62	0.0000
1/TAit	745.1115*** (10.11393)	73.67	0.0000
[REVit-RECit]/TAit	0.0004539*** (3.24×10^{-6})	140.14	0.0000
PPE/TAit	-0.0001391*** (0.0000102)	-13.60	0.0070
ROAit	2.09×10^{-6} (4.48×10^{-6})	-0.47	0.6410
F-stat. (5, 429) = 13024.12		R-squared = 0.9918	
Prob (F-stat.) = 0.0000		Adj. R-squared = 0.9917	
Total Panel Observations = 435		Root MSE = 0.00181	

Standard errors in parenthesis.
Significance levels: *<0.10, **<0.05, ***<0.01.

Table 6.3 above shows the result of the third model's estimation from 2007 to 2011 which is the pre-IFRS period.

Table 6-4 Earnings Management Model Panel Regression– Post-IFRS (2012 – 2016)

Dependent Variable – TACC/TAit			
Variables	Co-efficient	t-statistic	p-value
C	-4.06×10^{-8}*** (6.32×10^{-9})	-6.43	0.0000
1/TAit	0.0599169*** (0.0065407)	9.16	0.0000
[REVit-RECit]/TAit	-6.57×10^{-10} (1.39×10^{-8})	-0.05	0.9620
PPE/TAit	4.93×10^{-8}*** (1.30×10^{-10})	378.61	0.0070
ROAit	3.38×10^{-10}** (1.63×10^{-10})	2.07	0.0390
F-stat. (5, 429) = 35944.84		R-squared = 0.9970	
Prob (F-stat.) = 0.0000		Adj. R-squared = 0.9970	
Total Panel Observations = 435		Root MSE = 1.30×10^{-7}	

Standard errors in parenthesis.
Significance levels: *<0.10, **<0.05, ***<0.01.

Table 6.4 shows the result of the third model's estimation from 2012 to 2016 which is the post-IFRS period.

Taking a close look at the two estimated results above, it can be seen from the R-squared and the adjusted R-squared values that the explanatory and predictive powers of the model is very high which shows that the model is very good however that is not the aim of specifying the models. As earlier mentioned, the reason for the third model is to enable generating discretionary accruals which are the residuals from both models. Dectow, et al. (1995); Kothari, et al. (2005); Verleum, et al. (2011); Yip and Young, (2012) and Aderin and Otakefe, (2015) used a similar methodology in their studies and found that discretionary accruals were in fact reduced in the post-adoption period. Other researchers such as Doukakis, (2011) and Jorion, Shi and Zhang, (2009) have also used this methodology in their studies on IFRS adoption and its effect on earnings management.

6.3 Test of Hypothesis 3 (Two sample t-test)

With the discretionary accrual values generated, a two-sample t-test was used in table 6.5 to see if there is any significant difference between discretionary accruals in the pre and post-IFRS periods. When this is done, should be able to answer the third research question. **(*See full result in Appendix xviii*).**

Table 6-5Two Sample t-test for the Means of Discretionary Accruals (Pre & Post-IFRS)

Variable	Obs.	Mean	Std. Dev.	[95% Conf.	Interval]
DAit PRE	435	9.20×10^{-11}	0.0018014	-0.0001698	0.0001698
DAit POST	435	-3.93×10^{-12}	1.24×10^{-7}	-1.17×10^{-8}	1.17×10^{-8}
Combined	870	4.40×10^{-11}		-0.0000847	0.0000847
Difference		9.59×10^{-11}		-0.0001698	0.0001698

Difference = mean (DAit PRE) - mean (DAit POST) t = 0.0000
Ho: diff = 0 Satterthwaite's degrees of freedom = 434
Ha: diff < 0 Ha: diff != 0 Ha: diff > 0

The two samples used in the above t-test are the discretionary accruals in the pre-IFRS (DAit PRE) and post-IFRS (DAit POST) periods. From table 6.5 it can be seen that the post-IFRS residuals have a lower mean value (-3.93×10^{-11}) than the pre-IFRS residuals (9.20×10^{-12}). The difference between both means is 9.59×10^{-11} and the absolute values of the t-statistic (95% confidence interval) are greater than 0.05 so the null hypothesis (H_0) which says there is no difference between the means is rejected so this implies there is a significant difference between the means. One of the aims of the IFRS is to reduce discretionary accruals and from the above result, discretionary accruals are much lower in the post-IFRS period than they were in the pre-IFRS period. Therefore, there is strong enough evidence for us to reject the third null hypothesis which states that there is no significant decrease in earnings management post-IFRS adoption in Nigeria.

Another estimation which gives credence to the minimisation of discretionary accruals in the post-adoption period can be found in the appendix section (***Appendix xxv***) and it makes use of dummy variables to represent the pre-adoption (0) and post adoption (1) periods. The dummy variable coefficient of -0.0001721 which is negative therefore gives more credibility to our earlier findings on earnings management because it suggests that the discretionary accruals were lower in the post-IFRS era than in the pre-IFRS era.

6.4 Robustness Check (Using the Difference-in-Differences Approach – Earnings Management)

Our earlier findings have shown that the mandatory adoption of IFRS in Nigeria has led to reduction in earnings manipulation. This section performs a robustness check on the already established facts using the difference-in differences approach. The reason for this additional analysis is to extend and assess the robustness of our primary result which used the two-sample t-test. The motivation for conducting this robustness check is to confirm whether our earlier findings are consistent with the primary results for the period after 2012 in particular. This follows Doukakis, (2011) methodology which conducted robustness tests after earlier findings revealed that the decrease in earnings management was not solely as a result of IFRS adoption.

So, in addition to proving or disproving our earlier findings, the difference-in-differences estimation will also indicate if there are significant differences amongst the firms used in this study. The results of the estimation are shown below;

Number of observations in the DIFF-IN-DIFF: 870

	Before	**After**	**Total**
Control:	275	275	550
Treated:	160	160	320
	435	435	

Table 6-6 Difference-in Differences Estimation (Earnings Management)

Pre-IFRS				**Post-IFRS**			
Outcome Variable	**Control**	**Treated**	**Difference (T-C)**	**Control**	**Treated**	**Difference (T-C)**	**Diff-in-Diff**
Discretionary Accruals	-0.731	8.219	8.950 (0.019)**	-0.075	0.776	0.851 (0.823)	**-8.098 (0.133)**
Observations	275	160		275	160		

** - Significance level ( ) – p-value*

R-square: 0.01 * Means and Standard Errors are estimated by linear regression

**Inference: *** p<0.01; ** p<0.05; * p<0.1

The table 6.6 shows the results for the difference-in differences estimation to check for an increase or decrease in earnings management using discretionary accruals as the outcome variable. Here, before coming up with both groups, the average of the discretionary accruals was first calculated and based on this, the two groups of the 870 observations will consist of firms whose discretionary accruals data are above the average mark, this will be seen as the treated group and firms with discretionary accruals below the average mark which will be seen as the control group. From the regression result (**in appendix XXIX**), it can be seen that the difference-in-differences variable is negative but not significant.

From the above result, the difference between the groups is only significant in the pre-adoption period but not in the post-adoption period which suggests that there is a minimal difference in the discretionary accrual data of both groups. This difference-in-differences estimation confirms all our findings on earnings management thus far because when we move from the pre-IFRS to the post-IFRS era, the statistic for both the control and treated groups decrease in the post-adoption period. For the control group, the statistic fell from -0.731 in the pre-adoption period to -0.075 in the post-adoption period while for the treatment group the statistic fell from 8.950 in the pre-adoption period to 0.851 in the post adoption period.

This is consistent with studies that documented improvement in earnings management in the post-adoption period; for example, the studies by Tendeloo and Vanstraelen, (2005) and

Hung and Subramanyam, (2007) on German firms gave empirical evidence that IFRS adoption led to a decrease in earnings management. Finally, the difference-in-differences statistic of -8.098 is negative but not statistically significant which gives further credence to all our findings on earnings management that the introduction of IFRS in Nigeria has helped to reduce earnings manipulation. Additionally, since there is no difference between both groups and with the support of our earlier findings we can conclude that the common denominator behind the reduction in earnings management is the mandatory adoption of IFRS in 2012.

6.5 Model Diagnostics

Many researchers run diagnostics of estimated models in order to ascertain the validity of such models (Gujarati, 2004). For example, the test for normality of residuals is required for valid hypothesis testing, that is, the normality assumption assures that the p-values of the F-test and t-test will be valid. In light of this, different diagnostic tests will be run for the first two models combined (Pre and Post-IFRS). (*See full diagnostics results* ***Appendices xx, xxi and xxii***)

6.5.1 Tests for Normality and Heteroscedasticity

In order to test for normality of the residuals of our model, the kernel density test and Shapiro-Wilk W test will be used. The kernel density test is graphical in nature while the W test is more empirical. The Breusch-Pagan/Cook-Weisberg test for heteroscedasticity will be used to test for heteroscedasticity. The tests are shown in table 6.7 A and B.

Table 6-7Residual Diagnostics (Normality and Heteroscedasticity Test)

Test Statistic	**A: Breusch-Pagan/ Cook-Weisberg Test (Heteroscedasticity Test)**	**Test Statistic**	**B: Shapiro-Wilk W Test (Normality Test)**
Obs.	870	Obs.	870
Chi^2	1.48	W-stat	0.99763
Prob.	0.2239	Z-Score	1.0990
		Prob.	0.13580

Note: For Heteroscedasticity - H_0: Constant Variance Variables: Fitted values of lnshareprice
Source: ***Author's Computation***

In testing for heteroscedasticity as seen in panel A, we want to check if the residuals have a constant variance or not. The above test operates on the null hypothesis of constant variance and from the p-value of 0.2239, we cannot reject the test's null hypothesis because it is greater than both the 5% and 10% levels of significance. We can therefore infer that the model does not have the problem of heteroscedasticity.

Using this test for normality as shown in Panel B, the p-value is based on the assumption that the distribution is normal and from table 6.7, the p-value 0.13580 is greater than a 5% or 10% level of significance indicating that we cannot reject that our distribution is normally distributed. Another test for normality, the kernel density test which is graphical in nature is also used and shown in the figure 6.1.

From figure 6.1, below it can be seen that the residuals of the model only have a trivial or minor deviation from normality especially at the peak. Therefore, we can accept that the residuals are close to a normal distribution. This is in concordance with the more empirical Shapiro-Wilk W test which also indicates that the residuals follow a normal distribution.

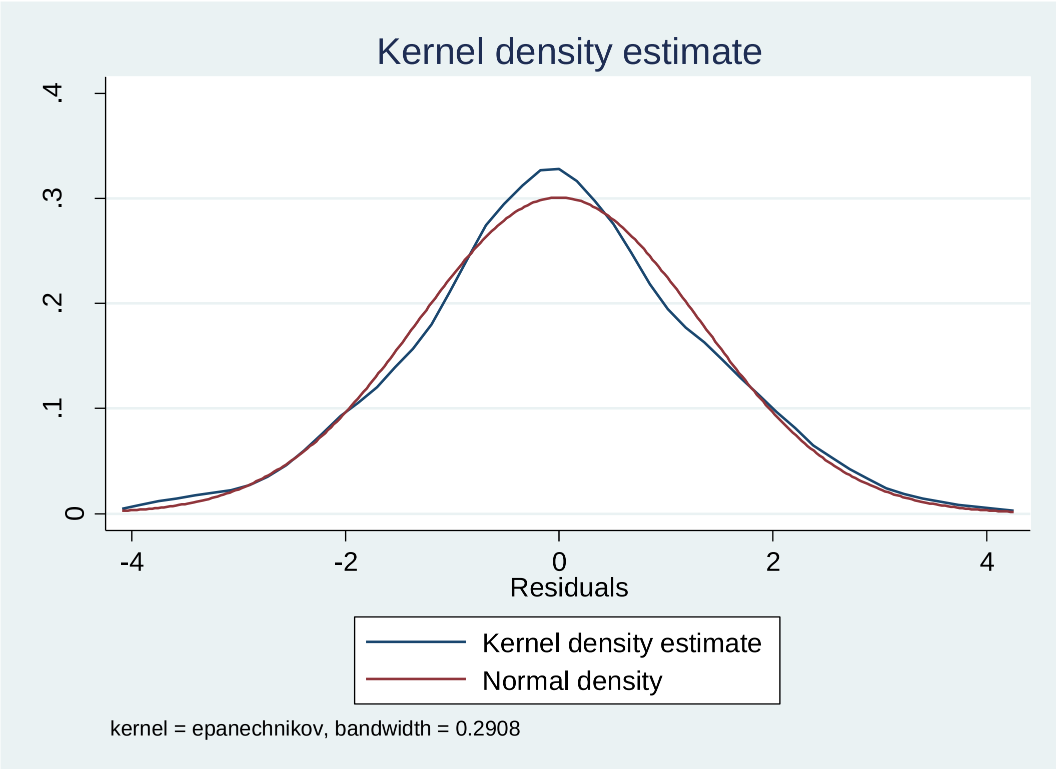


Figure 6-1Model 1& 2- Kernel Density Normality Test

6.5.2 Test for Multicollinearity

Multicollinearity tests the independent variables for a linear or nonlinear pattern. Although this is a problem for time series data, it is usually ignored for panel data regression.

Table 6-8Residual Diagnostics (Normality Multicollinearity Test)

Variable	VIF	VIF (Square root)	Tolerance	R-squared
	Collinearity Diagnostics			
lnBVit	1.08	1.04	0.9250	0.0750
lnNAit	1.30	1.14	0.7677	0.2323
lnNIit	1.86	1.36	0.5386	0.4614
lnCFit	1.85	1.36	0.5392	0.4608
lnEPS	1.14	1.07	0.8747	0.1253
Mean VIF	*1.45*			

	Eigen Values	**Condition Index**
1	4.9832	1.0000
2	0.5124	3.1185
3	0.2961	4.1027
4	0.0970	7.1671
5	0.0881	7.5208
6	0.0232	14.6582
	Condition Number	**14.6582**
	Det (Correlation Matrix)	**0.3716**

Table 6.8 presents the collinearity diagnostics for the model. From econometric theory, a variance inflation factor (VIF) over the value of 10 shows a strong case of collinearity and from the results in table 5.28, the mean VIF is 1.45 and the VIF of the independent variables are also less than 10 which shows they are within acceptable limit and thus there is no multicollinearity problem in the model. However, judging by the condition index especially from the 4^{th} to 6^{th}periods, there seems to be traces of collinearity, but this can be ignored. The determinant of the correlation matrix index of 0.3716 is also very low which again shows that there is very little or no multicollinearity.

6.5.3 Hausman Test

The Hausman hypothesis test helps us to determine the appropriate model to choose between the fixed effect and random effect model. This is important because after deciding which model is appropriate, we take a look at the coefficients of the model and see if their relationships and impacts on the dependent variable are in consonance with the model we estimated earlier. **(*See full results on Appendix xxiii*).**

The null and alternative hypotheses for the test are stated thus;

H0: Random effect model is appropriate
H1: Fixed effect model is appropriate

Table 6-9Hausman Test

Variable	**Coefficients (b) Fixed**	**(B) Random**	**(b-B) Difference**	**Sqrt (diag(V_b-V_B))**
lnBVit	0.0055262	0.0507102	-0.045184	0.0033439
lnNAit	0.0145966	0.0172475	-0.0026508	0.000000
lnNIit	0.0181711	0.0210921	-0.002921	0.000000
lnCFit	0.0084382	0.0116876	-0.0032494	0.000000
lnEPS	0.0665847	0.0891629	-0.0225782	0.000000

b = consistent under Ho and Ha; obtained from xtreg
B = inconsistent under Ha, efficient under H_o; obtained from xtreg
chi² = (b-B)'[(V_b-V_B)^(-1)](b-B)
= 132.94
Prob>chi² = 0.0000

From the test result above, it can be seen that the test statistic of 132.94 has a p-value of 0.0000 so we reject the null hypothesis and accept the alternative hypothesis which states that the fixed effects model is appropriate. The coefficients of the both the fixed and random effects models are somewhat similar with the panel regression models earlier estimated in this chapter, however, going with the fixed effects model suggests that the differences across the firms (individual effects) do not have any influence on share price. Such differences may include, but not limited to board composition, age, gender, race and so on, therefore, our model is in order and the regression coefficients give a good indication of the variables' relationship with share price.

6.6 Discussion and Summary of Findings

The aim of the third model was to see if there is an increase or decrease in discretionary accruals due to the adoption of IFRS and from the analysis done using the two-sample t-test, it was observed that the mean of pre-IFRS residuals was higher than the mean of post-IFRS residuals which implies that discretionary accruals was reduced after the adoption of IFRS. Prior to the adoption of IFRS in Nigeria, earnings manipulation was very rampant, and it took the adoption of IFRS to actually expose some of these shady dealings. A particular instance of earnings manipulation in the pre-adoption period in Nigeria occurred in October 2006 when the board of Cadbury Nigeria Plc notified the general public about manipulations in their accounts financial statements which had spanned many years. This and many more manipulations by different firms were brought to light which prompted regulatory bodies such as the Central Bank of Nigeria and the Securities and Exchange Commission (SEC) to consider the adoption of IFRS as early as 2007 (This Day, 2015).

Earnings management analysis in both the pre and post-IFRS period was done using descriptive statistics, Pearson correlation technique and two sample t-test and the result was in line with earlier findings because the mean of key variables were lower in the post-IFRS than in the pre-IFRS period. The t-statistic which is more empirical was also lower in the post-adoption period. From the results of the descriptive statistics, it was seen that the mean value of discretionary accruals were much lower in the post adoption period than they were in pre-adoption, in fact, there was a 99.98% drop in the mean value of discretionary accruals in the post-adoption period. The results from the correlation matrix showed that the variables exerted a negative influence on discretionary accruals in the post-adoption period and by so doing, will make it lower than it was in the pre-IFRS era.

The two-sample t-test result is also in line with the above findings such that the mean discretionary accrual in the post-adoption period was seen to be much lower than the mean discretionary accrual in the pre-adoption period. Just like with our findings on value relevance, a robustness check was carried out using the difference-in-differences approach in an effort to prove or disprove our primary results/findings on earnings management. The outcome variable used was the discretionary accruals data and from the result of our estimation, it was seen that earnings management was reduced in the post adoption period which is consistent with our earlier findings.

Model diagnostics such as normality tests, Hausman test, tests for heteroscedasticity and multicollinearity were carried out for model 1 and 2 and the results obtained showed that the distribution was normal and free from heteroscedasticity and multicollinearity while the Hausman test indicated that the fixed effects model was more appropriate. Value relevance trend analysis using the adjusted R-squared from 2007 to 2016 using 2012 as a base year revealed a significant increase in the adjusted R-squared in the first post-adoption year (2013). The different tests carried out has provided compelling evidence that the adoption of IFRS in Nigeria has provided positive and significant impacts on value relevance and quality of published financial information as well as significantly reducing earnings management. This chapter concludes the estimation and analysis of the specified models.

The next chapter will summarize the findings made in this and the previous chapter, as well as proffering policy recommendations and recommendations/guidelines for future studies and finally conclude the study.

CHAPTER SEVEN

SUMMARY OF FINDINGS, DISCUSSION, CONCLUSION AND RECOMMENDATIONS

7 Introduction

The objective of this study is mainly to ascertain the influence of the adoption of IFRS on the quality of financial reporting in Nigeria. The approaches adopted are the value relevance and earnings management approaches. In particular, the more value relevant an accounting information, the higher the quality of financial reports; so if value relevance increases post-IFRS, it implies that quality of financial statements has increased. Again, a reduction in discretionary accruals implies reduction in earnings management. This chapter summarises the findings of this study, discusses the results, concludes and recommends.

7.1 Summary of findings

Based on the hypotheses formulated, the three major findings of this study are that:

1. the mandatory adoption of IFRS in Nigeria leads to increase in value relevance of accounting information;
2. the adoption of IFRS in Nigeria leads incremental value relevance over the period of the study; and
3. IFRS adoption reduces the earnings manipulative ability of managers.

Furthermore, based on the value relevance models formulated for the study, the results show that:

4. book values exact greater positive influence on share prices post-IFRS than in the pre-IFRS period of the study, implying that IFRS adoption improves the sensitivity of share prices to book values;

5. net assets do not significantly affect share prices in both pre- and post-IFRS periods of the study though the result shows improvement in the post-IFRS period. For both pre- and post-IFRS eras the variable shows positive effect on share price;

6. net income influence share price positively for both pre- and post-IFRS periods of the study. However, the influence of this variable in the post-IFRS period is stronger;

7. cash flow exacts a more significant positive influence on share price in the pre-IFRS period than in the post-IFRS; and

8. the influence of earnings per share on share prices is positive and significant in both pre and post-IFRS periods. However, the result for the post-IFRS period is less significant in the post-IFRS period.

From the cross-sectional trend analyses the study finds that:

9. the average adjusted R^2 for the 5 years pre-IFRS is 0.3674 while the average for the 5 years post is 0.4415 suggesting that accounting information is on the average for the period of the study more value relevant post-IFRS than pre-IFRS;

   A low R-squared does not jettison our findings, a lot of studies on value relevance research are based on assessment between market values and book values (Umobong and Akani, 2015). However, with this type of regression the key variable of interest is the explanatory power of the model i.e. the adjusted R-square (See Francis and Schipper, 1995, 1999; Easton and Harris, 1991; Feltham and Ohlson, 1995). Generally, panel data usually exhibit low R-square or adjusted R-square due to heterogeneity of cross sectional data as compared to time series data (see also the work of Paglietti, P. 2010; Dimitropoulos, et al. 2013);

10. the influence of book value on share price for the ten years, year by year cross-sectional analysis is consistently significant and positive;

11. earnings per share is positively and significantly related to share price yearly and consistently through the period of the study except for 2007 where it is positively and insignificantly related to share price;

12. share prices is consistently and yearly insignificantly affected by net asset;

13. cash flow apart from 2007 and 2008 is not significant in determinant of share price. One plausible explanation for the insignificance of cash flow in determining share price is that the investing public more readily understand the income statement than the cash-flow statement. Emphasis in our claim is on the bottom line-profit as declared by the income statement.

7.2 Discussion of results

Firstly, our study finds that mandatory adoption of IFRS increases value relevance of accounting information and reduces earnings management. This finding is supported by Iatridis, (2010) whose study finds that implementation of IFRS generally improves value relevance of accounting information and reduces earnings management in the United Kingdom. Further support for this finding is provided by Outa, (2011); Brochet, Jagolizer and Riedl, (2011); Ogujiuba and Obiechina, (2011); DeGeorge, (2012); Effiong, (2012); Agundu and Agbahiwe, (2014) and Awoyemi and Jabar, (2014). Others like Okunbor and Arowoshegbe, (2014), and Paulo, Girao, Carter and Sousa, (2013) argue to the contrary. They suggest that the firm characteristics, financial reporting practice and procedures, corporate governance as well as regulatory framework and enforcements determine the value relevance and quality of financial reporting. Studies like Epstein, (2009); Ayuba, (2012); Osen, (2013); Okpala, (2013) and Terzi, et al. (2013) all argued that adoption of IFRS does not improve the quality of published financial information. In fact, Khanagha, (2011) and Khanagha, et al (2011) find that the implementation and application of IFRS in Iran and United Arab Emirate reduces the quality of accounting information reported.

Furthermore, this study finds that value relevance of accounting information is incremental through the period of the study. Again, extant literature provides both support and refutation for this finding. Collins, et al. (1997), and Francis and Schipper, (1999) provide evidence that value relevance of accounting information increased in the US market over the period of their study, supporting our finding. On the contrary, Brown, et al. (1999) and Lev and Zarowin, (1999) provide evidence for decline of value relevance in the U. S. market over the period of their study.

Additionally, this study supports the study by Karampinis and Havas, (2009) that finds that book value positively affects the share price. Studies by Andriantoimo and Yudianti, (2013) using Indonesian data and Alali and Foote, (2009) that used data from Abu Dhabi Exchange both find that book value exert significant positive influence on share price.

Again, earnings per share is found in this study to be positively and significantly related to share prices as several other studies have found. Andriantoimo and Yudianti, (2013), Adebimpe and Ekwere, (2015) also support this finding.

7.3 Contributions to Knowledge

This study will be the first to empirically examine the effect of the adoption of IFRS in Nigeria on the quality of published financial statements through transparent and qualitative value relevance financial information. Moreover, the study examines whether earnings manipulative ability of firms' managers is reduced by adoption of IFRS.

Secondly, this study is the first to combine value-relevance and earnings management measures in the Nigerian context to investigate the effect of the adoption of IFRS on the quality of published financial statement of non-financial firms as well as offering a quantitative approach drawn from firms published financial statements report.

More-also, the study also contributes to the Nigeria economy by revealing earnings management behaviour of firms quoted on the Nigerian stock exchange before and after the IFRS adoption. This behaviour, specifically accruals earnings management, would notify the Nigerian regulators about the effectiveness of IFRS in increasing earnings quality, i.e. reducing earning manipulation, these are significant contributions of this research to the body of knowledge.

Finally, this thesis also contributes to the empirical literature in developing economy on value relevance, by examining the level in which value relevance of accounting information is associated with the financial statements information which summarises the information that is impounded in the share prices of quoted companies.

7.4 Limitations of the study

This study was faced with limitations of using 87 firms listed in Nigerian Stock Exchange instead of the full 172 listed firms; this is due to the difficulty in obtaining accurate data for these firms. Again, due to the nature of some part of the study which involves examining accruals in order to determine the effect of IFRS adoption on earnings management, the study did not include financial firms such as banks and insurance companies.

The sample size for future studies could be extended using more data from different sectors in the Nigerian economy as well as using aggregated data from their balance sheets, net income, and expenditure, cash flows, and earnings components to determine the relationship between both share price and return.

The study could not control for other variables such as firm characteristics, corporate government mechanisms etc. due to unavailability of data. We adopted and adapted the Ohlson's value relevance model which has been tested and found fit for value-relevance studies and as such we were restricted to the model. However, to use other variable will form part of our recommendation for further studies.

In all, none of these limitations adversely affected the outcome of this study.

7.5 Recommendations

Overall, our findings showed a positive and statistical significance between the adoption of IFRS and value relevance of accounting information in Nigeria as well as the effect IFRS adoption has on minimising earnings manipulation. There is also a positive and significant effect of value relevance performance indicators on NSE-listed companies that have adopted IFRS in Nigeria. This shows that, as already proven by this study, that the adoption of IFRS leads to a significant improvement in value relevance of accounting information and also minimises earnings manipulation.

There is, therefore, a need for a sustained policy shift in favour of value relevance of accounting information in Nigeria if IFRS is to stand the test of time.

Based on the above, this study therefore recommends that the Nigerian government should empower the relevant bodies/ authorities to seek out and incorporate more measures to further improve the quality of financial reporting in order to increase the quality of published accounting information. Since the adoption of IFRS also reduces earnings management, the entire process will produce more credible qualitative financial information that will not only be uniform but also provide a basis for consistency, reliability, comparability and relevance. This ultimately will strengthen the confidence of investors and provide assurances on the value of companies following the adoption of IFRS. It will also help to boost the country's image in international investment circles.

7.6 Policy Recommendations

The recommendations in the previous section provide a brief overview to guided policy roadmap that listed firms and businesses alike should adhere to in a bid to improve the quality of all published financial information in Nigeria. Specifically, the policy recommendations will focus on different stakeholders that are directly or indirectly connected to the financial reporting process in Nigeria thus;

7.6.1 Recommendations for Regulatory Authorities and Standard Setters

Regulatory authorities such as Securities and Exchange Commission (SEC) and the Central Bank of Nigeria as well as standard setters such as The Financial Reporting Council of Nigeria play a vital part in ensuring compliance and adherence to rules and regulations that foster fairness and accountability by listed firms. In this light, the following recommendations are proffered;

- The Financial Reporting Council (FRC) should ensure that there is comprehensive implementation of IFRS standards in its totality by all the listed firms in the Nigerian Stock Exchange, in the same vein, regulatory authorities such as the Securities and Exchange Commission should monitor strict compliance.
- The Financial Reporting Council of Nigeria which is entrusted with the responsibility of benchmarking all standards issued by the International Accounting Standard Board (IASB) for adoption in Nigeria lack the necessary operational capacities and manpower to conceive and nurture strategies for the effective adoption of IFRS. This study therefore recommends for the full autonomy of the FRC, in order to be free from all forms of political influence and manipulation by the government in power. The FRC should embark on capacity building of its manpower by exposing its operational staff to quality foreign training. The FRC should also upgrade the

competence of the oversight staff, to ensure effective enforcement and monitoring of IFRS by reporting entities.

- The importance of culture in shaping the lifestyle, traditions and beliefs of people cannot be over-emphasized as seen both in theoretical and practical instances, and the Nigerian people are no exception to this fact; the International Accounting Standard Board (IASB) therefore should seek inputs from the local accounting practitioners in the formulation of future Accounting Standards so as to ensure transparency of financial reports.

7.6.2 Recommendations for Reporting Entities

It should be noted that reporting entities here means all the listed firms in the NSE who are bound by law to adhere to IFRS standards. Since this study excluded banking and insurance firms, the following recommendations are better suited to the manufacturing, conglomerates, agricultural and services-providing firms to name a few.

- First, the Nigerian economy to some extent is driven by the manufacturing sector. Firms in this industry are usually known for higher growth opportunities as well as greater competition for foreign capital investment than their counterparts in other industries. So, if IFRS enables firms to improve financial reporting to entice external investors, it therefore follows that this effect would be expected to be more pronounced in the manufacturing sector. These expected benefits are based on the premise that the mandatory adoption of IFRS increases transparency and improves the quality of published accounting information. Firms should therefore ensure total adherence and compliance to IFRS because it boosts their reputation in international investment circles.

- Firms should also improve on their level of disclosure of accounting policy, foreign transaction and employees ‘retirement benefits. There is the need for firms to provide job security to their employees and competitive retirement benefits. Therefore, for firms to improve their performance there is the need for them to disclose all the accounting policy in line with IFRS standards. This include disclosure of fundamental accounting concepts, convention, accounting procedures and bases adopted in the preparing and presenting of accounting information.

7.6.3 Recommendations for Educational Institutions

The Department of Accounting in the different tertiary institutions and post-graduate schools should endeavour to:

- Prioritize the training of their teaching staff by making funds available for training, re-training and updating of teaching skills. This study therefore recommends a total overhaul of curriculum so as to conform to IFRS framework. The institutions concerned should also embark on an active recruitment of competent faculty staff members that are well grounded in the concept of financial reporting. This will help to fast track the development of well blended faculty staff in these educational institutions.

- Increase the duration of training, especially in the post-graduate schools. For instance, it has been observed that the syllabus contents of the Nigerian College of Accountancy is well equipped with IFRS treatments, however the duration of training is too short to adequately cover so many standards, with vast application and modifications of the already existing forms of financial reports that some of the students were taught in their undergraduate levels.

- Take advantage of some of the scholarship grants made available by corporate organizations, non-governmental organizations and foundations, and encourage their lecturers to also take advantage whenever such opportunities arise. The senate and management of the different Universities, Polytechnics and postgraduate professional schools should collaborate with the efforts of the available scholarship grants by also funding some professional training for their teaching staff.

7.6.4 Recommendations for Investors

The reason for the regulation of accounting information is usually aimed at ensuring that investors, shareholders and other users of financial statements receive a minimum amount of information that will enable them to make meaningful economic decisions regarding their interests. This study therefore seeks to advise investors on the importance of IFRS thus;

- Investors need to be aware that IFRS is a principle-based standard as opposed to the previously used local national standards (N-GAAP) and the statement of accounting standards, which is a ruled-based standard. IFRS is anchored on the assumption of increased comparability, relevance, understandability, transparency and reliability of published financial or accounting information. Even though in the short run, IFRS statements may seem to reduce shareholders earning capacity, it however increases shareholders worth in net assets considerably. An IFRS-based financial statement is more conservative and more transparent. Also, there is more disclosure of financial information under IFRS than under the previously used national standards. Under IFRS reporting requirements, investors are usually well-informed, and their interests are more protected than under the national standards regime. For the case of earnings management, the well detailed disclosure requirements under the IFRS do not allow managers to fraudulently manipulate financial information at will. Therefore, investors’ funds are very well safeguarded under the IFRS reporting formats with better guaranty for assets security and return on investment.

- In light of the above recommendation, investors should therefore insist on immediate adoption of IFRS by companies who are yet to do so before they invest their funds in such companies. Investors should also mandate that part of the net profits be set apart for skilled training of the accounting personnel under IFRS standards.

- Investors should also insist that management prepares and presents financial reports in IFRS format at annual general meetings. Investors should sanction management of companies and statutory auditors who prepare audited financial statements in any format other than IFRS.

7.6.5 Recommendation for Accounting Practitioners

- Accounting practitioners such as accountants and auditors should be able to prepare more reliable financial reports that can also be compared globally using IFRS methods and procedures. This study has been able to prove that the mandatory adoption of IFRS has a positive effect and improves the quality of financial reports, it is therefore necessary for accountants and auditors to fully comprehend the framework of IFRS reporting standards.

- It is possible that there are accountants and auditors who are averse to this change in reporting standards and such fear could be due to feelings of incompetency. This study therefore recommends networking and teamwork between all accounting practitioners so as to overcome the negativity expressed about IFRS. Accountants and auditors should also utilize the training platforms provided by their professional institutes and associations to access international conferences and workshops where theoretical and practical sessions on IFRS feature prominently. For instance, The International Association of Accounting and Education Research, Pan African Federation of Accountants and numerous blue-chip audit firms like Deloitte, KPMG and Price Water House Cooper have at different times organized seminars and conferences on IFRS. The Institute of Chartered Accountants of Nigeria and Association of National Accountants of Nigeria also engage accounting practitioners in their mandatory professional development conferences which hold every quarter at difference locations in Nigeria. It is therefore strongly recommended that accountants and auditors should take advantage of these opportunities offered by these training conferences to improve on their cognitive skills in IFRS reporting standards.

7.7 Recommendations for further studies

This research work examines the effect of adoption of IFRS in Nigeria on the quality of published financial information and has paved the way for further studies in the following areas;

1. The same research can be replicated and even improved upon using firms from the financial sector of the Nigerian economy such as banking and insurance firms.

2. The same research can also be carried out by bringing in other firm’s characteristics like listing status, firm age, audit committees and multi nationals.

3. This study focuses on parent firms' financial report. The same research could be carried out using group variables and compare with the parent company results.

4. In carrying out this research, the study did not stratify firms according to sectors and industries. Hence, same research could be carried out and different sectors analyzed to see if IFRS adoption results are influenced by the type of industries the adoption takes place.

5. This study does not control for other possible variables such as firm characteristics, corporate governance mechanism etc. due to unavailability of data. Although, this does not impact on the outcome of our findings. We therefore recommend that future research should investigate this aspect.

6. Also, further studies could explore other ways of measuring opportunistic behaviours of managers towards earnings manipulation other than the discretionary accrual used in this study.

7. Auditing fees are usually charged based on the extent and complexity of audit testing and work done. IFRS is expected to reduce auditors' work due to its diligence and credibility in principle and hence, reduced associate audit fees. Hence, same study should be carried looking at the impact of IFRS on audit fees and non-audit fees in Nigeria.

7.8 Concluding Remarks

Over 140 countries have either fully or partially adopted IFRS (Palea, 2013; Isa, 2014). Whether the adoption is driven by head mentality or real value derivable is a subject of much academic debate and research. Both divides of the debate have copious academic disciples. Much of the research focuses on the effect of adoption on the quality of financial reporting. The need for high quality financial reports cannot be overemphasised. Principally, high quality financial reports will enable investors to decide correctly on the use of their economic resources, which have alternative uses. If financial reports are of low quality, investment decisions based on them will not produce optimal results. This will have negative consequences for the economic development of a nation. This is why regulators, standard setting bodies, accounting researchers and practitioners are concerned about the quality of financial reports of companies.

The concern of this study is not different: has the adoption of IFRS in Nigeria produced higher quality financial reports? The first challenge to answering this all-important question is operationalising the variable 'quality of financial report.' This study used the value relevance and earnings management models to ascertain quality of financial reports. Earnings management is rife where managers have discretion as to what accounting method to adopt in the preparation of financial reports. IFRS attempts to narrow down this discretion. Hence, financial reports will be said to have high quality where discretionary accruals are low. This study finds that the adoption of IFRS reduced discretionary accruals, implying that the adoption of IFRS improves the quality of financial reporting. Using value relevance model, the study examines whether adoption of IFRS increased the effect of accounting information on share price. The post-IFRS financial reports provided financial information that significantly affects share prices in this study.

Having carried out a detailed analysis of earnings management and value relevance approach to financial reporting quality, this study concludes that the adoption IFRS improves financial reporting quality in Nigeria. However, much still needs to be done to further improve the quality of the financial reporting. Firstly, there is a need to monitor compliance, as adoption may not necessarily imply compliance. Secondly, accounting practitioners need to ensure continuous training and update in the developments in IFRS. Thirdly, corporate governance mechanism needs to be strengthened. Finally, accounting institutions and infrastructure need upgrade to enhance financial reporting quality.

It should be noted that the ultimate purpose of improving financial reporting quality is to ensure that investors channel funds into best use for the purpose of growth and development of the economy. Thus, improving the quality of financial reporting is not an end in itself, but a means to an end. To achieve this end, government must be heavily, and total committed to providing enabling environment for investors, both local and foreign, to use high quality financial statements for investment decision. In summary, high quality reports are not enough to guarantee economic development. The government must ensure political and religious peace, provision of infrastructure and security of lives of properties.

Finally, if the IFRS is not going to end up being just another noise, the professional bodies must ensure that its members observe high ethical standards in doing their job. The law is meant for the lawless. However, without enforcement of high ethical standards and proper monitoring; thus, the preparers of financial reports will in due course master the standards and would eventually find a way around it for their personal benefit. So the IFRS can only ensure quality to the extent of ethical standard maintained by preparers of financial statements.

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APPENDICES

APPENDIX I NSE LISTED FIRMS IN NIGERIA

S/N	COMPANY	TICKER	SECTOR
1.	7-UP BOTTLING COMP. PLC.	7UP	CONSUMER GOODS
2.	A.G. LEVENTIS NIGERIA PLC.[BMF]	AGLEVENT	CONGLOMERATES
3.	ABBEY MORTGAGE BANK PLC	ABBEYBDS	FINANCIAL SERVICES
4.	ACADEMY PRESS PLC.	ACADEMY	SERVICES
5.	ACCESS BANK PLC.	ACCESS	FINANCIAL SERVICES
6.	AFRICA PRUDENTIAL PLC	AFRIPRUD	FINANCIAL SERVICES
7.	AFRICAN ALLIANCE INSURANCE COMPANY PLC[MRF]	AFRINSURE	FINANCIAL SERVICES
8.	AFRICAN PAINTS (NIGERIA) PLC.[BMR]	AFRPAINTS	INDUSTRIAL GOODS
9.	AFRIK PHARMACEUTICALS PLC.[MRS]	AFRIK	HEALTHCARE
10.	AFROMEDIA PLC[MRF]	AFROMEDIA	SERVICES
11.	AIICO INSURANCE PLC.	AIICO	FINANCIAL SERVICES
12.	ALUMINIUM EXTRUSION IND. PLC.	ALEX	NATURAL RESOURCES
13.	ANINO INTERNATIONAL PLC.[MRS]	ANINO	OIL AND GAS
14.	ARBICO PLC.	ARBICO	CONSTRUCTION/REAL ESTATE
15.	ASHAKA CEM PLC	ASHAKACEM	INDUSTRIAL GOODS
16.	ASO SAVINGS AND LOANS PLC[MRF]	ASOSAVINGS	FINANCIAL SERVICES
17.	ASSOCIATED BUS COMPANY PLC	ABCTRANS	SERVICES
18.	AUSTIN LAZ & COMPANY PLC[MRF]	AUSTINLAZ	INDUSTRIAL GOODS
19.	AVON CROWNCAPS & CONTAINERS	AVONCROWN	INDUSTRIAL GOODS
20.	AXAMANSARD INSURANCE PLC	MANSARD	FINANCIAL SERVICES
21.	B.O.C. GASES PLC.	BOCGAS	NATURAL RESOURCES
22.	BERGER PAINTS PLC	BERGER	INDUSTRIAL GOODS

23.	BETA GLASS PLC.	BETAGLAS	INDUSTRIAL GOODS
24.	C & I LEASING PLC.	CILEASING	SERVICES
25.	CADBURY NIGERIA PLC.	CADBURY	CONSUMER GOODS
26.	CAP PLC	CAP	INDUSTRIAL GOODS
27.	CAPITAL HOTEL PLC[BLS]	CAPHOTEL	SERVICES
28.	CAPITAL OIL PLC[RST]	CAPOIL	OIL AND GAS
29.	CAVERTON OFFSHORE SUPPORT GRP PLC[BLS]	CAVERTON	SERVICES
30.	CEMENT CO. OF NORTH.NIG. PLC	CCNN	INDUSTRIAL GOODS
31.	CHAMPION BREW. PLC.	CHAMPION	CONSUMER GOODS
32.	CHAMS PLC	CHAMS	ICT
33.	CHELLARAMS PLC.[BLS]	CHELLARAM	CONGLOMERATES
34.	CONOIL PLC[MRF]	CONOIL	OIL AND GAS
35.	CONSOLIDATED HALLMARK INSURANCE PLC	HMARKINS	FINANCIAL SERVICES
36.	CONTINENTAL REINSURANCE PLC	CONTINSURE	FINANCIAL SERVICES
37.	CORNERSTONE INSURANCE COMPANY PLC.	CORNERST	FINANCIAL SERVICES
38.	COURTEVILLE BUSINESS SOLUTIONS PLC	COURTVILLE	ICT
39.	CUSTODIAN AND ALLIED PLC	CUSTODYINS	FINANCIAL SERVICES
40.	CUTIX PLC.	CUTIX	INDUSTRIAL GOODS
41.	CWG PLC	CWG	ICT
42.	DAAR COMMUNICATIONS PLC[MRS]	DAARCOMM	SERVICES
43.	DANGOTE CEMENT PLC	DANGCEM	INDUSTRIAL GOODS
44.	DANGOTE FLOUR MILLS PLC	DANGFLOUR	CONSUMER GOODS
45.	DANGOTE SUGAR REFINERY PLC	DANGSUGAR	CONSUMER GOODS
46.	DEAP CAPITAL MANAGEMENT & TRUST PLC[DIP]	DEAPCAP	FINANCIAL SERVICES
47.	DIAMOND BANK PLC	DIAMONDBNK	FINANCIAL SERVICES

48.	DN TYRE & RUBBER PLC[DIP]	DUNLOP	CONSUMER GOODS
49.	E-TRANZACT INTERNATIONAL PLC[BLS]	ETRANZACT	ICT
50.	ECOBANK TRANSNATIONAL INCORPORATED	ETI	FINANCIAL SERVICES
51.	EKOCORP PLC.[BMF]	EKOCORP	HEALTHCARE
52.	ELLAH LAKES PLC.	ELLAHLAKES	AGRICULTURE
53.	EQUITY ASSURANCE PLC.[MRF]	EQUITYASUR	FINANCIAL SERVICES
54.	ETERNA PLC.	ETERNA	OIL AND GAS
55.	EVANS MEDICAL PLC.[DIP]	EVANSMED	HEALTHCARE
56.	FBN HOLDINGS PLC	FBNH	FINANCIAL SERVICES
57.	FCMB GROUP PLC.	FCMB	FINANCIAL SERVICES
58.	FIDELITY BANK PLC	FIDELITYBK	FINANCIAL SERVICES
59.	FIDSON HEALTHCARE PLC	FIDSON	HEALTHCARE
60.	FIRST ALUMINIUM NIGERIA PLC	FIRSTALUM	INDUSTRIAL GOODS
61.	FLOUR MILLS NIG. PLC.	FLOURMILL	CONSUMER GOODS
62.	FORTE OIL PLC.	FO	OIL AND GAS
63.	FORTIS MICROFINANCE BANK PLC[MRF]	FORTISMFB	FINANCIAL SERVICES
64.	FTN COCOA PROCESSORS PLC[RST]	FTNCOCOA	AGRICULTURE
65.	GLAXO SMITHKLINE CONSUMER NIG. PLC.	GLAXOSMITH	HEALTHCARE
66.	GOLDEN GUINEA BREW. PLC.[RST]	GOLDBREW	CONSUMER GOODS
67.	GOLDLINK INSURANCE PLC[MRS]	GOLDINSURE	FINANCIAL SERVICES
68.	GREAT NIGERIAN INSURANCE PLC[BAA]	GNI	FINANCIAL SERVICES
69.	GREIF NIGERIA PLC	VANLEER	INDUSTRIAL GOODS
70.	GUARANTY TRUST BANK PLC.	GUARANTY	FINANCIAL SERVICES
71.	GUINEA INSURANCE PLC.[MRF]	GUINEAINS	FINANCIAL SERVICES
72.	GUINNESS NIG PLC	GUINNESS	CONSUMER GOODS
73.	HONEYWELL FLOUR MILL PLC	HONYFLOUR	CONSUMER GOODS

74.	IKEJA HOTEL PLC[MRF]	IKEJAHOTEL	SERVICES
75.	INFINITY TRUST MORTGAGE BANK PLC[BLS]	INFINITY	FINANCIAL SERVICES
76.	INTERLINKED TECHNOLOGIES PLC[BLS]	INTERLINK	SERVICES
77.	INTERNATIONAL BREWERIES PLC.	INTBREW	CONSUMER GOODS
78.	INTERNATIONAL ENERGY INSURANCE COMPANY PLC[DIP]	INTENEGINS	FINANCIAL SERVICES
79.	JAIZ BANK PLC	JAIZBANK	FINANCIAL SERVICES
80.	JAPAUL OIL & MARITIME SERVICES PLC	JAPAULOIL	OIL AND GAS
81.	JOHN HOLT PLC.[MRF]	JOHNHOLT	CONGLOMERATES
82.	JULI PLC.[MRF]	JULI	SERVICES
83.	JULIUS BERGER NIG. PLC.	JBERGER	CONSTRUCTION/REAL ESTATE
84.	LAFARGE AFRICA PLC.	WAPCO	INDUSTRIAL GOODS
85.	LASACO ASSURANCE PLC.	LASACO	FINANCIAL SERVICES
86.	LAW UNION AND ROCK INS. PLC.	LAWUNION	FINANCIAL SERVICES
87.	LEARN AFRICA PLC	LEARNAFRCA	SERVICES
88.	LINKAGE ASSURANCE PLC[MRF]	LINKASSURE	FINANCIAL SERVICES
89.	LIVESTOCK FEEDS PLC.	LIVESTOCK	AGRICULTURE
90.	MAY & BAKER NIGERIA PLC.	MAYBAKER	HEALTHCARE
91.	MCNICHOLS PLC	MCNICHOLS	CONSUMER GOODS
92.	MEDVIEW AIRLINE PLC	MEDVIEWAIR	SERVICES
93.	MEYER PLC.	MEYER	INDUSTRIAL GOODS
94.	MOBIL OIL NIG PLC.	MOBIL	OIL AND GAS
95.	MORISON INDUSTRIES PLC.	MORISON	HEALTHCARE
96.	MRS OIL NIGERIA PLC.	MRS	OIL AND GAS
97.	MULTI-TREX INTEGRATED FOODS PLC[BLS]	MULTITREX	CONSUMER GOODS
98.	MULTIVERSE MINING AND	MULTIVERSE	NATURAL RESOURCES

	EXPLORATION PLC		
99.	MUTUAL BENEFITS ASSURANCE PLC.[MRF]	MBENEFIT	FINANCIAL SERVICES
100.	N NIG. FLOUR MILLS PLC.	NNFM	CONSUMER GOODS
101.	N.E.M INSURANCE CO (NIG) PLC.	NEM	FINANCIAL SERVICES
102.	NASCON ALLIED INDUSTRIES PLC	NASCON	CONSUMER GOODS
103.	NCR (NIGERIA) PLC.	NCR	ICT
104.	NEIMETH INTERNATIONAL PHARMACEUTICALS PLC	NEIMETH	HEALTHCARE
105.	NESTLE NIGERIA PLC.	NESTLE	CONSUMER GOODS
106.	NEWREST ASL NIGERIA PLC[MRF]	AIRSERVICE	SERVICES
107.	NIGER INSURANCE CO. PLC.[MRF]	NIGERINS	FINANCIAL SERVICES
108.	NIGERIA ENERYGY SECTOR FUND	NESF	FINANCIAL SERVICES
109.	NIGERIA-GERMAN CHEMICALS PLC.[MRS]	NIG-GERMAN	HEALTHCARE
110.	NIGERIAN AVIATION HANDLING COMPANY PLC	NAHCO	SERVICES
111.	NIGERIAN BREW. PLC.	NB	CONSUMER GOODS
112.	NIGERIAN ENAMELWARE PLC.	ENAMELWA	CONSUMER GOODS
113.	NPF MICROFINANCE BANK PLC	NPFMCRFBK	FINANCIAL SERVICES
114.	OANDO PLC	OANDO	OIL AND GAS
115.	OKOMU OIL PALM PLC.	OKOMUOIL	AGRICULTURE
116.	OMATEK VENTURES PLC[MRF]	OMATEK	ICT
117.	OMOLUABI MORTGAGE BANK PLC	OMOMORBNK	FINANCIAL SERVICES
118.	P Z CUSSONS NIGERIA PLC.	PZ	CONSUMER GOODS
119.	PAINTS AND COATINGS MANUFACTURES PLC	PAINTCOM	INDUSTRIAL GOODS
120.	PHARMA-DEKO PLC.	PHARMDEKO	HEALTHCARE
121.	PORTLAND PAINTS & PRODUCTS NIGERIA PLC	PORTPAINT	INDUSTRIAL GOODS

122.	PREMIER PAINTS PLC.[MRF]	PREMPAINTS	INDUSTRIAL GOODS
123.	PRESCO PLC	PRESCO	AGRICULTURE
124.	PRESTIGE ASSURANCE CO. PLC.	PRESTIGE	FINANCIAL SERVICES
125.	R T BRISCOE PLC.	RTBRISCOE	SERVICES
126.	RAK UNITY PET. COMP. PLC.	RAKUNITY	OIL AND GAS
127.	RED STAR EXPRESS PLC	REDSTAREX	SERVICES
128.	REGENCY ALLIANCE INSURANCE COMPANY PLC	REGALINS	FINANCIAL SERVICES
129.	RESORT SAVINGS & LOANS PLC[MRF]	RESORTSAL	FINANCIAL SERVICES
130.	ROADS NIG PLC.	ROADS	CONSTRUCTION/REAL ESTATE
131.	ROYAL EXCHANGE PLC.[MRF]	ROYALEX	FINANCIAL SERVICES
132.	S C O A NIG. PLC.	SCOA	CONGLOMERATES
133.	SECURE ELECTRONIC TECHNOLOGY PLC	NSLTECH	SERVICES
134.	SEPLAT PETROLEUM DEVELOPMENT COMPANY LTD	SEPLAT	OIL AND GAS
135.	SIM CAPITAL ALLIANCE VALUE FUND	SIMCAPVAL	FINANCIAL SERVICES
136.	SKYE BANK PLC[MRF]	SKYEBANK	FINANCIAL SERVICES
137.	SKYE SHELTER FUND PLC	SKYESHELT	CONSTRUCTION/REAL ESTATE
138.	SMART PRODUCTS NIGERIA PLC[MRF]	SMURFIT	CONSTRUCTION/REAL ESTATE
139.	SOVEREIGN TRUST INSURANCE PLC[MRF]	SOVRENINS	FINANCIAL SERVICES
140.	STANBIC IBTC HOLDINGS PLC	STANBIC	FINANCIAL SERVICES
141.	STANDARD ALLIANCE INSURANCE PLC.[MRF]	STDINSURE	FINANCIAL SERVICES
142.	STANDARD TRUST ASSURANCE PLC[MRF]	STACO	FINANCIAL SERVICES
143.	STERLING BANK PLC.	STERLNBANK	FINANCIAL SERVICES
144.	STUDIO PRESS (NIG) PLC.	STUDPRESS	SERVICES

145.	TANTALIZERS PLC	TANTALIZER	SERVICES
146.	THE INITIATES PLC	INITSPLC	SERVICES
147.	THOMAS WYATT NIG. PLC.[MRS]	THOMASWY	NATURAL RESOURCES
148.	TOTAL NIGERIA PLC.	TOTAL	OIL AND GAS
149.	TOURIST COMPANY OF NIGERIA PLC.[DIP]	TOURIST	SERVICES
150.	TRANS-NATIONWIDE EXPRESS PLC.	TRANSEXPR	SERVICES
151.	TRANSCORP HOTELS PLC[BLS]	TRANSCOHOT	SERVICES
152.	TRANSNATIONAL CORPORATION OF NIGERIA PLC	TRANSCORP	CONGLOMERATES
153.	TRIPPLE GEE AND COMPANY PLC.	TRIPPLEG	ICT
154.	U A C N PLC.	UACN	CONGLOMERATES
155.	UACN PROPERTY DEVELOPMENT CO. LIMITED	UAC-PROP	CONSTRUCTION/REAL ESTATE
156.	UNIC DIVERSIFIED HOLDINGS PLC.[MRS]	UNIC	FINANCIAL SERVICES
157.	UNILEVER NIGERIA PLC.	UNILEVER	CONSUMER GOODS
158.	UNION BANK NIG.PLC.[BLS]	UBN	FINANCIAL SERVICES
159.	UNION DIAGNOSTIC & CLINICAL SERVICES PLC[MRF]	UNIONDAC	HEALTHCARE
160.	UNION DICON SALT PLC.[BRS]	UNIONDICON	CONSUMER GOODS
161.	UNION HOMES REAL ESTATE INVESTMENT TRUST (REIT)	UHOMREIT	CONSTRUCTION/REAL ESTATE
162.	UNION HOMES SAVINGS AND LOANS PLC.[MRF]	UNHOMES	FINANCIAL SERVICES
163.	UNITED BANK FOR AFRICA PLC	UBA	FINANCIAL SERVICES
164.	UNITED CAPITAL PLC	UCAP	FINANCIAL SERVICES
165.	UNITY BANK PLC	UNITYBNK	FINANCIAL SERVICES
166.	UNITY KAPITAL ASSURANCE PLC	UNITYKAP	FINANCIAL SERVICES
167.	UNIVERSAL INSURANCE COMPANY PLC[MRF]	UNIVINSURE	FINANCIAL SERVICES

168.	UNIVERSITY PRESS PLC.	UPL	SERVICES
169.	VITAFOAM NIG PLC.	VITAFOAM	CONSUMER GOODS
170.	WAPIC INSURANCE PLC	WAPIC	FINANCIAL SERVICES
171.	WEMA BANK PLC.	WEMABANK	FINANCIAL SERVICES
172.	ZENITH INTERNATIONAL BANK PLC	ZENITHBANK	FINANCIAL SERVICES

SOURCE: Nigerian Stock Exchange (NSE) official website (http://www.nse.com.ng/Issuers-section/listed-securities)Assessed on April 30th 2017

APPENDIX II NSE SECTORIAL DISTRIBUTION OF LISTED FIRMS IN NIGERIA

S/N	COMPANY	TICKER	SECTOR
1.	ELLAH LAKES PLC.	ELLAHLAKES	AGRICULTURE
2.	FTN COCOA PROCESSORS PLC[RST]	FTNCOCOA	AGRICULTURE
3.	LIVESTOCK FEEDS PLC.	LIVESTOCK	AGRICULTURE
4.	OKOMU OIL PALM PLC.	OKOMUOIL	AGRICULTURE
5.	PRESCO PLC	PRESCO	AGRICULTURE

S/N	COMPANY	TICKER	SECTOR
1.	A.G. LEVENTIS NIGERIA PLC.[BMF]	AGLEVENT	CONGLOMERATES
2.	CHELLARAMS PLC.[BLS]	CHELLARAM	CONGLOMERATES
3.	JOHN HOLT PLC.[MRF]	JOHNHOLT	CONGLOMERATES
4.	S C O A NIG. PLC.	SCOA	CONGLOMERATES
5.	TRANSNATIONAL CORPORATION OF NIGERIA PLC	TRANSCORP	CONGLOMERATES
6.	U A C N PLC.	UACN	CONGLOMERATES

S/N	COMPANY	TICKER	SECTOR
1.	ARBICO PLC.	ARBICO	CONSTRUCTION/REAL ESTATE
2.	JULIUS BERGER NIG. PLC.	JBERGER	CONSTRUCTION/REAL ESTATE
3.	ROADS NIG PLC.	ROADS	CONSTRUCTION/REAL ESTATE
4.	SKYE SHELTER FUND PLC	SKYESHELT	CONSTRUCTION/REAL ESTATE
5.	SMART PRODUCTS NIGERIA PLC[MRF]	SMURFIT	CONSTRUCTION/REAL ESTATE
6.	UACN PROPERTY DEVELOPMENT CO. LIMITED	UAC-PROP	CONSTRUCTION/REAL ESTATE
7.	UNION HOMES REAL ESTATE INVESTMENT TRUST (REIT)	UHOMREIT	CONSTRUCTION/REAL ESTATE

S/N	COMPANY	TICKER	SECTOR
1.	7-UP BOTTLING COMP. PLC.	7UP	CONSUMER GOODS
2.	CADBURY NIGERIA PLC.	CADBURY	CONSUMER GOODS
3.	CHAMPION BREW. PLC.	CHAMPION	CONSUMER GOODS
4.	DANGOTE FLOUR MILLS PLC	DANGFLOUR	CONSUMER GOODS
5.	DANGOTE SUGAR REFINERY PLC	DANGSUGAR	CONSUMER GOODS
6.	DN TYRE & RUBBER PLC[DIP]	DUNLOP	CONSUMER GOODS
7.	FLOUR MILLS NIG. PLC.	FLOURMILL	CONSUMER GOODS
8.	GOLDEN GUINEA BREW. PLC.[RST]	GOLDBREW	CONSUMER GOODS
9.	GUINNESS NIG PLC	GUINNESS	CONSUMER GOODS

10.	HONEYWELL FLOUR MILL PLC	HONYFLOUR	CONSUMER GOODS
11.	INTERNATIONAL BREWERIES PLC.	INTBREW	CONSUMER GOODS
12.	MCNICHOLS PLC	MCNICHOLS	CONSUMER GOODS
13.	MULTI-TREX INTEGRATED FOODS PLC[BLS]	MULTITREX	CONSUMER GOODS
14.	N NIG. FLOUR MILLS PLC.	NNFM	CONSUMER GOODS
15.	NASCON ALLIED INDUSTRIES PLC	NASCON	CONSUMER GOODS
16.	NESTLE NIGERIA PLC.	NESTLE	CONSUMER GOODS
17.	NIGERIAN BREW. PLC.	NB	CONSUMER GOODS
18.	NIGERIAN ENAMELWARE PLC.	ENAMELWA	CONSUMER GOODS
19.	P Z CUSSONS NIGERIA PLC.	PZ	CONSUMER GOODS
20.	UNILEVER NIGERIA PLC.	UNILEVER	CONSUMER GOODS
21.	UNION DICON SALT PLC.[BRS]	UNIONDICO N	CONSUMER GOODS
22.	VITAFOAM NIG PLC.	VITAFOAM	CONSUMER GOODS

S/N	COMPANY	TICKER	SECTOR
1.	AFRIK PHARMACEUTICALS PLC.[MRS]	AFRIK	HEALTHCARE
2.	EKOCORP PLC.[BMF]	EKOCORP	HEALTHCARE
3.	EVANS MEDICAL PLC.[DIP]	EVANSMED	HEALTHCARE
4.	FIDSON HEALTHCARE PLC	FIDSON	HEALTHCARE
5.	GLAXO SMITHKLINE CONSUMER NIG. PLC.	GLAXOSMIT H	HEALTHCARE
6.	MAY & BAKER NIGERIA PLC.	MAYBAKER	HEALTHCARE
7.	MORISON INDUSTRIES PLC.	MORISON	HEALTHCARE
8.	NEIMETH INTERNATIONAL	NEIMETH	HEALTHCARE

	PHARMACEUTICALS PLC		
9.	NIGERIA-GERMAN CHEMICALS PLC.[MRS]	NIG-GERMAN	HEALTHCARE
10.	PHARMA-DEKO PLC.	PHARMDEKO	HEALTHCARE
11.	UNION DIAGNOSTIC & CLINICAL SERVICES PLC[MRF]	UNIONDAC	HEALTHCARE

S/N	COMPANY	TICKER	SECTOR
1.	CHAMS PLC	CHAMS	ICT
2.	COURTEVILLE BUSINESS SOLUTIONS PLC	COURTVILLE	ICT
3.	CWG PLC	CWG	ICT
4.	E-TRANZACT INTERNATIONAL PLC[BLS]	ETRANZACT	ICT
5.	NCR (NIGERIA) PLC.	NCR	ICT
6.	OMATEK VENTURES PLC[MRF]	OMATEK	ICT
7.	TRIPPLE GEE AND COMPANY PLC.	TRIPPLEG	ICT

S/N	COMPANY	TICKER	SECTOR
1.	ANINO INTERNATIONAL PLC.[MRS]	ANINO	OIL AND GAS
2.	CAPITAL OIL PLC[RST]	CAPOIL	OIL AND GAS
3.	CONOIL PLC[MRF]	CONOIL	OIL AND GAS
4.	ETERNA PLC.	ETERNA	OIL AND GAS
5.	FORTE OIL PLC.	FO	OIL AND GAS
6.	JAPAUL OIL & MARITIME SERVICES PLC	JAPAULOIL	OIL AND GAS
7.	MOBIL OIL NIG PLC.	MOBIL	OIL AND GAS
8.	MRS OIL NIGERIA PLC.	MRS	OIL AND GAS

9.	OANDO PLC	OANDO	OIL AND GAS
10.	RAK UNITY PET. COMP. PLC.	RAKUNITY	OIL AND GAS
11.	SEPLAT PETROLEUM DEVELOPMENT COMPANY LTD	SEPLAT	OIL AND GAS
12.	TOTAL NIGERIA PLC.	TOTAL	OIL AND GAS
S/N	**COMPANY**	**TICKER**	**SECTOR**
1.	AFRICAN PAINTS (NIGERIA) PLC.[BMR]	AFRPAINTS	INDUSTRIAL GOODS
2.	ASHAKA CEM PLC	ASHAKACEM	INDUSTRIAL GOODS
3.	AUSTIN LAZ & COMPANY PLC[MRF]	AUSTINLAZ	INDUSTRIAL GOODS
4.	AVON CROWNCAPS & CONTAINERS	AVONCROWN	INDUSTRIAL GOODS
5.	BERGER PAINTS PLC	BERGER	INDUSTRIAL GOODS
6.	BETA GLASS PLC.	BETAGLAS	INDUSTRIAL GOODS
7.	CAP PLC	CAP	INDUSTRIAL GOODS
8.	CEMENT CO. OF NORTH.NIG. PLC	CCNN	INDUSTRIAL GOODS
9.	CUTIX PLC.	CUTIX	INDUSTRIAL GOODS
10.	DANGOTE CEMENT PLC	DANGCEM	INDUSTRIAL GOODS
11.	FIRST ALUMINIUM NIGERIA PLC	FIRSTALUM	INDUSTRIAL GOODS
12.	GREIF NIGERIA PLC	VANLEER	INDUSTRIAL GOODS
13.	LAFARGE AFRICA PLC.	WAPCO	INDUSTRIAL GOODS
14.	MEYER PLC.	MEYER	INDUSTRIAL GOODS
15.	PAINTS AND COATINGS MANUFACTURES PLC	PAINTCOM	INDUSTRIAL GOODS
16.	PORTLAND PAINTS & PRODUCTS NIGERIA PLC	PORTPAINT	INDUSTRIAL GOODS
17.	PREMIER PAINTS PLC.[MRF]	PREMPAINTS	INDUSTRIAL GOODS

S/N	COMPANY	TICKER	SECTOR
1.	ALUMINIUM EXTRUSION IND. PLC.	ALEX	NATURAL RESOURCES
2.	B.O.C. GASES PLC.	BOCGAS	NATURAL RESOURCES
3.	MULTIVERSE MINING AND EXPLORATION PLC	MULTIVERSE	NATURAL RESOURCES
4.	THOMAS WYATT NIG. PLC.[MRS]	THOMASWY	NATURAL RESOURCES

S/N	COMPANY	TICKER	SECTOR
1.	ACADEMY PRESS PLC.	ACADEMY	SERVICES
2.	AFROMEDIA PLC[MRF]	AFROMEDIA	SERVICES
3.	ASSOCIATED BUS COMPANY PLC	ABCTRANS	SERVICES
4.	C & I LEASING PLC.	CILEASING	SERVICES
5.	CAPITAL HOTEL PLC[BLS]	CAPHOTEL	SERVICES
6.	CAVERTON OFFSHORE SUPPORT GRP PLC[BLS]	CAVERTON	SERVICES
7.	DAAR COMMUNICATIONS PLC[MRS]	DAARCOMM	SERVICES
8.	IKEJA HOTEL PLC[MRF]	IKEJAHOTEL	SERVICES
9.	INTERLINKED TECHNOLOGIES PLC[BLS]	INTERLINK	SERVICES
10.	JULI PLC.[MRF]	JULI	SERVICES
11.	LEARN AFRICA PLC	LEARNAFRCA	SERVICES
12.	MEDVIEW AIRLINE PLC	MEDVIEWAIR	SERVICES
13.	NEWREST ASL NIGERIA PLC[MRF]	AIRSERVICE	SERVICES
14.	NIGERIAN AVIATION HANDLING COMPANY PLC	NAHCO	SERVICES
15.	R T BRISCOE PLC.	RTBRISCOE	SERVICES
16.	RED STAR EXPRESS PLC	REDSTAREX	SERVICES

17.	SECURE ELECTRONIC TECHNOLOGY PLC	NSLTECH	SERVICES
18.	STUDIO PRESS (NIG) PLC.	STUDPRESS	SERVICES
19.	TANTALIZERS PLC	TANTALIZER	SERVICES
20.	THE INITIATES PLC	INITSPLC	SERVICES
21.	TOURIST COMPANY OF NIGERIA PLC.[DIP]	TOURIST	SERVICES
22.	TRANS-NATIONWIDE EXPRESS PLC.	TRANSEXPR	SERVICES
23.	TRANSCORP HOTELS PLC[BLS]	TRANSCOHOT	SERVICES
24.	UNIVERSITY PRESS PLC.	UPL	SERVICES

SOURCE: Nigerian Stock Exchange (NSE) official website (http://www.nse.com.ng/Issuers-section/listed-securities)Assessed on April 30th 2017

APPENDIX III Previous Research

No	Study	Aim	Conclusion	
1	Ole-Kristan, et al. (2006)	To examine 38 companies which adopted IFRS as at 2004.	1.	the quality of published financial information has improved under the adoption of IFRS and that the interest of minority shareholders is protected
2.	Chen, et al.(2010)	To address accounting quality of publicly quoted firms in 15 EU (member states of the European Union) before and after the full IFRS adoption in 2005.	2.	They find that the majority of accounting quality indicators improved after IFRS adoption in the EU. That is, there is less of managing earnings toward a target, a lower magnitude of absolute discretionary accruals, and higher accruals quality. Their result also show that firms engage in more earnings smoothing and recognize large losses in a less timely manner in post-IFRS periods.
5.	Taiwo, F. H. and Adejare, A.T. (2014)	This research empirically investigates effects of IFRS adoption in Nigeria on the accounting practices in the country. The study used questionnaire and personal interview technique.	5.	Their result shows that a positive association does exist between financial performance as result of organisational cost reduction and adoption of IFRS and that adoption IFRS help to improves company’s efficiency and saves international firms from the trouble of having to prepare two sets of accounts, in other to satisfy the various countries in which they operate or domicile.
6.	Terzungwe, N. (2012)	The study examined the challenges Nigeria will faced by converging to IFRS and expresses concern about the financial statement credibility issue already facing Nigeria firms might get worse with under IFRS.	6.	The outcome of the study recommend that Nigeria firms should converge to IFRS and that the adoption of IFRS will enhance transparency, good accountability and that the quality of financial reporting will be improved in-spite of the initial challenges faced as a result of the adoption of IFRS.

No	Study	Aim		Conclusion
		Questionnaires were administered and analysed.		
7.	Abata, M. A. (2015)	The research investigate the impact of IFRS on financial reporting practices among corporate entities in Nigeria and data of 50 KPMG employers were collected through structured questionnaires, Pearson Chi-square was used to analysed the data.	7.	The result of the study indicate International Reporting Standard (IFRS) provides a clearer information understanding to regulators when compared with the NGAAP. The findings also show entities financial statement prepared underneath IFRS improves the quality of practice of financial reporting within the organisational setting and more also, IFRS has imparted on how corporation earnings and other major business aspect are reported and accounted for.
8.	Saidin, et al. (2014)	The study examined the effect of IFRS acceptability and enforceability with the global convergence to the accounting standard by assessing the users of financial information and the perception of accounting preparer. They administered self and online survey by administering 300 questionnaires.	8.	The outcome of their result show that there is a significant positive association between IFRS accountability and enforceability with regards to global convergence to International Financial Reporting Standard (IFRS).

No	Study	Aim		Conclusion
9.	Okoye, et al. (2014)	This study investigates the impact adoption of IFRS could have on stock-market movement among corporate entities in Nigeria and the extent IFRS can improve corporate entities place in the Nigeria Market.	9.	The result of their finding show that IFRS adoption in Nigeria will improved the quality of financial statement reporting and it will help to boost the credibility as well as strengthen companies listed in the Nigeria capital market.
10.	Yahaya, et al. (2015)	The key aim of the study was to examine IFRS adoption and value-relevance of accounting-information of Nigeria quoted banks. They used two model, price model and return model to examine pre-IFRS and Post-IFRS adoption.	10	The outcome of their findings indicate that accounting information numbers increased from 60% (pre-adoption) to 78% (post-adoption) which show that the explanatory variable is statistically significant and it indicates that IFRS adoption enhance value relevance of accounting figures in the Nigeria banking industry.
11.	Doukakis, L. C. (2014)	Is to analyse the effect of IFRS mandatory adoption has on both real earning and accrual based earnings management using a sample firms from 22 EU countries ranging from 2000-2010.	11	The result of the study indicate that IFRS mandatory adoption have no substantial effect on accrual based earning and real earning management and that investigation of strong earning management companies support leading role for corporation level reporting above accounting-standard determining financial disclosure.

No	Study	Aim	Conclusion	
12.	Iatridis, G. (2010)	It examine the IFRS and the quality of financial information by seeking to determine if adoption of IFRS result in increased accounting figures under the UKGAAP and under IFRS	12	The outcome of the findings indicates that the IFRS adoption and implementation strengthened the quality of accounting information and the scope of earning manipulation or smoothing reduced with more value relevance accounting procedures.
13.	Gebhardt, G. and Novotny-Frakas, Z. (2011)	To investigate the IFRS mandatory adoption on twelve EU banks accounting quality. They assessed how these banks recognize items and measured accrual items, such as loan loss might affect income manipulation behaviours of managers.	13	The study findings show that IAS39 restriction considerably reduced manager's income manipulation or smoothing behaviour. This according to the authors back the institutional matter of financial reporting sharping.
14.	Okunbor, J.A. and Arowoshegbe, A.O. (2014)	To examine the adoption of IFRS the shareholders perception. They investigate if the adoption and implementation of IFRS in Nigeria will improve the quality of financial information reporting through the use of questionnaire to sample	14	The result of their findings indicate that significant differences thus exist in shareholders perceptions, in view of working with IFRS show no much difference in terms of value of financial statement reporting and the possibility that its implementation will enhance quality of investors business decision making.

No	Study	Aim	Conclusion	
		opinions.		
15	Karampinis, N. and Havas, D. (2009)	The key aim is to examine the effect of IFRS mandatory application on the book value and earning value relevance. They applied data from the Athens Stock Exchange(ASE)	15	They revealed that IFRS mandatory adoption have positive influence value relevance of consolidated company's book-values and net-income with no effect on unconsolidated firms. More-also, the accounting numbers of the consolidated firms are more value-relevant when compared with the unconsolidated firms and that this superiority become more exposed after the mandatory adoption of IFRS.
16.	E	They investigated if the IAS (International Accounting Standard) has a relationship with increase in quality of accounting information by examining 21 countries firms that are using IAS.	16	Their findings reveal that these 21 countries firms exhibit reduce earning management smoothing and more value-relevance of accounting number. However, the firms exhibit more timely loss recognition. They assert in their findings that firms applying International Accounting Standard show improvement in the quality of accounting reporting when compared to those applying the US-GAAP as the case may be.
17.	Zeghal, et al. (2012)	To examine if IFRS mandatory adoption on earning-quality and if it is correlated with increase in accounting quality by examining IFRS application within 15 EU (European Union) countries.	17	The outcome of their findings indicate some amount of enhancement between pre-IFRS and post-IFRS, that is after the IFRS adoption the quality of accounting based figures increased whilst there is a decrease in the market based. In their findings they suggest that IFRS is more significant than the local GAAP of those countries investigated.

No	Study	Aim	Conclusion	
18.	Yip, R.W. and Young, D. (2012)	They examine if the IFRS mandatory adoption does improve information comparability within the EU countries. They used sample of 17 EU countries by applying three different proxies as their measurement.	18	The result of their study reveal that IFRS mandatory adoption show improvement comparability of information across countries and that accounting convergence together with the increase in quality of accounting information under the International Financial Reporting Standard is more likely to push the enhancement of comparability of accounting information worldwide.
19.	Tsalavoutas, et al. (2009)	To investigate IFRS transition and value-relevance of fundamental accounting pre and post mandatory convergence to IFRS in Greece.	19	Their study outcome reveal that there are no significant variations in value-relevance of earning and value-relevance of equity book value between 2004 pre-IFRS adoption and 2005 post-IFRS adoption. They also, assert that accounting information has no significant changes in relation to value relevance.
20.	Chen, et al. (2010)	To examine the role IFRS plays in improving the quality of accounting by comparing 15 EU countries firms that are listed in the stock market. They examine the pre-IFRS and post-IFRS adoption.	20	The result of their study indicate that the adoption of IFRS improved the quality of accounting among the European Union firms. Their finding also shows that there more earning manipulation under the post-IFRS adoption and that they recognised more losses. Hence, the increase in the quality of accounting reporting is attributed to IFRS adoption rather managerial abilities.
21	Armstrong, et al. (2010)	Is to investigate the IFRS mandatory adoption in European Union and how the EU stock market react	21	The outcome of their findings indicate incremental positive response or reaction among companies with lower pre-IFRS adoption quality information, which is more obvious within the banking sector. Whilst higher pre-IFRS adoption of information-asymmetry in relation to investors expectation of quality of information advantage

No	Study	Aim		Conclusion
		to 16 events that are linked to the IFRS adoption.		with adoption of IFRS.
22.	Suadiye, G. (2012)	To empirically investigate the impact of IFRS (International Financial Reporting Standard) on Turkey accounting information of value relevance. The Ohlson, (1995) suggested equity valuation-model was used to analyse book-value equity and earning under Turkish local-GAAP and post adoption of IFRS.	22	The result of findings indicates that book-value and earning both are individually and jointly significantly as well as positively linked to stock-price under Turkey local GAAP and the IFRS. Furthermore, the findings shows that book-value equity is more value-relevant when compared to earnings and IFRS adoption in Turkey has led to increase of value-relevance of accounting-information among quoted Turkish companies.
23	Alali, F. A. and Foote, P.S. (200)	Is to scrutinise the adoption of IFRS on value-relevance of accounting information in emerging market. Firms traded in the ADX (Abu Dhabi Stock Exchange) were analyse.	23	The findings of the study postulate that book-value per share and the earning per share are significantly and positively associated with price per share. They also asserted that accounting information value relevance have change since the inception of the market in 2000, which they state has help to draw attention to the IFRS mandatory adoption and the accounting information value-relevance reported and published under-IFRS.
24.	Liu, et al. (2011)	To investigate IFRS impact on the quality of accounting in a regulated market such as China. They examines	24	The outcome of their findings shows that with the adoption of IFRS there was an improvement in the quality of accounting information and also, earning management decreases whilst value-relevance of accounting increases (China) since the inception in 2007. They further indicated that companies which are audited by the “Big Four” is

No	Study	Aim		Conclusion
		firms listed in the China market after the mandatory adoption of IFRS in 2007, between the periods of 2005 to 2008.		likely to have higher quality improvement when compared to the smaller companies.
25.	Christensen, et al. (2013)	Is to examine the IFRS (International Financial Reporting Standard) mandatory reporting across a lot of countries and enforcement potential with the possible effects on capital markets.	25	The result of their finding shows that, there is little impact on liquidity after the mandatory adoption of IFRS across many countries. However, their study is within the EU (European Union) and is limited to five European countries that simultaneously made fundamental changes in IFRS enforcement and reporting. Their findings also indicate that the convergence to the new standard tend to have very little influence on market-liquidity.
26.	Zakari, M. A. (2014)	To examine the IFRS adoption and the challenges faced implementing the new standard among firms in Libya, by scrutinising the effects of accounting education, legal aspect and economic factors through the use of questionnaire.	26	The outcome of their findings indicate that companies in Libya faces some challenges like economic issues and accounting training which are most of the obstacle facing developing economies in the implementation of IFRS, such as Libya.
27.	Dimitropoulos, et al. (2013)	To investigate the impact of International Financial Reporting Standard on accounting information quality in relation to the	27	The outcome of their findings indicate a convincing proof that IFRS implementation show a more timely loss-recognition, increased value-relevance of accounting numbers especially when compared to the Greek local-GAAP. The result also show lee earning management, more-also, IFRS implementation shows advantageous evidence that those large firms that are being audited by the “Big Five” audit firms exhibits rise in the

No	Study	Aim		Conclusion
		Greek accounting framework. Samples of 101 firms listed in ASE (Athens Stock Exchange) between the periods of 2001-2008 were applied.		quality of accounting level.
28.	Yip, R. W. and Young, D. (2012)	To examine if the EU mandatory adoption of IFRS (International Financial Reporting Standard) improves the comparability of financial information. They examine 17 EU states by applying three different proxies that help to translate accounting variables in to economic accounting data.	28	The findings of the study suggest that IFRS mandatory adoption enhances information comparability across countries and that the convergence to IRFS leads to high quality of information improvement. The study also indicates that cross countries comparability enhancement tend to be ostentatious by companies institutional settings.
29	Ghazali, et al. (2015)	They analysed the association existing between manager’s opportunistic behaviours, pressure behaviour and monitoring behaviour in the	29	The outcome of their findings indicates that firms managers tends to be involved in earning manipulation when there is an increase in firms profitability and the company is in a healthy financial state. They stated further, that their findings will help regulator to tighten rules and regulation thereby enhancing stakeholder’s confidence in the financial statement reported.

No	Study	Aim		Conclusion
		direction of earning management. Samples of companies publicly listed in the Malaysian market from 2010 to 2012 were used.		
30	Fox, et al. (2013)	Is to scrutinised stakeholders opinion in relation to the cost and benefits of adopting/implementing IFRS and to also ascertain if countries adopting IFRS that have distinct social, political and economic background, experience something different when converging to the new standard (IFRS).	30	The result of their findings shows that a few differences does exist in the experience of IFRS adoption and implementation among various countries. Although, it was widely agreed that IFRS cost of implementation supersede its benefits of disclosure. The analysis of this study help to exposed the similarities and differences that exist between cost and benefits of IFRS implementation taking into consideration of the European Union perspectives and the Anglo-Saxon perspectives as well.
31	Othman, H. B. and Kossentini, A. (2015)	To investigate IFRS adoption strategies and the fundamental assumption of economic improvement and their possible effects on developing stock market growth. They examine data of 50 emerging countries between the periods of	31	The outcome of their result indicate that, increase in the level of IFRS adoption thus affects stock market expansion positively and significantly. However, the full adoption of IFRS by listed companies is considerably linked with stock market development and that partial adoption of IFRS could be irrelevant and more importantly be harmful to emerging market growth. They suggest that, for emerging stock market to improve, full adoption of IFRS is needed.

No	Study	Aim	Conclusion	
		2001 to 2007, using dynamic panel model.		
32	Adekunle, A. A. and Taiwo, A. (2013)	To examine the practices of financial reporting among incorporated banks and the stability of the banks in Nigeria. Samples of 13 banks out of 21 listed in the Nigeria Stock Exchange was used, for the period of 2005 to 2009 for their analysis.	32	The result of the findings shows a higher compliance level with IFRS mandatory adoption disclosure requirement and their analysis also indicates that the mandatory disclosure have a positive and significant impact on the bank stability. They concluded by saying, in-spite of the high level of compliance by the consolidated bank does not exonerates them from internal weaknesses and distress.
33	Das, S. (2014)	Is to investigate the impact of adoption of IFRS by Indian companies they compared IND-GAAP on “Activities Based Ratio” by applying the Gray Index.	33	The outcome of the study indicates that adoption of IFRS among firm in Indian has produced negative influence on some of the Activities Based Ratio of companies in Indian. However, the impact was not significant statistically and there is no difference between IFRS and the IND-GAAP from the analysis carried out.

Appendix IV Summary Descriptive Statistics 2007 – 2016

```
. summarize SharePrice Bvit Nait Niit EPS Cfit
```

Variable	Obs	Mean	Std. Dev.	Min	Max
SharePrice	870	28.12272	84.51389	0	1200
Bvit	870	2.27e+07	1.65e+08	-1.92e+07	4.58e+09
Nait	870	2.25e+07	1.64e+08	-1.90e+07	4.53e+09
Niit	870	4.89e+07	8.29e+08	-2.90e+09	2.17e+10
EPS	870	83.3564	263.4636	-2076	4011.87
Cfit	870	2.44e+07	1.85e+08	-2.51e+07	1.73e+09

Source: Author's computation using Stata

Appendix V Summary Descriptive Statistics 2007 – 2011

Variable	Obs	Mean	Std. Dev.	Min	Max
SharePrice	435	23.2836	49.89614	0	445.66
Bvit	435	2.15e+07	2.21e+08	-2980044	4.58e+09
Nait	435	2.13e+07	2.19e+08	-2950244	4.53e+09
Niit	435	3899662	2.31e+08	-1.61e+09	3.99e+09
EPS	434	85.2125	199.2192	-542.93	2019
Cfit	435	2.28e+07	1.84e+08	-1.90e+07	1.73e+09

Source: Author's computation using Stata

Appendix VI Summary Descriptive Statistics 2012 – 2016

Variable	Obs	Mean	Std. Dev.	Min	Max
SharePrice	435	32.96183	108.467	0	1200
Bvit	435	2.39e+07	7.60e+07	-1.92e+07	8.05e+08
Nait	435	2.37e+07	7.53e+07	-1.90e+07	7.97e+08
Niit	435	9.39e+07	1.15e+09	-2.90e+09	2.17e+10
EPS	435	81.69619	315.2252	-2076	4011.87
Cfit	435	2.60e+07	1.85e+08	-2.51e+07	1.73e+09

Source: Author's computation using Stata

Appendix VII Pearson Correlation Matrix (2007 – 2016)

```
. pwcorr lnshareprice lnBVit lnNAit lnNIit lnCFit lnEPS, obs sig print(10) star(5)
```

	lnshar~e	lnBVit	lnNAit	lnNIit	lnCFit	lnEPS
lnshareprice	1.0000					
	870					
lnBVit	0.4256*	1.0000				
	0.0000					
	870	870				
lnNAit	0.2749*	0.1973*	1.0000			
	0.0000	0.0000				
	870	870	870			
lnNIit	0.4189*	0.1763*	0.4389*	1.0000		
	0.0000	0.0000	0.0000			
	870	870	870	870		
lnCFit	0.3855*	0.2035*	0.4148*	0.6486*	1.0000	
	0.0000	0.0000	0.0000	0.0000		
	870	870	870	870	870	
lnEPS	0.4498*	0.1960*	0.1669*	0.2822*	0.3124*	1.0000
	0.0000	0.0000	0.0000	0.0000	0.0000	
	870	870	870	870	870	870

Appendix VIII Pearson Correlation Matrix (2007 – 2011 – PreIFRS)

```
. pwcorr lnshareprice lnBVit lnNAit lnNIit lnCFit lnEPS, obs sig print(10) star(5)
```

	lnshar~e	lnBVit	lnNAit	lnNIit	lnCFit	lnEPS
lnshareprice	1.0000					
	435					
lnBVit	0.3372*	1.0000				
	0.0000					
	435	435				
lnNAit	0.1810*		1.0000			
	0.0001					
	435		435			
lnNIit	0.3455*	0.0967*	0.3818*	1.0000		
	0.0000	0.0439	0.0000			
	435	435	435	435		
lnCFit	0.3347*		0.3456*	0.6022*	1.0000	
	0.0000		0.0000	0.0000		
	435		435	435	435	
lnEPS	0.4570*	0.1159*	0.1645*	0.3239*	0.3748*	1.0000
	0.0000	0.0156	0.0006	0.0000	0.0000	
	435	435	435	435	435	435

Appendix IX Pearson Correlation Matrix (2012 – 2016 – Post-IFRS)

```
. pwcorr lnshareprice lnBVit lnNAit lnNIit lnCFit lnEPS, obs sig print(10) star(5)

             | lnshar~e   lnBVit   lnNAit   lnNIit   lnCFit    lnEPS
-------------+------------------------------------------------------
lnshareprice |   1.0000
             |
             |      435
             |
      lnBVit |   0.5314*  1.0000
             |   0.0000
             |      435      435
             |
      lnNAit |   0.3775*  0.3521*  1.0000
             |   0.0000   0.0000
             |      435      435      435
             |
      lnNIit |   0.4730*  0.2602*  0.5040*  1.0000
             |   0.0000   0.0000   0.0000
             |      435      435      435      435
             |
      lnCFit |   0.4525*  0.3843*  0.4834*  0.7139*  1.0000
             |   0.0000   0.0000   0.0000   0.0000
             |      435      435      435      435      435
             |
       lnEPS |   0.4405*  0.2998*  0.1895*  0.2485*  0.2783*  1.0000
             |   0.0000   0.0000   0.0001   0.0000   0.0000
             |      435      435      435      435      435      435
             |
```

Appendix X Panel Regression (2007 – 2016)

```
. xtset Company Year, yearly
       panel variable:  Company (strongly balanced)
        time variable:  Year, 2007 to 2016
                delta:  1 year

. regress lnshareprice lnBVit lnNAit lnNIit lnCFit lnEPS

      Source |       SS           df       MS      Number of obs   =       870
-------------+----------------------------------   F(5, 864)       =    112.58
       Model |   994.32013         5  198.864026   Prob > F        =    0.0000
    Residual |  1526.22746       864  1.76646696   R-squared       =    0.3945
-------------+----------------------------------   Adj R-squared   =    0.3910
       Total |  2520.54759       869  2.90051506   Root MSE        =    1.3291

------------------------------------------------------------------------------
lnshareprice |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
      lnBVit |   .2623465   .0235834    11.12   0.000     .2160589     .308634
      lnNAit |   .0182627   .0139665     1.31   0.191    -.0091497     .045675
      lnNIit |   .0605925   .0101485     5.97   0.000     .0406739    .0805111
      lnCFit |   .0192691    .009443     2.04   0.042     .0007353    .0378029
       lnEPS |   .1993084   .0188382    10.58   0.000     .1623344    .2362823
       _cons |   1.413478    .232025     6.09   0.000     .9580793    1.868877
------------------------------------------------------------------------------
```

Appendix XI Panel Regression (2007 – 2011)

```
. xtset Company Year, yearly
       panel variable:  Company (strongly balanced)
        time variable:  Year, 2007 to 2011
                delta:  1 year

. regress lnshareprice lnBVit lnNAit lnNIit lnCFit lnEPS

      Source |       SS           df       MS      Number of obs   =       435
-------------+----------------------------------   F(5, 429)       =     43.17
       Model |   377.58474         5  75.5169479   Prob > F        =    0.0000
    Residual |  750.497443       429  1.74941129   R-squared       =    0.3347
-------------+----------------------------------   Adj R-squared   =    0.3270
       Total |  1128.08218       434   2.5992677   Root MSE        =    1.3227

------------------------------------------------------------------------------
lnshareprice |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
      lnBVit |   .2133994   .0304502     7.01   0.000     .1535492    .2732496
      lnNAit |   .0081501   .0183551     0.44   0.657    -.0279269    .0442272
      lnNIit |   .0409298   .0151383     2.70   0.007     .0111753    .0706844
      lnCFit |   .0253567   .0123525     2.05   0.041     .0010778    .0496357
       lnEPS |     .22102   .0282258     7.83   0.000     .1655419    .2764982
       _cons |   1.500998    .296022     5.07   0.000     .9191646    2.082832
------------------------------------------------------------------------------
```

Appendix XII Panel Regression (2012 – 2016)

```
. xtset Company Year, yearly
       panel variable:  Company (strongly balanced)
        time variable:  Year, 2012 to 2016
                delta:  1 year

. regress lnshareprice lnBVit lnNAit lnNIit lnCFit lnEPS

      Source |       SS           df       MS      Number of obs   =       435
-------------+----------------------------------   F(5, 429)       =     73.16
       Model |  638.445908         5  127.689182   Prob > F        =    0.0000
    Residual |  748.779076       429  1.74540577   R-squared       =    0.4602
-------------+----------------------------------   Adj R-squared   =    0.4539
       Total |  1387.22498       434  3.19637093   Root MSE        =    1.3211

------------------------------------------------------------------------------
lnshareprice |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
      lnBVit |   .3441294   .0388756     8.85   0.000     .2677191    .4205398
      lnNAit |   .0277962   .0216473     1.28   0.200    -.0147518    .0703442
      lnNIit |   .0739863    .014299     5.17   0.000     .0458814    .1020912
      lnCFit |   .0070627   .0154237     0.46   0.647    -.0232528    .0373781
       lnEPS |   .1685399   .0257611     6.54   0.000     .1179063    .2191735
       _cons |    1.61134   .3861467     4.17   0.000      .852365    2.370315
------------------------------------------------------------------------------
```

Appendix XIII Yearly Panel Regression

2007

```
. xtset Company Year, yearly
       panel variable:  Company (strongly balanced)
        time variable:  Year, 2007 to 2007
                delta:  1 year

. regress lnshareprice lnBVit lnNAit lnNIit lnCFit lnEPS
```

Source	SS	df	MS			
				Number of obs	=	87
				F(5, 81)	=	13.41
Model	112.890213	5	22.5780426	Prob > F	=	0.0000
Residual	136.330939	81	1.68309801	R-squared	=	0.4530
				Adj R-squared	=	0.4192
Total	249.221152	86	2.89792037	Root MSE	=	1.2973

lnshareprice	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
lnBVit	.1593272	.0610925	2.61	0.011	.0377722	.2808821
lnNAit	.0527259	.051197	1.03	0.306	-.0491402	.1545919
lnNIit	-.0273437	.0439133	-0.62	0.535	-.1147173	.06003
lnCFit	.1711063	.0336864	5.08	0.000	.1040809	.2381317
lnEPS	.0486449	.0770339	0.63	0.530	-.1046284	.2019183
_cons	.3383643	.7124448	0.47	0.636	-1.079177	1.755906

2008

```
. xtset Company Year, yearly
       panel variable:  Company (strongly balanced)
        time variable:  Year, 2008 to 2008
                delta:  1 year

. regress lnshareprice lnBVit lnNAit lnNIit lnCFit lnEPS

      Source |       SS           df       MS      Number of obs   =        87
-------------+----------------------------------   F(5, 81)        =      9.25
       Model |  77.0250825         5  15.4050165   Prob > F        =    0.0000
    Residual |  134.825598        81  1.66451356   R-squared       =    0.3636
-------------+----------------------------------   Adj R-squared   =    0.3243
       Total |  211.850681        86  2.46338001   Root MSE        =    1.2902

------------------------------------------------------------------------------
lnshareprice |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
      lnBVit |   .1570333   .0640653     2.45   0.016     .0295634    .2845032
      lnNAit |  -.0506047   .0449673    -1.13   0.264    -.1400755    .0388661
      lnNIit |   .0251872    .036447     0.69   0.492    -.0473309    .0977053
      lnCFit |   .0738084   .0282985     2.61   0.011     .0175033    .1301135
       lnEPS |   .2072741   .0701228     2.96   0.004     .0677518    .3467964
       _cons |   1.848501   .6000965     3.08   0.003     .6544968    3.042505
------------------------------------------------------------------------------
```

2009

```
. xtset Company Year, yearly
       panel variable:  Company (strongly balanced)
        time variable:  Year, 2009 to 2009
                delta:  1 year

. regress lnshareprice lnBVit lnNAit lnNIit lnCFit lnEPS

      Source |       SS           df       MS      Number of obs   =        87
-------------+----------------------------------   F(5, 81)        =      7.59
       Model |  68.4966218         5  13.6993244   Prob > F        =    0.0000
    Residual |  146.135914        81  1.80414709   R-squared       =    0.3191
-------------+----------------------------------   Adj R-squared   =    0.2771
       Total |  214.632536        86  2.49572716   Root MSE        =    1.3432

------------------------------------------------------------------------------
lnshareprice |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
      lnBVit |   .1915341   .0667501     2.87   0.005     .0587223    .3243459
      lnNAit |   .0356362   .0391558     0.91   0.365    -.0422716    .1135441
      lnNIit |    .052484   .0337502     1.56   0.124    -.0146683    .1196364
      lnCFit |   -.058664   .0316265    -1.85   0.067    -.1215907    .0042628
       lnEPS |   .3072227   .0672387     4.57   0.000     .1734389    .4410065
       _cons |   1.496512   .6578557     2.27   0.026     .1875857    2.805439
------------------------------------------------------------------------------
```

2010

```
. xtset Company Year, yearly
       panel variable:  Company (strongly balanced)
        time variable:  Year, 2010 to 2010
                delta:  1 year

. regress lnshareprice lnBVit lnNAit lnNIit lnCFit lnEPS
```

Source	SS	df	MS		
				Number of obs =	87
				F(5, 81) =	12.39
Model	93.9882764	5	18.7976553	Prob > F =	0.0000
Residual	122.897394	81	1.51725177	R-squared =	0.4334
				Adj R-squared =	0.3984
Total	216.88567	86	2.5219264	Root MSE =	1.2318

lnshareprice	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
lnBVit	.26246	.0678334	3.87	0.000	.1274928	.3974271
lnNAit	.0376089	.0367767	1.02	0.310	-.0355652	.1107831
lnNIit	.0766945	.0290928	2.64	0.010	.0188091	.13458
lnCFit	-.0156321	.0227942	-0.69	0.495	-.0609855	.0297213
lnEPS	.2125525	.0590468	3.60	0.001	.0950678	.3300372
_cons	1.370533	.5889861	2.33	0.022	.1986358	2.542431

2011

```
. egen Company = group(COYName)

. xtset Company Year, yearly
       panel variable:  Company (strongly balanced)
        time variable:  Year, 2011 to 2011
                delta:  1 year

. regress lnshareprice lnBVit lnNAit lnNIit lnCFit lnEPS

      Source |       SS           df       MS      Number of obs   =        87
-------------+----------------------------------   F(5, 81)        =     13.35
       Model |  104.333183         5  20.8666366   Prob > F        =    0.0000
    Residual |  126.561549        81  1.56248826   R-squared       =    0.4519
-------------+----------------------------------   Adj R-squared   =    0.4180
       Total |  230.894732        86  2.68482247   Root MSE        =      1.25

------------------------------------------------------------------------------
lnshareprice |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
      lnBVit |   .4646787   .0984786     4.72   0.000     .2687372    .6606202
      lnNAit |   -.018091   .0369935    -0.49   0.626    -.0916964    .0555145
      lnNIit |   .0578976   .0297662     1.95   0.055    -.0013278    .1171229
      lnCFit |   -.005661   .0253729    -0.22   0.824    -.0561451    .0448232
       lnEPS |   .1552738   .0553999     2.80   0.006     .0450453    .2655022
       _cons |   3.203437   .8465406     3.78   0.000     1.519087    4.887787
------------------------------------------------------------------------------
```

2012

```
. xtset Company Year, yearly
       panel variable:  Company (strongly balanced)
        time variable:  Year, 2012 to 2012
                delta:  1 year

. regress lnshareprice lnBVit lnNAit lnNIit lnCFit lnEPS

      Source |       SS           df       MS      Number of obs   =        87
-------------+----------------------------------   F(5, 81)        =      9.92
       Model |  92.8295638         5  18.5659128   Prob > F        =    0.0000
    Residual |  151.635046        81   1.8720376   R-squared       =    0.3797
-------------+----------------------------------   Adj R-squared   =    0.3414
       Total |  244.464609        86  2.84261174   Root MSE        =    1.3682

------------------------------------------------------------------------------
lnshareprice |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
      lnBVit |   .2990497   .0889532     3.36   0.001     .1220607    .4760387
      lnNAit |  -.0689584   .0497069    -1.39   0.169    -.1678596    .0299427
      lnNIit |   .0917184   .0350739     2.62   0.011     .0219323    .1615044
      lnCFit |   .0090804   .0306726     0.30   0.768    -.0519484    .0701092
       lnEPS |   .1550079   .0620514     2.50   0.015     .0315452    .2784707
       _cons |   2.666255   .8499319     3.14   0.002     .9751568    4.357353
------------------------------------------------------------------------------
```

2013

```
. xtset Company Year, yearly
       panel variable:  Company (strongly balanced)
        time variable:  Year, 2013 to 2013
                delta:  1 year

. regress lnshareprice lnBVit lnNAit lnNIit lnCFit lnEPS

      Source |       SS           df       MS      Number of obs   =        87
-------------+----------------------------------   F(5, 81)        =     14.37
       Model |  134.201664         5  26.8403329   Prob > F        =    0.0000
    Residual |  151.301247        81  1.86791664   R-squared       =    0.4701
-------------+----------------------------------   Adj R-squared   =    0.4373
       Total |  285.502912        86   3.3198013   Root MSE        =    1.3667

------------------------------------------------------------------------------
lnshareprice |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
      lnBVit |   .3661816   .0940133     3.89   0.000     .1791247    .5532386
      lnNAit |  -.0061256   .0570091    -0.11   0.915    -.1195559    .1073047
      lnNIit |    .073307   .0362871     2.02   0.047      .001107     .145507
      lnCFit |   .0214734   .0326579     0.66   0.513    -.0435057    .0864524
       lnEPS |   .1925727   .0622972     3.09   0.003     .0686209    .3165245
       _cons |   2.129491   .9770239     2.18   0.032     .1855197    4.073462
------------------------------------------------------------------------------
```

2014

```
. xtset Company Year, yearly
       panel variable:  Company (strongly balanced)
        time variable:  Year, 2014 to 2014
                delta:  1 year

. regress lnshareprice lnBVit lnNAit lnNIit lnCFit lnEPS

      Source |       SS           df       MS      Number of obs   =        87
-------------+----------------------------------   F(5, 81)        =     20.04
       Model |  158.944191         5  31.7888383   Prob > F        =    0.0000
    Residual |  128.463806        81  1.58597291   R-squared       =    0.5530
-------------+----------------------------------   Adj R-squared   =    0.5254
       Total |  287.407997        86  3.34195346   Root MSE        =    1.2594

------------------------------------------------------------------------------
lnshareprice |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
      lnBVit |   .4640418   .0943139     4.92   0.000     .2763868    .6516968
      lnNAit |   .0791365   .0477717     1.66   0.101    -.0159143    .1741872
      lnNIit |   .1202379   .0380798     3.16   0.002     .0444712    .1960047
      lnCFit |    -.05887   .0461589    -1.28   0.206    -.1507116    .0329717
       lnEPS |   .1527689   .0552673     2.76   0.007     .0428043    .2627336
       _cons |   1.652226   .9336128     1.77   0.081    -.2053707    3.509823
------------------------------------------------------------------------------
```

2015

```
. xtset Company Year, yearly
       panel variable:  Company (strongly balanced)
        time variable:  Year, 2015 to 2015
                delta:  1 year

. regress lnshareprice lnBVit lnNAit lnNIit lnCFit lnEPS

      Source |       SS           df       MS      Number of obs   =        87
-------------+----------------------------------   F(5, 81)        =     18.34
       Model |  155.093346         5  31.0186691   Prob > F        =    0.0000
    Residual |  137.000878        81  1.69136886   R-squared       =    0.5310
-------------+----------------------------------   Adj R-squared   =    0.5020
       Total |  292.094223        86  3.39644446   Root MSE        =    1.3005

------------------------------------------------------------------------------
lnshareprice |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
      lnBVit |   .3813128    .097033     3.93   0.000     .1882475     .574378
      lnNAit |   .0673242   .0482772     1.39   0.167    -.0287322    .1633806
      lnNIit |   .0829343   .0339091     2.45   0.017     .0154658    .1504028
      lnCFit |  -.0060177   .0429335    -0.14   0.889    -.0914418    .0794065
       lnEPS |   .1785608   .0567344     3.15   0.002     .0656773    .2914444
       _cons |   1.224328   .8824542     1.39   0.169    -.5314786    2.980136
------------------------------------------------------------------------------
```

2016

```
. xtset Company Year, yearly
       panel variable:  Company (strongly balanced)
        time variable:  Year, 2016 to 2016
                delta:  1 year

. regress lnshareprice lnBVit lnNAit lnNIit lnCFit lnEPS

      Source |       SS           df       MS      Number of obs   =        87
-------------+----------------------------------   F(5, 81)        =     12.53
       Model |  118.153018         5  23.6306036   Prob > F        =    0.0000
    Residual |  152.811348        81  1.88655985   R-squared       =    0.4360
-------------+----------------------------------   Adj R-squared   =    0.4012
       Total |  270.964366        86  3.15074844   Root MSE        =    1.3735

------------------------------------------------------------------------------
lnshareprice |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
      lnBVit |   .2775212   .0803395     3.45   0.001     .1176708    .4373715
      lnNAit |   .0617586   .0470368     1.31   0.193    -.0318298    .1553471
      lnNIit |   .0469543   .0283946     1.65   0.102     -.009542    .1034507
      lnCFit |   .0215896   .0354075     0.61   0.544    -.0488603    .0920395
       lnEPS |   .1446501    .062041     2.33   0.022     .0212081    .2680922
       _cons |   .8951828   .8294759     1.08   0.284    -.7552141     2.54558
------------------------------------------------------------------------------
```

Model Three

Appendix XIV Descriptive Statistics

Pre-IFRS (2007 – 2011)

```
. summarize DAit TACC REVit_RECit_TAit PPE_TAit ROAit
```

Variable	Obs	Mean	Std. Dev.	Min	Max
DAit	435	3.04e-12	.0018014	-.0246504	.0172542
TACC	435	2.558591	54.17664	-124.9314	1118.456
REVit_RECi~t	435	.0948718	28.52821	-447.2582	389.3848
PPE_TAit	435	2.917407	25.79294	0	405.3773
ROAit	435	.0186587	19.77755	-189.5783	277.2632

Appendix XV Post-IFRS (2012 – 2016)

```
. summarize DAit TACC REVit_RECit_TAit PPE_TAit ROAit
```

Variable	Obs	Mean	Std. Dev.	Min	Max
DAit	435	-6.08e-17	1.25e-07	-1.10e-06	1.34e-06
TACC	435	.1231537	2.692054	-1.185396	56.04091
REVit_RE~Ait	435	.0016559	.4340861	-6.916987	1.154618
PPE_TAit	435	2.69781	46.185	0	963.6954
ROAit	435	-1.448647	36.90022	-325.8085	261.418

Appendix XVI Panel Regression – Pre IFRS

```
. xtset Company Year, yearly
       panel variable:  Company (strongly balanced)
        time variable:  Year, 2007 to 2011
                delta:  1 year

. regress TACC_TAit I_TAit REVit_RECit_TAit PPE_TAit ROAit

      Source |       SS           df       MS      Number of obs   =       435
-------------+----------------------------------   F(4, 430)       =  13024.12
       Model |  .170634023         4  .042658506   Prob > F        =    0.0000
    Residual |  .001408399       430  3.2753e-06   R-squared       =    0.9918
-------------+----------------------------------   Adj R-squared   =    0.9917
       Total |  .172042421       434  .000396411   Root MSE        =    .00181

------------------------------------------------------------------------------
       TACC_TAit |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-----------------+------------------------------------------------------------
          I_TAit |   745.1115   10.11393    73.67   0.000     725.2326    764.9904
REVit_RECit_TAit |   .0004539   3.24e-06   140.14   0.000     .0004476    .0004603
        PPE_TAit |  -.0001391   .0000102   -13.60   0.000    -.0001592    -.000119
           ROAit |  -2.09e-06   4.48e-06    -0.47   0.641    -.0000109    6.71e-06
           _cons |  -.0003166   .0000875    -3.62   0.000    -.0004886   -.0001446
------------------------------------------------------------------------------
```

Appendix XVII Panel Regression – Post IFRS

```
. xtset Company Year, yearly
       panel variable:  Company (strongly balanced)
        time variable:  Year, 2012 to 2016
                delta:  1 year

. regress TACC_TAit I_TAit REVit_RECit_TAit PPE_TAit ROAit

      Source |       SS           df       MS      Number of obs   =       435
-------------+----------------------------------   F(4, 430)       =  35944.84
       Model |  2.2522e-09         4  5.6304e-10   Prob > F        =    0.0000
    Residual |  6.7355e-12       430  1.5664e-14   R-squared       =    0.9970
-------------+----------------------------------   Adj R-squared   =    0.9970
       Total |  2.2589e-09       434  5.2048e-12   Root MSE        =    1.3e-07
```

TACC_TAit	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
I_TAit	.0599169	.0065407	9.16	0.000	.0470613	.0727726
REVit_RECit_TAit	-6.57e-10	1.39e-08	-0.05	0.962	-2.80e-08	2.66e-08
PPE_TAit	4.93e-08	1.30e-10	378.61	0.000	4.90e-08	4.95e-08
ROAit	3.38e-10	1.63e-10	2.07	0.039	1.71e-11	6.59e-10
_cons	-4.06e-08	6.32e-09	-6.43	0.000	-5.30e-08	-2.82e-08

Appendix XVIII Two Sample t-test

Two-sample t test with unequal variances

Variable	Obs	Mean	Std. Err.	Std. Dev.	[95% Conf.	Interval]
DAitPRE	435	9.20e-11	.0000864	.0018014	-.0001698	.0001698
DAitPOST	435	-3.93e-12	5.96e-09	1.24e-07	-1.17e-08	1.17e-08
combined	870	4.40e-11	.0000432	.0012731	-.0000847	.0000847
diff		9.59e-11	.0000864		-.0001698	.0001698

```
    diff = mean(DAitPRE) - mean(DAitPOST)                         t =   0.0000
Ho: diff = 0                     Satterthwaite's degrees of freedom =      434

    Ha: diff < 0                 Ha: diff != 0                 Ha: diff > 0
 Pr(T < t) = 0.5000         Pr(|T| > |t|) = 1.0000          Pr(T > t) = 0.5000
```

AppendixXVIX Residual Comparison – MODEL 3

Table 1 Residuals (Discretionary Accrual) for the companies in the PreIFRS and PostIFRS era

COYID	COYName	DAit (PRE)	DAit (POST)
1001	A.G.LEVENTIS (NIG) PLC	0.0003167	4.06E-08
1001	A.G.LEVENTIS (NIG) PLC	0.000196	1.01E-08
1001	A.G.LEVENTIS (NIG) PLC	0.0002914	3.93E-09
1001	A.G.LEVENTIS (NIG) PLC	0.0003804	1.22E-08
1001	A.G.LEVENTIS (NIG) PLC	0.000275	5.03E-08
1002	ABC TRANSPORT PLC	0.0003167	4.06E-08
1002	ABC TRANSPORT PLC	-0.0000297	0.000000038
1002	ABC TRANSPORT PLC	0.0000682	-5.26E-08
1002	ABC TRANSPORT PLC	0.000127	-7.44E-09
1002	ABC TRANSPORT PLC	0.0001134	5.36E-08
1003	ACADEMY PRESS	0.0003167	4.06E-08
1003	ACADEMY PRESS	-0.0005524	6.96E-09
1003	ACADEMY PRESS	-0.0002326	-0.000000119
1003	ACADEMY PRESS	-0.0001359	-6.83E-09
1003	ACADEMY PRESS	-0.0000439	-7.42E-09
1004	AFROMEDIA	0.0003167	4.09E-08
1004	AFROMEDIA	0.0002575	-0.000000251
1004	AFROMEDIA	0.0003818	-2.13E-08
1004	AFROMEDIA	-0.0008135	-0.000000141
1004	AFROMEDIA	0.0003058	-0.000000526
1005	AIRLINE SERVICE AND LOGISTIC PLC	0.0003168	4.05E-08
1005	AIRLINE SERVICE AND LOGISTIC PLC	0.0001342	2.23E-08
1005	AIRLINE SERVICE AND LOGISTIC PLC	0.0000951	-9.42E-08

1005	AIRLINE SERVICE AND LOGISTIC PLC	0.0000959	1.07E-08
1005	AIRLINE SERVICE AND LOGISTIC PLC	0.0000606	3.39E-08
1006	ALUMINIUM EXTRUSION	0.0003168	4.06E-08
1006	ALUMINIUM EXTRUSION	-0.0014618	-4.13E-09
1006	ALUMINIUM EXTRUSION	-0.0045173	-4.19E-08
1006	ALUMINIUM EXTRUSION	-0.0007091	6.79E-09
1006	ALUMINIUM EXTRUSION	-0.0004648	4.07E-09
1007	ARBICO PLC	0.0003166	4.06E-08
1007	ARBICO PLC	-0.00008	8.12E-08
1007	ARBICO PLC	0.0001259	-0.000000129
1007	ARBICO PLC	0.0000847	5.79E-09
1007	ARBICO PLC	0.0000995	3.54E-08
1008	ASHAKA CEMENT PLC	0.0003167	4.06E-08
1008	ASHAKA CEMENT PLC	0.0002867	4.47E-09
1008	ASHAKA CEMENT PLC	0.0004557	3.5E-09
1008	ASHAKA CEMENT PLC	0.0005392	5.13E-09
1008	ASHAKA CEMENT PLC	0.0002801	-3.69E-09
1009	AVON CROWNCAP	0.0003167	4.06E-08
1009	AVON CROWNCAP	0.0001415	0.000000015
1009	AVON CROWNCAP	0.0000405	1.87E-08
1009	AVON CROWNCAP	0.0001166	2.43E-08
1009	AVON CROWNCAP	0.0002187	-9.86E-09
1010	BERGER PAINTS NIG. PLC.	0.0003167	4.06E-08
1010	BERGER PAINTS NIG. PLC.	-0.0000617	6.13E-08
1010	BERGER PAINTS NIG. PLC.	0.0000467	2.57E-08
1010	BERGER PAINTS NIG. PLC.	-0.0000138	-3.82E-08
1010	BERGER PAINTS NIG. PLC.	0.0000795	-4.24E-08

1011	BETA GLASS PLC.	0.0003167	4.06E-08
1011	BETA GLASS PLC.	0.0003091	1.59E-08
1011	BETA GLASS PLC.	0.000282	2.15E-08
1011	BETA GLASS PLC.	0.0003564	1.84E-08
1011	BETA GLASS PLC.	0.0003167	-1.34E-08
1012	BOC GASES NIG. PLC	0.0003168	4.06E-08
1012	BOC GASES NIG. PLC	-0.0000183	-5.47E-10
1012	BOC GASES NIG. PLC	-0.0000541	-6.67E-08
1012	BOC GASES NIG. PLC	-0.0000135	-1.29E-08
1012	BOC GASES NIG. PLC	0.0000567	9.06E-09
1013	CADBURY NIG. PLC	0.0003165	4.06E-08
1013	CADBURY NIG. PLC	0.0003037	1.83E-08
1013	CADBURY NIG. PLC	0.0002989	1.58E-08
1013	CADBURY NIG. PLC	0.0003508	0.000000014
1013	CADBURY NIG. PLC	0.0002787	2.15E-08
1014	CAPITAL HOTELS PLC	0.0003167	4.06E-08
1014	CAPITAL HOTELS PLC	-0.0000311	-3.14E-09
1014	CAPITAL HOTELS PLC	0.0001212	3.01E-08
1014	CAPITAL HOTELS PLC	0.0001993	8.45E-09
1014	CAPITAL HOTELS PLC	0.0002997	2.28E-08
1015	CAPITAL OIL PLC	0.0003166	4.06E-08
1015	CAPITAL OIL PLC	-0.0049018	-3.91E-08
1015	CAPITAL OIL PLC	-0.0004039	-0.000000126
1015	CAPITAL OIL PLC	0.0003133	-5.05E-08
1015	CAPITAL OIL PLC	-0.0001209	-4.08E-08
1016	CEMENT CO. OF NORTHERN NIG.	0.0003166	4.06E-08
1016	CEMENT CO. OF NORTHERN NIG.	0.0002005	2.79E-09

1016	CEMENT CO. OF NORTHERN NIG.	0.0002302	7.25E-09
1016	CEMENT CO. OF NORTHERN NIG.	0.0003661	3.47E-09
1016	CEMENT CO. OF NORTHERN NIG.	0.0001741	-1.06E-08
1017	CHALLARAMS PLC	0.0003167	4.06E-08
1017	CHALLARAMS PLC	0.0010324	8.5E-09
1017	CHALLARAMS PLC	0.0003165	2.63E-08
1017	CHALLARAMS PLC	0.0001049	1.88E-08
1017	CHALLARAMS PLC	0.0001168	1.12E-08
1018	CHAMPION BREWERIES PLC	0.0003166	4.07E-08
1018	CHAMPION BREWERIES PLC	0.0003166	-9.75E-08
1018	CHAMPION BREWERIES PLC	0.0003166	0.000000107
1018	CHAMPION BREWERIES PLC	0.0003157	-1.31E-09
1018	CHAMPION BREWERIES PLC	0.0004192	-1.76E-08
1019	CHAMS PLC	0.0003166	4.06E-08
1019	CHAMS PLC	0.0003166	4.69E-08
1019	CHAMS PLC	0.0003422	0.00000002
1019	CHAMS PLC	-0.0001193	7.45E-09
1019	CHAMS PLC	0.0002733	5.01E-08
1020	CHEMICAL AND ALLIED PRODUCTS	0.0003174	4.05E-08
1020	CHEMICAL AND ALLIED PRODUCTS	-0.0002487	-1.12E-08
1020	CHEMICAL AND ALLIED PRODUCTS	-0.0000128	-2.07E-08
1020	CHEMICAL AND ALLIED PRODUCTS	-0.0002235	3.43E-08
1020	CHEMICAL AND ALLIED PRODUCTS	0.0003173	0.000000082
1021	CONOIL PLC	0.0003167	4.06E-08
1021	CONOIL PLC	-0.0000766	0.000000036
1021	CONOIL PLC	0.0004904	3.54E-08
1021	CONOIL PLC	0.0003315	3.62E-08

1021	CONOIL PLC	-0.0002676	3.92E-08
1022	COURTEVILLE BUSINESS SOLUTIONS	0.0003166	4.06E-08
1022	COURTEVILLE BUSINESS SOLUTIONS	-0.0001258	-9.54E-09
1022	COURTEVILLE BUSINESS SOLUTIONS	0.0001161	-2.47E-08
1022	COURTEVILLE BUSINESS SOLUTIONS	0.0001458	-3.75E-11
1022	COURTEVILLE BUSINESS SOLUTIONS	0.0001822	-2.68E-09
1023	CURTIX PLC	0.000317	4.06E-08
1023	CURTIX PLC	-0.000942	-0.000000109
1023	CURTIX PLC	-0.0006112	-0.000000161
1023	CURTIX PLC	-0.0006205	-5.19E-08
1023	CURTIX PLC	0.0003167	0.00000002
1024	D.N. MEYERS PLC	0.0003166	4.06E-08
1024	D.N. MEYERS PLC	-0.0000928	-2.18E-08
1024	D.N. MEYERS PLC	0.0003161	-1.77E-08
1024	D.N. MEYERS PLC	0.0002483	-3.18E-08
1024	D.N. MEYERS PLC	0.0001152	-3.04E-08
1025	DANGOTE CEMENT PLC	0.0003191	4.05E-08
1025	DANGOTE CEMENT PLC	0.0008776	-1.05E-08
1025	DANGOTE CEMENT PLC	-0.0018571	-9.04E-09
1025	DANGOTE CEMENT PLC	0.000452	-6.72E-09
1025	DANGOTE CEMENT PLC	0.0004202	-1.39E-08
1026	DANGOTE SUGAR REFINERY PLC	0.0003175	4.06E-08
1026	DANGOTE SUGAR REFINERY PLC	0.0003436	1.08E-08
1026	DANGOTE SUGAR REFINERY PLC	0.0003371	5.95E-09
1026	DANGOTE SUGAR REFINERY PLC	0.0002925	8.23E-09
1026	DANGOTE SUGAR REFINERY PLC	0.0002252	9.39E-09
1027	ELLAH LAKES PLC	0.0003259	4.99E-08

1027	ELLAH LAKES PLC	-0.0001899	-3.54E-08
1027	ELLAH LAKES PLC	-0.0001876	-4.82E-08
1027	ELLAH LAKES PLC	-0.000222	-5.95E-08
1027	ELLAH LAKES PLC	0.0056475	6.32E-09
1028	ETERNA OIL PLC	0.0003079	0.000000031
1028	ETERNA OIL PLC	-0.0005739	3.26E-09
1028	ETERNA OIL PLC	0.0001394	0.000000006
1028	ETERNA OIL PLC	0.0002582	2.19E-08
1028	ETERNA OIL PLC	-0.0007018	4.16E-09
1029	ETRANSACT INTERNATIONAL PLC	0.0003166	4.06E-08
1029	ETRANSACT INTERNATIONAL PLC	0.0007538	1.18E-08
1029	ETRANSACT INTERNATIONAL PLC	0.0002642	8.41E-09
1029	ETRANSACT INTERNATIONAL PLC	8.74E-06	1.84E-08
1029	ETRANSACT INTERNATIONAL PLC	-0.0001218	-2.65E-08
1030	FIDSON HEALTHCARE PLC	0.000317	4.06E-08
1030	FIDSON HEALTHCARE PLC	0.0000376	-1.71E-08
1030	FIDSON HEALTHCARE PLC	0.0002328	-1.51E-08
1030	FIDSON HEALTHCARE PLC	0.0003157	-2.02E-09
1030	FIDSON HEALTHCARE PLC	0.0005097	-6.2E-09
1031	FIRST ALUMINIUM (NIG) PLC	0.0001801	7.89E-08
1031	FIRST ALUMINIUM (NIG) PLC	0.0002289	-9.7E-09
1031	FIRST ALUMINIUM (NIG) PLC	0.0003359	-5.24E-09
1031	FIRST ALUMINIUM (NIG) PLC	0.0007013	-2.19E-10
1031	FIRST ALUMINIUM (NIG) PLC	-0.0001211	-1.89E-08
1032	FLOURMILL NIG PLC	0.0003168	4.06E-08
1032	FLOURMILL NIG PLC	0.0002729	3.87E-09
1032	FLOURMILL NIG PLC	0.0001787	5.63E-09

1032	FLOURMILL NIG PLC	0.0003223	2.91E-09
1032	FLOURMILL NIG PLC	0.0002973	8.72E-09
1033	FORTE OIL PLC	0.0003169	4.06E-08
1033	FORTE OIL PLC	-0.0004685	-2.35E-08
1033	FORTE OIL PLC	0.0003445	1.28E-08
1033	FORTE OIL PLC	0.000499	1.68E-08
1033	FORTE OIL PLC	0.000507	0.000000013
1034	FTN COCOA PROCESSORS PLC	0.0003167	4.06E-08
1034	FTN COCOA PROCESSORS PLC	0.000014	-3.64E-08
1034	FTN COCOA PROCESSORS PLC	0.0002147	-3.26E-08
1034	FTN COCOA PROCESSORS PLC	0.0001814	0.000000017
1034	FTN COCOA PROCESSORS PLC	0.0002888	3.08E-08
1035	GLAXOSMITHLINE PLC	0.0003168	4.06E-08
1035	GLAXOSMITHLINE PLC	0.000155	7.13E-09
1035	GLAXOSMITHLINE PLC	0.0001868	1.57E-08
1035	GLAXOSMITHLINE PLC	0.000274	1.58E-08
1035	GLAXOSMITHLINE PLC	0.0001824	4.26E-08
1036	GREIF NIG PLC	0.0003165	4.06E-08
1036	GREIF NIG PLC	-0.0006864	-0.000000769
1036	GREIF NIG PLC	-0.0007734	4.01E-09
1036	GREIF NIG PLC	-0.0006441	-0.00000012
1036	GREIF NIG PLC	-0.0008068	6.42E-08
1037	GUINESS NIG PLC	0.0003169	4.06E-08
1037	GUINESS NIG PLC	0.0003436	-4.16E-09
1037	GUINESS NIG PLC	0.0002636	4.37E-09
1037	GUINESS NIG PLC	0.0002479	6.49E-09
1037	GUINESS NIG PLC	0.0003431	5.19E-09

1038	HONEYWELL FLOUR MIILS	0.0003167	4.06E-08
1038	HONEYWELL FLOUR MIILS	0.0002031	2.3E-09
1038	HONEYWELL FLOUR MIILS	0.0001531	7.1E-09
1038	HONEYWELL FLOUR MIILS	0.0002414	-4.12E-10
1038	HONEYWELL FLOUR MIILS	0.0004014	3.03E-09
1039	INTERLIKED TECHNOLOGIES PLC	0.0003166	4.06E-08
1039	INTERLIKED TECHNOLOGIES PLC	0.0003166	0.000000148
1039	INTERLIKED TECHNOLOGIES PLC	0.0003166	-0.000000702
1039	INTERLIKED TECHNOLOGIES PLC	-0.0017498	-0.000000185
1039	INTERLIKED TECHNOLOGIES PLC	-0.0012337	2.56E-08
1040	INTERNATIONAL BREWERIES PLC	0.0003162	4.05E-08
1040	INTERNATIONAL BREWERIES PLC	-0.0009106	-2.37E-08
1040	INTERNATIONAL BREWERIES PLC	-0.0000486	-2.43E-10
1040	INTERNATIONAL BREWERIES PLC	0.0172542	-1.12E-08
1040	INTERNATIONAL BREWERIES PLC	0.0003139	-7.98E-09
1041	JAPAUL OIL AND MARITIME PLC	0.0003167	4.06E-08
1041	JAPAUL OIL AND MARITIME PLC	0.0005951	2.53E-09
1041	JAPAUL OIL AND MARITIME PLC	0.0004209	3.96E-10
1041	JAPAUL OIL AND MARITIME PLC	0.0003842	1.1E-09
1041	JAPAUL OIL AND MARITIME PLC	0.0003595	7.54E-09
1042	JOHN HOLT PLC	0.0003166	4.06E-08
1042	JOHN HOLT PLC	-0.0002189	-3.73E-10
1042	JOHN HOLT PLC	0.0007176	-5.15E-09
1042	JOHN HOLT PLC	0.0005761	0.000000025
1042	JOHN HOLT PLC	0.0004671	8.17E-09
1043	JULIUS BERGER PLC	0.0003166	4.06E-08
1043	JULIUS BERGER PLC	0.0003319	1.14E-08

1043	JULIUS BERGER PLC	0.0003461	1.56E-08
1043	JULIUS BERGER PLC	0.0003607	2.19E-08
1043	JULIUS BERGER PLC	0.0004672	2.04E-08
1044	LAFARGE AFRICA PLC	0.000317	4.06E-08
1044	LAFARGE AFRICA PLC	0.0003872	-3.24E-08
1044	LAFARGE AFRICA PLC	0.0004441	-1.63E-08
1044	LAFARGE AFRICA PLC	0.0004818	-4.52E-09
1044	LAFARGE AFRICA PLC	0.0003885	-3.81E-09
1045	LEARN AFRICA PLC	0.0003169	4.06E-08
1045	LEARN AFRICA PLC	-0.0004738	5.03E-08
1045	LEARN AFRICA PLC	0.0002503	2.69E-08
1045	LEARN AFRICA PLC	0.0002279	-1.95E-08
1045	LEARN AFRICA PLC	0.0002048	-3.87E-08
1046	LIVESTOCK FEEDS PLC	0.0003166	4.06E-08
1046	LIVESTOCK FEEDS PLC	-0.0035453	0.000000188
1046	LIVESTOCK FEEDS PLC	-0.000287	2.89E-08
1046	LIVESTOCK FEEDS PLC	-0.0003611	2.32E-08
1046	LIVESTOCK FEEDS PLC	-0.0010316	1.26E-08
1047	MAY & BAKER NIG PLC	0.0003167	4.06E-08
1047	MAY & BAKER NIG PLC	0.0000132	1.11E-08
1047	MAY & BAKER NIG PLC	0.000354	6.52E-09
1047	MAY & BAKER NIG PLC	0.0003057	-2.97E-09
1047	MAY & BAKER NIG PLC	0.0002851	3.09E-08
1048	MOBIL OIL PLC	0.0003167	4.06E-08
1048	MOBIL OIL PLC	0.0000652	-1.04E-08
1048	MOBIL OIL PLC	0.0004644	-1.21E-08
1048	MOBIL OIL PLC	0.0017771	2.57E-09

1048	MOBIL OIL PLC	-0.0008498	3.92E-09
1049	MORISON INDUSTRIES PLC	0.0003166	4.06E-08
1049	MORISON INDUSTRIES PLC	-0.0029058	-0.000000021
1049	MORISON INDUSTRIES PLC	-0.0007642	-0.000000538
1049	MORISON INDUSTRIES PLC	-0.0009253	-8.33E-08
1049	MORISON INDUSTRIES PLC	-0.000823	-0.00000081
1050	MRS OIL PLC	0.0003168	4.06E-08
1050	MRS OIL PLC	0.0008186	2.52E-08
1050	MRS OIL PLC	-0.0007083	2.46E-08
1050	MRS OIL PLC	0.0004428	2.34E-08
1050	MRS OIL PLC	0.0004046	2.46E-08
1051	MULTIVERSE MINING AND EXPLORATI	0.0003167	4.06E-08
1051	MULTIVERSE MINING AND EXPLORATI	-0.0003168	-1.73E-08
1051	MULTIVERSE MINING AND EXPLORATI	0.0002559	-0.000000039
1051	MULTIVERSE MINING AND EXPLORATI	0.0002664	-4.95E-09
1051	MULTIVERSE MINING AND EXPLORATI	0.0002788	6.41E-10
1052	NASCON ALLIED INDUSTRIES PLC	0.000317	4.05E-08
1052	NASCON ALLIED INDUSTRIES PLC	0.0000989	-5.84E-09
1052	NASCON ALLIED INDUSTRIES PLC	0.0002383	-2.25E-09
1052	NASCON ALLIED INDUSTRIES PLC	0.0002192	1.46E-08
1052	NASCON ALLIED INDUSTRIES PLC	0.0002115	2.16E-08
1053	NCR NIGERIA PLC	0.0003166	4.07E-08
1053	NCR NIGERIA PLC	0.0003166	4.55E-08
1053	NCR NIGERIA PLC	0.0002551	9.15E-08
1053	NCR NIGERIA PLC	0.0003971	4.74E-08
1053	NCR NIGERIA PLC	-0.0000701	7.34E-08
1054	NEIMTH INTERMATIONAL PHARM	0.0003167	4.06E-08

1054	NEIMTH INTERMATIONAL PHARM	0.000055	6.21E-08
1054	NEIMTH INTERMATIONAL PHARM	0.000092	-5.16E-08
1054	NEIMTH INTERMATIONAL PHARM	0.0000929	-7.22E-08
1054	NEIMTH INTERMATIONAL PHARM	0.0001271	2.22E-08
1055	NESTLE NIG PLC	0.0003171	4.05E-08
1055	NESTLE NIG PLC	0.0002577	4.41E-09
1055	NESTLE NIG PLC	0.0001364	7.65E-09
1055	NESTLE NIG PLC	0.0003098	0.000000007
1055	NESTLE NIG PLC	0.0003632	1.08E-08
1056	NIG AVIATION HOLDINGS PLC	0.0003168	4.06E-08
1056	NIG AVIATION HOLDINGS PLC	0.0001864	1.31E-08
1056	NIG AVIATION HOLDINGS PLC	0.0001502	-1.52E-09
1056	NIG AVIATION HOLDINGS PLC	0.0002843	3.27E-09
1056	NIG AVIATION HOLDINGS PLC	0.0003026	1.52E-08
1057	NIGERIAN BREWERIES PLC	0.000317	4.05E-08
1057	NIGERIAN BREWERIES PLC	0.0002157	-5.44E-10
1057	NIGERIAN BREWERIES PLC	0.0003231	-1.67E-08
1057	NIGERIAN BREWERIES PLC	0.0003205	-1.91E-09
1057	NIGERIAN BREWERIES PLC	0.0004398	1.38E-10
1058	NIGERIAN ENAMELWARE PLC	0.0003166	4.06E-08
1058	NIGERIAN ENAMELWARE PLC	-0.0001252	-0.000000141
1058	NIGERIAN ENAMELWARE PLC	-0.0005627	5.57E-09
1058	NIGERIAN ENAMELWARE PLC	-0.0003469	1.61E-08
1058	NIGERIAN ENAMELWARE PLC	-0.0001935	0.000000143
1059	NORTHERN NIG FLOUR MILL PLC	0.0003165	4.06E-08
1059	NORTHERN NIG FLOUR MILL PLC	-0.0002144	-3.1E-09
1059	NORTHERN NIG FLOUR MILL PLC	-0.0005497	4.03E-08

1059	NORTHERN NIG FLOUR MILL PLC	-0.0001901	1.13E-08
1059	NORTHERN NIG FLOUR MILL PLC	-0.0001903	-4.92E-08
1060	OANDO PLC	0.0003166	4.06E-08
1060	OANDO PLC	-0.0001317	5.46E-09
1060	OANDO PLC	0.0004521	-1.82E-08
1060	OANDO PLC	0.0002943	-5.85E-09
1060	OANDO PLC	0.0002026	-3.63E-09
1061	OKOMU OIL PALM PLC	0.0003166	4.06E-08
1061	OKOMU OIL PALM PLC	0.0002039	-4.29E-09
1061	OKOMU OIL PALM PLC	0.0003511	-1.44E-08
1061	OKOMU OIL PALM PLC	0.000256	1.38E-08
1061	OKOMU OIL PALM PLC	0.0002336	-7.52E-08
1062	PAINTS AND COATINGS MANUFACTURE	0.0003166	4.06E-08
1062	PAINTS AND COATINGS MANUFACTURE	0.0003166	-1.81E-08
1062	PAINTS AND COATINGS MANUFACTURE	0.0003166	7.95E-08
1062	PAINTS AND COATINGS MANUFACTURE	0.0003167	7.51E-08
1062	PAINTS AND COATINGS MANUFACTURE	-0.000224	4.85E-08
1063	PHARMA DEKO PLC	0.0003166	4.05E-08
1063	PHARMA DEKO PLC	0.0003166	7.19E-08
1063	PHARMA DEKO PLC	0.0003155	-2.62E-08
1063	PHARMA DEKO PLC	-0.0003467	9.54E-08
1063	PHARMA DEKO PLC	-0.0002001	6.18E-08
1064	PORTLAND PAINTS NIG PLC	0.0003169	4.06E-08
1064	PORTLAND PAINTS NIG PLC	-0.0003826	-1.03E-08
1064	PORTLAND PAINTS NIG PLC	-0.0002067	7.41E-09
1064	PORTLAND PAINTS NIG PLC	-0.0001521	6.32E-09
1064	PORTLAND PAINTS NIG PLC	-0.0001047	-2.71E-08

1065	PREMIER PAINTS PLC	0.0003166	4.06E-08
1065	PREMIER PAINTS PLC	-0.0042278	-0.00000051
1065	PREMIER PAINTS PLC	-0.0028592	0.000000257
1065	PREMIER PAINTS PLC	0.0003157	-0.0000011
1065	PREMIER PAINTS PLC	-0.0033154	-0.000000185
1066	PRESCO PLC	0.0003166	4.06E-08
1066	PRESCO PLC	0.0001388	-8.79E-09
1066	PRESCO PLC	0.0003003	-3.36E-08
1066	PRESCO PLC	0.0002313	-8.27E-09
1066	PRESCO PLC	0.0001935	-0.000000112
1067	PZ CUSSONS PLC	0.0003167	4.06E-08
1067	PZ CUSSONS PLC	0.0002582	2.09E-08
1067	PZ CUSSONS PLC	0.0002294	2.25E-08
1067	PZ CUSSONS PLC	0.0005261	2.28E-08
1067	PZ CUSSONS PLC	0.0003484	1.99E-08
1068	R.T.BRISCOE (NIG) PLC	0.0003167	4.06E-08
1068	R.T.BRISCOE (NIG) PLC	0.0000473	3.18E-08
1068	R.T.BRISCOE (NIG) PLC	0.0004423	2.42E-08
1068	R.T.BRISCOE (NIG) PLC	0.0002693	1.31E-08
1068	R.T.BRISCOE (NIG) PLC	0.0002035	0.000000101
1069	REDSTAR EXPRESS PLC	0.0003168	4.06E-08
1069	REDSTAR EXPRESS PLC	-0.0004753	1.47E-08
1069	REDSTAR EXPRESS PLC	-0.0001219	-2.88E-08
1069	REDSTAR EXPRESS PLC	0.0000288	3.57E-08
1069	REDSTAR EXPRESS PLC	0.0000687	4.38E-08
1070	SCOA NIGERIA PLC	0.0003171	4.06E-08
1070	SCOA NIGERIA PLC	0.0002512	1.61E-08

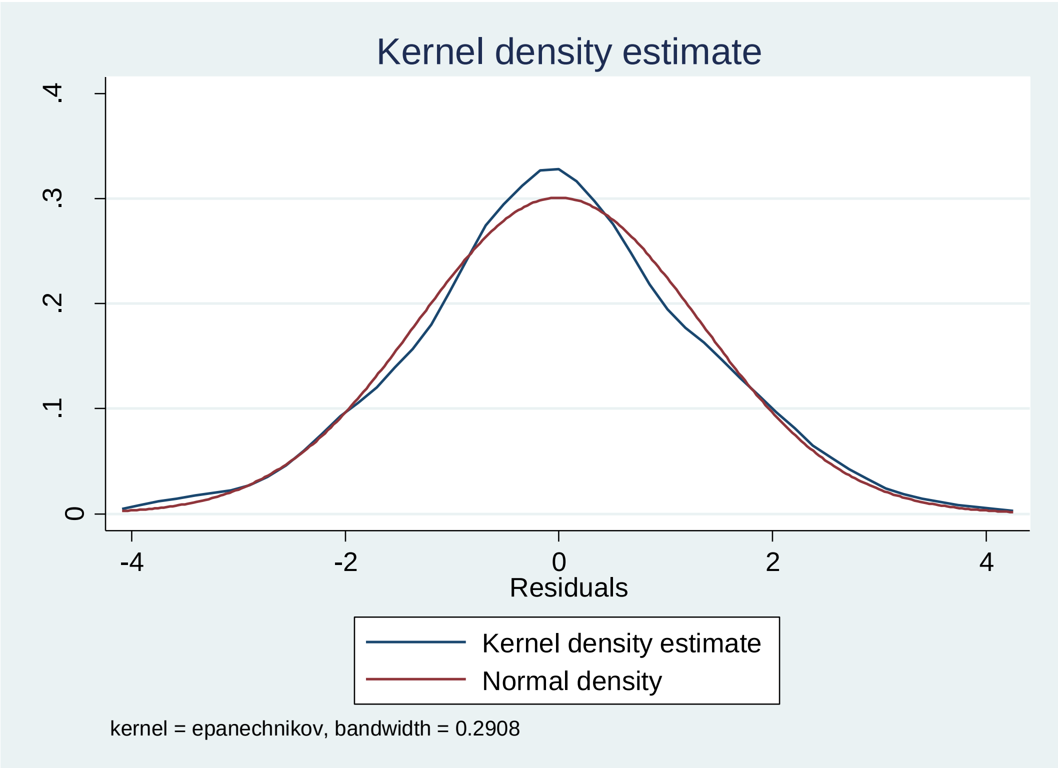
1070	SCOA NIGERIA PLC	0.0007535	1.79E-08
1070	SCOA NIGERIA PLC	0.000792	0.000000037
1070	SCOA NIGERIA PLC	0.0033947	-4.73E-09
1071	SECURE ELECTRONIC TECHNOLOGY PL	0.0003163	4.06E-08
1071	SECURE ELECTRONIC TECHNOLOGY PL	0.0000366	-1.37E-08
1071	SECURE ELECTRONIC TECHNOLOGY PL	0.0003572	-2.65E-09
1071	SECURE ELECTRONIC TECHNOLOGY PL	0.0003166	-1.65E-08
1071	SECURE ELECTRONIC TECHNOLOGY PL	0.0003631	-1.13E-08
1072	SEVEN-UP BOTTLING CO PLC	0.0003167	4.06E-08
1072	SEVEN-UP BOTTLING CO PLC	0.0003115	2.86E-09
1072	SEVEN-UP BOTTLING CO PLC	0.0002796	4.11E-10
1072	SEVEN-UP BOTTLING CO PLC	0.0002948	1.43E-09
1072	SEVEN-UP BOTTLING CO PLC	0.0002387	9.19E-09
1073	SMART PRODUCTS NIG PLC	0.0003167	4.06E-08
1073	SMART PRODUCTS NIG PLC	-0.0092309	4.69E-09
1073	SMART PRODUCTS NIG PLC	-0.0085056	0.00000134
1073	SMART PRODUCTS NIG PLC	-0.0081786	8.73E-08
1073	SMART PRODUCTS NIG PLC	-0.0063569	-0.000000189
1074	STUDIO PRESS NIG PLC	0.0003166	4.06E-08
1074	STUDIO PRESS NIG PLC	0.0001293	3.44E-08
1074	STUDIO PRESS NIG PLC	0.000262	-1.18E-08
1074	STUDIO PRESS NIG PLC	-0.0246504	-0.00000001
1074	STUDIO PRESS NIG PLC	0.0002395	-1.82E-09
1075	TANTALIZERS PLC	0.0003167	4.06E-08
1075	TANTALIZERS PLC	0.0001467	-3.46E-08
1075	TANTALIZERS PLC	0.000221	-1.98E-08
1075	TANTALIZERS PLC	0.0003465	-1.19E-08

1075	TANTALIZERS PLC	0.0003366	-3.24E-08
1076	TIGER BRAND NIG PLC	0.0003166	4.06E-08
1076	TIGER BRAND NIG PLC	0.0003546	0.000000012
1076	TIGER BRAND NIG PLC	0.0003017	1.52E-08
1076	TIGER BRAND NIG PLC	0.0003618	1.16E-08
1076	TIGER BRAND NIG PLC	0.000388	1.62E-08
1077	TOTAL NIG PLC	0.0003167	4.06E-08
1077	TOTAL NIG PLC	-0.000099	2.96E-08
1077	TOTAL NIG PLC	0.0003502	2.03E-08
1077	TOTAL NIG PLC	0.0005255	2.49E-08
1077	TOTAL NIG PLC	0.0002552	0.000000023
1078	TOURIST COMPANY OF NIGERIA PLC	0.0003166	4.06E-08
1078	TOURIST COMPANY OF NIGERIA PLC	0.0003571	-8.77E-09
1078	TOURIST COMPANY OF NIGERIA PLC	0.0003661	-9.82E-10
1078	TOURIST COMPANY OF NIGERIA PLC	0.0004118	1.47E-08
1078	TOURIST COMPANY OF NIGERIA PLC	0.0003163	1.99E-08
1079	TRANS NATIONWIDE EXPRESS PLC	0.000317	4.06E-08
1079	TRANS NATIONWIDE EXPRESS PLC	-0.0033119	5.58E-08
1079	TRANS NATIONWIDE EXPRESS PLC	-0.0039272	-0.000000062
1079	TRANS NATIONWIDE EXPRESS PLC	-0.0010679	0.000000173
1079	TRANS NATIONWIDE EXPRESS PLC	-0.001063	-2.35E-08
1080	TRANSNATION CORPORATION OF NIG	0.0003164	3.68E-08
1080	TRANSNATION CORPORATION OF NIG	0.0003612	-2.92E-08
1080	TRANSNATION CORPORATION OF NIG	0.0003319	-1.05E-08
1080	TRANSNATION CORPORATION OF NIG	0.0004619	-3.74E-09
1080	TRANSNATION CORPORATION OF NIG	0.0005767	5.02E-10
1081	TRIPPLE GEE PLC	0.0003166	4.06E-08

1081	TRIPPLE GEE PLC	-0.0000962	-3.49E-08
1081	TRIPPLE GEE PLC	-0.0000851	-1.91E-08
1081	TRIPPLE GEE PLC	-0.0000778	5.16E-08
1081	TRIPPLE GEE PLC	-0.0003017	2.99E-08
1082	UAC NIG PLC	0.0003166	4.06E-08
1082	UAC NIG PLC	0.0003214	8.89E-09
1082	UAC NIG PLC	0.0003751	9.54E-09
1082	UAC NIG PLC	0.0004156	1.01E-08
1082	UAC NIG PLC	0.0003614	1.09E-08
1083	UACN PROPERTY DEVELOPMENT COMPA	0.0003166	4.06E-08
1083	UACN PROPERTY DEVELOPMENT COMPA	0.0003548	4.95E-09
1083	UACN PROPERTY DEVELOPMENT COMPA	0.0003896	4.35E-09
1083	UACN PROPERTY DEVELOPMENT COMPA	0.0004447	2.64E-09
1083	UACN PROPERTY DEVELOPMENT COMPA	0.0003809	6.26E-09
1084	UNILEVER NIGERIA PLC	0.0003167	4.05E-08
1084	UNILEVER NIGERIA PLC	0.0002868	5.32E-09
1084	UNILEVER NIGERIA PLC	0.0001901	8.01E-09
1084	UNILEVER NIGERIA PLC	0.0002967	7.82E-09
1084	UNILEVER NIGERIA PLC	0.0002022	9.54E-09
1085	UNION DIAGNOSTIC & CLINICAL SER	0.0003166	0.000000129
1085	UNION DIAGNOSTIC & CLINICAL SER	0.0003166	-8.86E-08
1085	UNION DIAGNOSTIC & CLINICAL SER	0.0003166	-0.000000032
1085	UNION DIAGNOSTIC & CLINICAL SER	0.0002281	-3.61E-08
1085	UNION DIAGNOSTIC & CLINICAL SER	0.000016	-0.000000419
1086	UNIVERSITY PRESS PLC	0.0003169	4.06E-08
1086	UNIVERSITY PRESS PLC	-0.0006942	7.46E-09
1086	UNIVERSITY PRESS PLC	-0.0003382	4.42E-08

1086	UNIVERSITY PRESS PLC	-0.0001446	-9.09E-09
1086	UNIVERSITY PRESS PLC	0.0000177	-0.000000137
1087	VITA FOAM PLC	0.0003168	4.06E-08
1087	VITA FOAM PLC	-0.0000957	0.000000022
1087	VITA FOAM PLC	0.000049	8.6E-09
1087	VITA FOAM PLC	0.0001873	3.28E-08
1087	VITA FOAM PLC	-0.0000553	4.24E-09

Appendix XX Residual Diagnostics – Model 1 & 2



Shapiro-Wilk W test for normal data

Variable	Obs	W	V	z	Prob>z
r	870	0.99763	1.319	0.681	0.24783

Appendix XXI Heteroscedasticity Test

```
Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: fitted values of lnSharePrice

         chi2(1)      =     1.48
         Prob > chi2  =   0.2239
```

Appendix XXII Multicollinearity Test

Collinearity Diagnostics

Variable	VIF	SQRT VIF	Tolerance	R-Squared
lnBVit	1.08	1.04	0.9250	0.0750
lnNAit	1.30	1.14	0.7677	0.2323
lnNIit	1.86	1.36	0.5386	0.4614
lnCFit	1.85	1.36	0.5392	0.4608
lnEPS	1.14	1.07	0.8747	0.1253
Mean VIF	1.45			

	Eigenval	Cond Index
1	4.9832	1.0000
2	0.5124	3.1185
3	0.2961	4.1027
4	0.0970	7.1671
5	0.0881	7.5208
6	0.0232	14.6582

Condition Number 14.6582
Eigenvalues & Cond Index computed from scaled raw sscp (w/ intercept)
Det(correlation matrix) 0.3716

Appendix XXIII Hausman's Test

Fixed Effects Model

```
Fixed-effects (within) regression               Number of obs      =       870
Group variable: Company                         Number of groups   =        87

R-sq:                                           Obs per group:
     within  = 0.0655                                          min =        10
     between = 0.4845                                          avg =      10.0
     overall = 0.3186                                          max =        10

                                                F(5,778)           =     10.90
corr(u_i, Xb)  = 0.4784                         Prob > F           =    0.0000
```

lnshareprice	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
lnBVit	.0055262	.0214644	0.26	0.797	-.0366088	.0476613
lnNAit	.0145966	.009574	1.52	0.128	-.0041973	.0333906
lnNIit	.0181711	.0063601	2.86	0.004	.0056861	.0306561
lnCFit	.0084382	.0060704	1.39	0.165	-.0034781	.0203545
lnEPS	.0665847	.0157525	4.23	0.000	.0356623	.0975071
_cons	1.175607	.1703274	6.90	0.000	.8412514	1.509963
sigma_u	1.4120132					
sigma_e	.7127072					
rho	.79696011	(fraction of variance due to u_i)				

F test that all u_i=0: F(86, 778) = 25.89 Prob > F = 0.0000

Random Effects Model

```
Random-effects GLS regression                   Number of obs      =       870
Group variable: Company                         Number of groups   =        87

R-sq:                                           Obs per group:
     within  = 0.0624                                         min =        10
     between = 0.5389                                         avg =      10.0
     overall = 0.3698                                         max =        10

                                                Wald chi2(5)       =     92.92
corr(u_i, X)   = 0 (assumed)                    Prob > chi2        =    0.0000
```

lnshareprice	Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
lnBVit	.0507102	.0212024	2.39	0.017	.0091543	.0922661
lnNAit	.0172475	.0097781	1.76	0.078	-.0019172	.0364122
lnNIit	.0210921	.0065444	3.22	0.001	.0082653	.0339189
lnCFit	.0116876	.0062304	1.88	0.061	-.0005238	.023899
lnEPS	.0891629	.0157656	5.66	0.000	.0582628	.120063
_cons	1.224603	.2056477	5.95	0.000	.8215407	1.627665
sigma_u	.99633416					
sigma_e	.7127072					
rho	.66150855	(fraction of variance due to u_i)				

Hausman Test

```
. hausman fixed random
```

	Coefficients (b) fixed	Coefficients (B) random	(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
lnBVit	.0055262	.0507102	-.045184	.0033439
lnNAit	.0145966	.0172475	-.0026508	.
lnNIit	.0181711	.0210921	-.002921	.
lnCFit	.0084382	.0116876	-.0032494	.
lnEPS	.0665847	.0891629	-.0225782	.

```
                          b = consistent under Ho and Ha; obtained from xtreg
           B = inconsistent under Ha, efficient under Ho; obtained from xtreg

    Test:  Ho:  difference in coefficients not systematic

                  chi2(5) = (b-B)'[(V_b-V_B)^(-1)](b-B)
                          =      132.94
                Prob>chi2 =      0.0000
                (V_b-V_B is not positive definite)
```

Appendix XXIV Panel Regression with Dummy Variable (Model 1 and 2)

```
. regress lnshareprice lnBVit lnNAit lnNIit lnCFit lnEPS DUMMYVAR
```

Source	SS	df	MS			
				Number of obs	=	870
				F(6, 863)	=	94.46
Model	999.152051	6	166.525342	Prob > F	=	0.0000
Residual	1521.39554	863	1.76291488	R-squared	=	0.3964
				Adj R-squared	=	0.3922
Total	2520.54759	869	2.90051506	Root MSE	=	1.3277

lnshareprice	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
lnBVit	.2649691	.0236129	11.22	0.000	.2186237	.3113146
lnNAit	.0200064	.0139922	1.43	0.153	-.0074563	.0474691
lnNIit	.0583509	.0102283	5.70	0.000	.0382756	.0784262
lnCFit	.0218001	.0095565	2.28	0.023	.0030433	.0405569
lnEPS	.1950734	.0189923	10.27	0.000	.157797	.2323499
DUMMYVAR	.1531707	.0925191	1.66	0.098	-.0284181	.3347595
_cons	1.33114	.2370672	5.62	0.000	.865844	1.796436

Appendix XXV Panel Regression with Dummy Variable (Model 3)

Source	SS	df	MS			
				Number of obs	=	870
				F(5, 864)	=	13201.76
Model	.170044329	5	.034008866	Prob > F	=	0.0000
Residual	.002225739	864	2.5761e-06	R-squared	=	0.9871
				Adj R-squared	=	0.9870
Total	.172270068	869	.000198239	Root MSE	=	.00161

TACC_Tait	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
I_TAit	618.6433	3.37293	183.41	0.000	612.0232	625.2634
REV_REC_TAit	.0004667	2.72e-06	171.58	0.000	.0004613	.000472
PPE_Tait	-4.47e-06	1.64e-06	-2.73	0.007	-7.70e-06	-1.25e-06
ROAit	-7.50e-07	1.85e-06	-0.41	0.685	-4.38e-06	2.88e-06
DUMMYVAR	-.0001721	.000109	-1.58	0.115	-.0003861	.0000419
_cons	-.000249	.0000771	-3.23	0.001	-.0004004	-.0000977

Appendix XXVI Pearson Correlation for Model Three (2007 – 2011)

```
. pwcorr lnDait lnI_TAit lnPPE_TAit lnREVit_RECit_TAit lnRoAit, sig print(10) star(5
> )

             |   lnDait lnI_TAit lnPPE_~t lnREVi~t  lnRoAit
-------------+---------------------------------------------
      lnDait |   1.0000
             |
             |
    lnI_TAit |  -0.2161*  1.0000
             |   0.0012
             |
  lnPPE_TAit |   0.3349*  0.2485*  1.0000
             |   0.0000   0.0000
             |
lnREVit_RE~t |   0.3281* -0.4184*  0.2734*  1.0000
             |   0.0000   0.0000   0.0000
             |
     lnRoAit |   0.2573* -0.2119*  0.2380*  0.3480*  1.0000
             |   0.0000   0.0001   0.0000   0.0000
             |
```

Appendix XXVII Pearson Correlation for Model Three (2012 – 2016)

```
. pwcorr lnDait lnI_TAit lnPPE_TAit lnREVit_RECit_TAit lnROAit, sig print(10) star(5
> )

             |   lnDait lnI_TAit lnPPE_~t lnREVi~t  lnROAit
-------------+---------------------------------------------
      lnDait |   1.0000
             |
             |
    lnI_TAit |   0.4787*  1.0000
             |   0.0000
             |
  lnPPE_TAit |  -0.3755* -0.1490*  1.0000
             |   0.0000   0.0054
             |
lnREVit_RE~t |  -0.2273* -0.4920*  0.4074*  1.0000
             |   0.0001   0.0000   0.0000
             |
     lnROAit |  -0.2060* -0.6127*  0.1311*  0.8032*  1.0000
             |   0.0004   0.0000   0.0144   0.0000
             |
```

Appendix XXVIII **Difference-in-Differences Estimation (Value Relevance)**

```
. reg discaccr time treated did, r

Linear regression                               Number of obs     =        870
                                                F(3, 866)         =       2.28
                                                Prob > F          =     0.0779
                                                R-squared         =     0.0073
                                                Root MSE          =     38.309
```

discaccr	Coef.	Robust Std. Err.	t	P>|t|	[95% Conf.	Interval]
time	.6557333	.4811996	1.36	0.173	-.2887206	1.600187
treated	8.949536	7.0156	1.28	0.202	-4.820031	22.7191
did	-8.098414	7.030018	-1.15	0.250	-21.89628	5.699452
_cons	-.7306442	.4810894	-1.52	0.129	-1.674882	.2135935

```
. diff discaccr, t(treated) p(time)
```

DIFFERENCE-IN-DIFFERENCES ESTIMATION RESULTS

```
Number of observations in the DIFF-IN-DIFF: 870
            Before          After
   Control: 275             275          550
   Treated: 160             160          320
            435             435
```

Outcome var.	disca~r	S. Err.	|t|	P>|t|
Before				
Control	-0.731			
Treated	8.219			
Diff (T-C)	8.950	3.809	2.35	0.019**
After				
Control	-0.075			
Treated	0.776			
Diff (T-C)	0.851	3.809	0.22	0.823
Diff-in-Diff	-8.098	5.387	1.50	0.133

```
R-square:    0.01
* Means and Standard Errors are estimated by linear regression
**Inference: *** p<0.01; ** p<0.05; * p<0.1
```

Appendix XXIX Difference-in-Differences Estimation (Earnings Management)

```
. reg discaccr time treated did, r

Linear regression                               Number of obs     =        870
                                                F(3, 866)         =       2.28
                                                Prob > F          =     0.0779
                                                R-squared         =     0.0073
                                                Root MSE          =     38.309
```

discaccr	Coef.	Robust Std. Err.	t	P>|t|	[95% Conf.	Interval]
time	.6557333	.4811996	1.36	0.173	-.2887206	1.600187
treated	8.949536	7.0156	1.28	0.202	-4.820031	22.7191
did	-8.098414	7.030018	-1.15	0.250	-21.89628	5.699452
_cons	-.7306442	.4810894	-1.52	0.129	-1.674882	.2135935

```
. diff discaccr, t(treated) p(time)
```

DIFFERENCE-IN-DIFFERENCES ESTIMATION RESULTS

```
Number of observations in the DIFF-IN-DIFF: 870
            Before         After
   Control: 275            275          550
   Treated: 160            160          320
            435            435
```

Outcome var.	disca~r	S. Err.	|t|	P>|t|
Before				
Control	-0.731			
Treated	8.219			
Diff (T-C)	8.950	3.809	2.35	0.019**
After				
Control	-0.075			
Treated	0.776			
Diff (T-C)	0.851	3.809	0.22	0.823
Diff-in-Diff	-8.098	5.387	1.50	0.133

```
R-square:    0.01
* Means and Standard Errors are estimated by linear regression
**Inference: *** p<0.01; ** p<0.05; * p<0.1
```