QUALITY OF ACCOUNTING REPORTING AFTER THE IFRS ADOPTION IN NIGERIA

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ABSTRACT

This study determined the effect of IFRS on the quality of financial reporting among Nigerian financial firms. The study adopted stock price (Ohlson, 1995) and return (Easton and Harris, 1991) models, that have been commonly used in accounting research. Data were collected from Thompson Reuters (stock price) and Bank Scope Data Streams (net income and total expenses) to determine the relationships. The study found that there is a greater relationship between net income and total expenses with the stock price and return. Furthermore, the relationships have been statistically significant using Cramer Z-statistic for both stock price and return model. The overal result have shown value relevance of net income, operating expenses, and change in net income and operating expenses has improved as a result of IFRS adoption among Nigerian listed financial institutions. The study implication for the policy makers, standard setters and investors are to give more emphasis on the use of IFRS for all firms even if they are not listed in the stock market as IFRS adoption provided a better quality accounting information than domestic reporting. Besides the relevance of these study findings to security market, the literature has provided greater contributions to fewer market research in African capital market particularly, Nigeria after the IFRS adoption being the first study to carry such study in Nigeria.

Keywords: IFRS, Value relevance, Financial reporting, Capital market, Emerging market, Nigeria.

Contribution/ Originality

This study is one of very few studies which have investigated the value relevance of net income and operating expenses in emerging economy.

1. INTRODUCTION

Studies on the value relevance of accounting information are on the increase, particularly in emerging economies. This is because of the pressure from the international investors to have a harmonised accounting reporting for easy understanding of the financial reporting for useful decision making. In the year 2008-2009 market crisis have resulted in the loss of many local investors, making way for foreign investors to have a larger controlling shares in the market. Therefore, after the crisis of the capital market majority of the investors in the capital market are institutional investors mostly from the UK, US, and South Africa (Mohammed and Lode, 2015b).Nigerian capital market is reported by the Nigerian Security Market and CIA fact book of 2013 to be the second biggest market after South Africa and biggest in the West African region.

Although the Nigerian market was big, the accounting reporting in the country was reported to be weak, non-update, non-compliance and non-disclosures of accounting information by the majority of firms in the financial

market by the World Bank report in 2004 and 2010. The Nigerian accounting reporting was adopted from International Accounting Standards (IAS) but have not been updated like IAS. The weakness of the domestic standard has made firms to engaged in creative accounting to boost their balance sheet thereby deceiving or misleading investors on the true position of the financial statements (Mohammed and Lode, 2012). This was noticed when the Central Bank of Nigeria (CBN) in 2009 made a special investigation into the banking sector and realised that; there were many non-performing loans and poor accounting reporting (Mohammed and Lode, 2012). The adoption of International Financial Reporting Standards (IFRS) has become apparent from the result of World Bank in 2010 and committee on the roadmap to IFRS as well as pressure from investors. Therefore, the question here is would the change in accounting reporting provide any effect of IFRS among Nigerian firm? What is the value relevance of accounting information after IFRS adoption?

Different scholars looked at financial reporting quality in various forms. For instance, accounting information is relevant only when it explains "stock price" movement, evaluates the past and the future, and is presented without any bias (Prather-Kinsey, 2006). Furthermore, accounting disclosures should summarise stock prices in the capital market to the extent that the relevance of accounting information will indicate a statistical association that exists between accounting numbers and prices or returns (Francis and Schipper, 1999). Hence, the ability of one or more numbers to explain variations in stock prices (Francis et al., 2006) and to also summarise

valuable accounting information that may affect movements of share prices as well as to assist investors to make informed decisions is referred to as value relevance (Dimitropoulos and Asteriou, 2009). One primary attribute of financial statement quality is value relevance (Vijitha and Nimalathasan, 2014). Therefore, the need to have quality financial reporting was the motivating factor for the adoption of IFRS in Nigeria.

Thus, this study was motivated by the fact that, 2012 was the year in which all listed companies on Nigerian capital market were to commence the mandatory adoption of IFRS, which includes financial institutions. Bischof (2009) documented that implementation of IFRS improved the overall disclosure level in banks during the first-time adoption. Hence, the pre and post-adoption periods for IFRS are the best years to determine the relevance of accounting information among Nigeria financial institutions. Many believe that IFRS would lead investors and regulators to understand and read financial statements, and thus substantially reduce the potential for financial crisis. Despite the relevance of IFRS adoption in Nigeria there were few value relevance studies have been conducted in Nigeria (e.g., (Titilayo, 2011; Abiodun, 2012; Umoren and Enang, 2015; Mohammed and Lode, 2015a;2015b)). However, these studies addressed the evidence of the relevance of accounting disclosures before the adoption of IFRS, although they indicate conflicting results. Although Umoren and Enang (2015) study of value relevance was after IFRS adoption for banks, the study was on book value and earnings for 12 banks in the listed Nigerian stock market.

The study findings revealed that accounting information is value relevant for financial firms under both stock price and return regression model based on the Size and leverage. The statistical significance has been confirmed by the Cramer (1987) Z-statistics

2. LITERATURE REVIEW

Several studies on value relevance examined the association between income and price or returns (Barth et al., 1998; Easton, 1998; Chen and Wang, 2004; Choi, 2007). Like in book value studies, most studies on income statements are related to book value and earnings or net income (Ohlson, 1995; Eng et al., 2013; Baboukardos and Rimmel, 2014) The study by Black and White (2003) provided evidence of a relative association between income and balance sheet measures for standard setters with relevant information. Chen et al. (2001) reported the relative

associations studies stated that, both positive and negative earnings have relevant information to the investors in the Chinese market.

Similarly, Liu and Schaefer (1996) report that, transitory earnings though value relevant but has smaller marginal impacts on security returns. Alali and Foote (2012) used the Abu Dhabi Stock Exchange (ADX) and examined the relevance of accounting numbers. They employed the models of Easton and Harris (1991) for stock return and Ohlson (1995) for the price from 2000 to 2006. It was discovered from the study that there was a significant association between stock prices and returns with earnings and book value of equities, with change and increase in value relevance from the beginning of the market in 2000. Studies also on the decline of value relevance of earnings have also been conducted by Collins *et al.* (1997) and Yu and Fung (2010). According to Collins *et al.* (1997) accounting book value and earnings have relevant information and put together provide information on about 54% that can explain price variation of the cross-sectional data in market prices. Brown and Sivakumar (2003) concluded that earnings information presented more value relevance of accounting information than net income, because net income has many items that are not in earnings.

Though earnings individually appear to decline over time in value relevance, at the same time, book value increased during the period of study. Dontoh *et al.* (2007) investigated the analytic content of stock prices and accounting information against the simultaneous relationship between accounting information and stock prices. Their findings show a decline in price and predictive content of earnings over time showing much decline in the analytic content of price signals. Yu and Fung (2010) report similar findings and also that noise trading increases over time due to variances of stock prices' basic values. Goodwin and Ahmed (2006) in examining the relevance of earnings among the Australian listed firms found weak evidence on the decrease on earning relevance of average listed firms. In addition, firms that have capitalised intangible earnings have increased in value relevance.

In the study of value relevance between other comprehensive income and net income has been conducted with mixed findings. For instance, Mechelli and Cimini (2014) discovered that other comprehensive income (OCI) provided lower coefficient than net income because of the transitory nature of OCI. They reported a significance difference in value relevance between net income and comprehensive income. They also reported the difference in value relevance of OCI across different countries because of their characteristics differences. In contrast, O'Hanlon (2009) reported no difference in value relevance between comprehensive income and net income.

Prather-Kinsey (2006) measured two different capital markets using earnings announcement (Johannesburg Stock Exchange (JSE), South Africa & Bolsa Mexicana de Valores (BMV) Stock, Mexico), testing the association between book value and earnings with firm market value. He reports that book values were value relevant in both markets, with the significant positive association between earnings or equity values and market value in the reported financial statements in the two markets. There was also significant immediate increase in earnings announcements in the JSE.

Goodwin and Ahmed (2006) presented evidence of non-recognition of intangible assets on earnings. Their results indicate that an average firm shows weak evidence in the decline of earnings value relevance. In addition, capitalised firms provide weaker evidence of a decline in earnings. They also found an increase in value relevance on earnings for firms that capitalise intangibles. Additionally, value relevance decreases of earnings were noticed for both capitalised and non-capitalised firms as they continued to grow. In addition, Francis and Schipper (1999) discovered a decline in value relevance of earnings information but an increase in the balance sheet value relevance and book value information.

Khanagha *et al.* (2011) adopted two periods of accounting information using samples of the ADX under pre- and post-IFRS adoption to determine the value relevance of accounting variables. Two empirical (models)

approaches were employed for the study portfolio: return approach and regression-variations approach. The assumption of the adoption of the two approaches is that they will offer different viewpoints on the issue of value relevance of accounting information in the ADX. The study adopted 17 entities that are listed on the ADX for the samples of the study periods of 2001-2008 with 136 firm-year observations for eight years using regression-variation approach; while the portfolio approach employed 119 firm-year observations for seven years. The results obtained from the two approaches provide evidence that the portfolio approach has more information content under the ADX capital market before adoption. Similarly, a decline in value relevance of accounting measures after the adoption of IFRS was noticed when the two approaches were combined. This combined results showed that there was no improvement on value relevance after the adoption of the IFRS. This concurs with Francis and Schipper (1999) that portfolio approach measures relevance more than the explained variation test.

In addition, this study was also motivated by the mixed results reported on the value relevance studies under new regimes: earnings (Kwon, 2001; Kadri *et al.*, 2009) book value and earnings (Agostino *et al.*, 2011; Suadıye, 2012) book value (Kargin, 2013) and a decrease in value relevance with an increasing emphasis on the use of fair value measurements on emerging markets (Liu *et al.*, 2012). Evidence has shown that accounting numbers under IFRS have better value relevance compared to domestic accounting period (Alali and Foote, 2012). Hence, exploring value relevance in the Nigerian capital market will be interesting for investors and other users because of the limited financial information currently available. Therefore, we draw the following hypothesis.

H1= financial reporting under IFRS is more value relevant than financial reporting under NGAAP among Nigerian financial firms for stock price and return model.

3. METHODOLOGY

This research used panel data to test the hypotheses formulated in the study. Although the majority of studies use book value and earnings in studying value relevance for Nigeria, this research employed different approach by using net income and total expenses. The initial samples for the study comprised 56 companies in 2009 and 2010, 56 in 2011 and 2012 and 59 financial firms listed on the NSE. The data sources are from Thompson Reuters for stock prices and bank scope Data Streams for net income and total expenses. Ten listed firms have been excluded from the study. Two companies that did not have December 31 as their accounting date are also removed from the study in order to get a similar reporting period.

To avoid exchange rate conversion issues, one firm not using Nigerian (NGN) local currency was also excluded from participation. Furthermore, two firms that were not on the Nigeria listed stock market from 2009 to 2013 were also exempted from the study because lagged data is required in the return model. Lastly, two firms with negative values were also excluded from the study. As a result of necessary exclusions, a total of 52 financial institutions were used for the study. We also added firm's characteristics of size and leverage based on the literature that, they provide accounting information to be more value relevant (see., (Van Der Meulen *et al.*, 2007; Oswald, 2008)). The literature for stock return model with regard to change or return on variables are consistent with Bushee and Noe (2000).

The value relevance of accounting information is measured by the adjusted R^2. Biddle *et al.* (1995) reported that the value relevance of accounting information for two different account reporting methods can be tested by the level of the Adjusted R^2. Comparing the Adjusted R^2 between two different regimes of accounting standard can be adopted to examine the value relevance of accounting information (Hellström, 2006). A higher Adjusted $R2$ demonstrates more value relevance of accounting information (Van Cauwenberge and De Beelde, 2007). Thus, the

greater the Adjusted R2 explanatory power, the greater the expected value relevance (Anandarajan and Hasan, 2010).

However, the study used Cramer (1987) to measure the statistical differences between the two adjusted R^2. The [1]Cramer (1987) was calculated based on the standard deviation of R^2 estimated for an individual model, in order to check the differences in R^2 is statistically significant.

The notes to the accounts from the annual reports provide reconciliation statements of NGAAP and IFRS. Data were collected for the: (1) market value of equity; (2) number of shares outstanding; (3) stock return; (3) net income and total expenses.

The equation models have been modified based on the annual reports of financial institutions in Nigeria following Dhaliwal et al. (1999). The return model is based on

$$SP_{it} = \alpha_0 + \beta_1 NI_{it} + \beta_2 TE_{it} + \mu_{it} \tag{1A}$$

$$RET_{it} = \alpha_0 + \beta_1 NI_{it} + \beta_2 TE_{it} + \beta_3 \Delta NI_{t+1} + \beta_4 \Delta TE_{t+1} + \beta_5 SIZE_{it} + \beta_6 LEV_{it} + \mu_{it} \tag{1B}$$

SP_{it} = Stock prices per share at the end of three months of the fiscal year end

RET_{it} = Stock return at the beginning of fiscal year for firm i for the period t

NI_{it} = Net operating income before net impairment loss or discontinued operations for firm i at year end t

TE_{it} = Total expenses for firm i at year end t

ΔNI_{it-1} = Change in net operating income before net impairment loss or discontinued operations for firm i at year end t-1

ΔTE_{it-1} = Change in Total expenses for firm i at year end t-1

Size = Log of assets for firm i at year end t

Lev = Ratio of total debt to total assets for firm i at year end t

μ_i = Random error term or disturbance error for firm i at year end t

α, γ, β & a= regression coefficient to capture the fraction of prices.

4. RELIABILITY OF THE ANALYSIS

The multicollinearity issue using Variance Influence factor(VIF). The mean value for the VIF ranged from 1.52 and 3.10 for NGAAP and IFRS respectively. Also, the stock return had a multicollinearity value of less than 10 with a mean VIF value ranging from 2.68 to 2.83 for NGAAP and IFRS respectively. This provided evidence that multicollinearity was not a problem in the model.

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[1] Statistical comparisons are based on the expectation and variance of R2 as derived in Cramer (1987). Z-statistics as follows:

$Z = \dfrac{R_1^2 + R_2^2}{\sqrt{\delta^2(R_1^2 + \delta^2(R_2^2)}}$ where δ^2 = the standard deviation of each individual regression model.

Is the estimated R^2 as a function of sample size, the number of independent variables and the true R^2

The data were normally distributed. This is because all variables were found to have skew values between -1 and +1. One of the most significant aspects of regression is the assumption of the normal distribution (Hair *et al.*, 2007). For data to be normal it should be skewed between -1 and 1 (Kadri *et al.*, 2010).

5. DESCRIPTIVE STATISTICS

Table 1 is divided into two Panels for the descriptive statistics. Panel A and Panel B are for the stock price and return model regression model respectively each with pre-adoption and post-adoption periods. The data for the stock price presented lower means for SP, NI, *SIZE and LEV* and *TE* with greater mean under pre-adoption. The stock return model descriptive statistics in Panel B, presented all variables under post-adoption of IFRS to be greater than the pre-adoption of IFRS. The standard deviations of both stock price and return have greater coefficients under IFRS than the pre-adoption of IFRS.

The results indicate that stock price and returns are greater after the IFRS adoption. The signifying increase in share price and return possibly because of fair value in the IFRS adoption. This is also consistent with the report of the Nigerian Exchange Commission in 2013 that the market share index has increased from 2011 to 2013.

Table-1. Descriptive Statistics for net income and total expenses

Panel A: Stock price model · Pre-Adoption 2009-2011 · Post-Adoption 2012-2013

Variable	Obs	Mean	Std. Dev.	Min	Max	Obs	Mean	Std. Dev.	Min	Max
SP	156	0.7427	4.0495	-0.37	34.6	104	1.16939	5.4118	-12.1	45
NI	156	11.7135	18.6895	0.0024	143.1052	104	16.7087	20.0516	0.0033	167.0710
TE	156	0.0521	0.0857	0.0003	0.6499	104	0.0497	0.0653	0.0186	0.3471
SIZE	156	7.6783	1.0380	0.01290	9.9274	104	7.7574	1.0890	0.03913	11.2804
LEV	156	2.6630	3.0490	0.1343	20.29097	104	10.201	11.0316	0.0010	1125.3

Panel B. Stock Return Model

RET	156	1.3219	8.5157	1.51	33.88	104	2.80577	7.799562	1.51	33.88
NI	156	3.0325	9.4733	0.8801	16.9981	104	4.28.86	2.112.91	1.5492	17.3332
ΔNI	156	1.0354	4.123	0.07334	14.5911	104	1.0738	476.076	0.1294	12.0394
TE	156	2.9982	2.0658	2.6453	11.9573	104	3.4754	1.9205	2.1497	12.31122
ΔEA	156	1.9982	1.0656	2.6453	11.9573	104	2.4175	9.9205	2.1497	15.3122
SIZE	156	7.6783	1.0380	0.01290	9.9274	104	7.7574	1.0890	0.03913	11.2804
LEV	156	2.6630	3.0490	0.1343	20.29097	104	3.201	11.0316	0.0010	1125.3

Note: SP=share price three months after the financial year end t, *ret* = stock return three months after the end of fiscal year, *ni* = net income for firm i at the period t, *Δni* = change in net income for firm i at the period t and t-1, , *te* = total expenses for firm i in a fiscal year end, *Δte=change in total expenses for firm i in a fiscal year end t,* *size* = log of assets for firm i at the period t, and *lev* = current assets/current liabilities. All assets are deflated by the market value of equity except *ret*, *size* and *lev*.

6. PEARSON'S CORRELATION MATRIX

Table 2, Panel A presented the association between stock price for pre-and post adoption period and Panel B is for the pre-adoption and panel C for the post-adoption under return model. The stock price and return as dependent variables and net income and total expenses with changes in net income and total expenses as independent variables. Panel A for the stock price has pre-and post-adoption of IFRS periods that shown all variable to be a significant association with the stock price at 1% significant level for NI and 5% for TE under pre-adoption and 1% association for post-adoption of IFRS.

Panel B and Panel C for the stock return model, both pre-adoption and post-adoption of IFRS, all variables have strong associations with the return at significant levels of 1% and 5% for ΔTE and SIZE. The variable LEV does not present any significant association with stock return. with no significant association. The association with

total expenses were negative, signifying every decrease in total expenses there an increase in share price or return. The positive association signifies an increase in the variables means an increase in share price or return.

Table-2. Stock Price Model: Pre-Adoption 2009-2011 Post-Adoption 2012-2013

Variable	Pr	Ni	Te	pr	ni	te
SP	1.000			1.000		
NI	0.1109***	1.000		0.1419***	1.000	
TE	-0.0435**	0.5883	1.000	-0.0934***	-0.2492	1.000

***, **, * indicate significance levels at 0.01, 0.05 and 0.10 respectively.

Table-2. Continued Panel B: Stock Return Model Pre-Adoption 2009-2011

Variable	Ret	Ni	Δni	te	Δte	size	lev
RET	1.000						
NI	0.1196***	1.000					
ΔNI	0.1120***	–0.1507	1.000				
TE	-0.0921***	0.1459	–0.1007	1.000			
ΔTE	0.0163***	–0.0477	0.7446	0.0348	1.000		
SIZE	0.0428***	–0.3259	0.3849	–0.1301	0.2377	1.000	
LEV	-0.0869	–0.1569	0.9895	–0.1081	0.7560	0.3936	1.000

Panel-C. Post-Adoption 2012-2013

RET	1.000						
NI	0.1455***	1.000					
ΔNI	0.0912***	0.2354	1.000				
TE	-0.1488***	-0.3792	-0.3792	1.000			
ΔTE	-0.1326**	0.1211	0.2413	0.2451	1.000		
SIZE	0.0041**	0.3288	0.1895	0.2507	0.4326	1.000	
LEV	-0.0718	-0.1737	0.2341	0.1682	0.6355	0.4642	1.000

***, **, * indicate significance levels at 0.01, 0.05 and 0.10 respectively.

7. REGRESSION RESULTS

Table 4, Panel A for the stock price present the net income (NI), total expenses (TE), and Panel B for stock return regression models, with NI and change in net income Δ (NI) and change in total expense (ΔTE). The basic idea was to determine whether: (1) net income and total expenses provide information under IFRS above and beyond that of NGAAP, (2) aggregate components of net income under IFRS provided information above and beyond that of NGAAP, (3). The result based on the findings is based on the Hausman Test between Fixed effect and Random Effect. The result from OLS supports Random effect after Hausman Test was conducted. As reported in the table. The F statistic was significant for all the regression model suggesting that the model is fit for the study. White (1980) for heteroscedasticity was conducted for each of the models and found to be significant. Therefore, all regression models were based on the white robust standard error.

Panel A stock price model provide, the coefficient (0.103) of *NI* was related positively to share price at a significance level of 1% under NGAAP. While the *NI* coefficient (0.158) under IFRS was larger with a significance level of 1% in explaining the stock price. The variable *TE* under NGAAP had a negative coefficient of -0.061 at a significance level of 10% with share prices as expected. The positive coefficient reflects that for every decrease in *TE,* a corresponding increment will be present in share prices. Under IFRS, the *TE* coefficient was negative (-0.630) and significant at the 1% level in explaining share prices. The coefficient under IFRS was larger than that of NGAAP proving that more value relevance of accounting information existed under IFRS.

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The negative coefficient in this respect signifies that for any change in the market, a negative change exists. The *NI* variable under NGAAP and IFRS both suggest the value relevance of accounting information. The t-values (t = 3.56 and t = 4.78 respectively) at the 1% significance level for 2009 to 2011 and 2012 and 2013 respectively demonstrate this. The significance of t-values for the *NI* under the periods indicated that a significant relationship existed with the stock price. The *TE* t-values were negatively significant during each of the two periods, which provides evidence that a negative relationship existed with the stock price, as was expected.

The Adjusted R² under NGAAP and IFRS showed that *NI* and *TE* had a strong association with the stock price. The Adjusted R² under NGAAP was 19%, which was lower than the IFRS Adjusted R² of 41%, showing that accounting information has more explanatory information to investors under IFRS. This was confirmed from the Cramer (1987) Z statistics (0.00118) that the differences between the two adjusted R² is statistically significant. Therefore, we accept the hypothesis that financial reporting has been affected by the new accounting regulations among Nigerian firms. This is consistent with Mechelli and Cimini (2014) by concluding that net income improves after IFRS adoption. Also, Ebaid (2012) reported incremental value relevance of accounting information in net income after IFRS adoption.

The regression Panel B for stock return model, under NGAAP shows that the coefficient 0.066 for *NI* was positive and statistically significant at the 1% level. However, the coefficient of *NI* under IFRS was 1.066 and also positively significant at the 1% level. The results showed that the *NI* coefficient under IFRS was larger, providing evidence that more value relevance existed for accounting information under IFRS. With the regard to *ΔNI*, the coefficient of 0.064 under NGAAP was positively significant at the 1% level in explaining the stock price. While the coefficient *ΔNI* under IFRS was positive, the value was not significant. The *TE* coefficient under IFRS was positive but not significant in explaining the stock price. While under IFRS the coefficient of *TE* had a negative value of -0.017 and a significance level of 1% in explaining stock return. The value of the coefficient of *ΔTE* under NGAAP and IFRS were positive and negative (0.095 and 0.210 respectively) with significance levels of 1% and 10% respectively in a relationship with stock return. Furthermore, the coefficient of *SIZE* for NGAAP was positive but had no significant relationship with stock price. Under IFRS the coefficient was positive (1.750) and has a significant relationship with the stock return at 5% level in explaining stock return. The variable *LEV* had no significant relationship with the stock return for the two periods of NGAAP and IFRS.

The Adjusted R² under NGAAP was 13% lower than that of IFRS, which had an Adjusted R² of 21%. This shows accounting information provided more explanatory information to investors under IFRS, which is demonstrated by the higher Adjusted R² under IFRS. Cramer (1987) Z-statistics (0.01618) provided evidence of the statistical significance of value relevance differences between the two periods. Therefore, the hypothesis for change in value relevance of accounting information under IFRS cannot be rejected.

Table-4. Model 5: Regression Results for Net Income and Total expenses

$Pr_{it} = \alpha_0 + \beta_1 NI_{it} + \beta_2 TE_{it} + \mu_{it}$	1A
$ret_{it} = \alpha_0 + \beta_1 NI_{it} + \beta_2 TE_{it} + \beta_3 \Delta NI_{t+1} + \beta_4 \Delta TE_{t+1} + \beta_5 SIZE_{it} + \beta_6 LEV_{it} + \mu_{it}$	1B

Panel-A. Stock Prices Model

Variable	NGAAP			IFRS		
	Coef.	t-value	p-value	Coef.	t-value	p-value
Constant	0.452	5.43	0.000	-3.345	-2.79	0.005
NI	0.103	3.56	0.001	0.158	4.78	0.000
TE	-0.061	-1.76	0.085	-0.630	-3.88	0.000
Hausman	0.000			0.571		
Lm test				0.000		
F-statistic	9.12					
Prob. (F-statistic)	0.000			0.000		
Wald Chi2				144.6		
Adjusted R^2	19%			41%		
Cramer Z-statistics				0.00118**		

Panel-B. Stock Return Model

Variable	Coef.	t-value	p-value	Coef.	t-value	p-value
NI	0.066	4.15	0.000	1.066	3.13	0.003
ΔNI	0.064	3.91	0.000	0.094	0.76	0.448
TE	0.105	1.11	0.272	-0.017	-3.01	0.004
ΔTE	0.095	3.07	0.003	-0.210	-2.15	0.036
SIZE	0.741	1.17	0.249	-1.750	-2.14	0.037
LEV	-0.031	-1.23	0.224	0.057	0.87	0.388
Hausman	0.000			0.0248		
LM test						
F-statistic	11.24			23.94		
Prob. (F-statistic)	0.000			0.000		
Adjusted R^2	13.00%			21.00%		
Cramer Z-statistics				0.01618*		

Note: The variables in the table are: *NI* = net income deflated by the number of shares outstanding three months after the fiscal year end for firm i, *TE* = total expenses by the number of shares outstanding three months after the fiscal year end for firm i. *ret* = stock return three months after the end of fiscal year, *NI* = net income for firm i at the period t, *ΔNI* = change in net income for firm i at the period t and $_{t-1}$ *TE* = total expenses for firm i at the period, *ΔTE* = change in total expenses for firm i at the period $_{t-1}$, , *size* = log of assets for firm i at the period t, and *lev* = current assets/current liabilities. All assets are deflated by the market value of equity except *ret*, *size* and *lev* for return model

In summary, the variables *NI* and *TE* provided evidence of the value relevance of accounting information in the two periods for both stock price and return model. The two models of stock price and returns under both NGAAP and IFRS suggest that value relevance of information was higher under IFRS. The positive and negative significant coefficients show that accounting information was value relevant under IFRS.

The regression results of *NI* and *TE* had higher coefficients under IFRS than under NGAAP for both the stock price and stock return models, although the significance levels were both at the 1% level. The coefficient of *TE* was also lower under NGAAP, and the significance level was 1% under IFRS. This is consistent with the study of O'Hanlon (2009) that found increased in value relevance of both net income and other comprehensive income. Similarly, the current study is similar to the findings of Barth *et al.* (1992) that *NI* and TE are positive and negatively related to stock price respectively. The variable *NI* is generally seen as more value relevant than comprehensive income (Dhaliwal *et al.*, 1999b) although a few studies have comprehensive income being superior to net income (Saeedi, 2008; Mechelli and Cimini, 2013).

8. CONCLUSIONS

The study covers significant accounting disclosures for financial institutions using data from Thompson Reuters DataStream and annual reports. A two-step approach was adopted in performing the analysis of the

variables: (i) price model, and (ii) return model. In the price model, all variables were deflated by the total number of shares held at the end of the fiscal year while for the stock return model the variables were deflated by the market value of equity at the beginning of the fiscal year. The discussion of the models was based on the NGAAP and IFRS periods.

The findings of the present study provide evidence of value relevance of accounting information from the domestic accounting standards, that are unique to financial institutions in Nigeria. In order to capture the effect of firms' characteristics on the value relevance of accounting information, the two additional control variables of size and leverage were incorporated into the return models.

Lastly, the present study made a further contribution by validating the studies of Alali and Foote (2012); Barth et al. (1996); Dechow et al. (1999) and Dhaliwal et al. (1999b) in a completely different setting, with different samples, periods and methodology. The present study also extended the use of firm characteristics of size and leverage because financial institutions in the study ranged from large to smaller firms. This study did so by documenting that size and leverage are significant in some disclosures and have a significant relationship with stock price and returns. This study is important to policymakers, regulators, investors as well as academics and also, to the literature that accounting information had been declining over the period, by showing that accounting information has improved rather than decline among Nigerian financial institutions.

Future studies could look at the more samples are this study used only financial firms that have more regulations than non-financial firms. The period of study was also not much, which require additional period over time. The study was conducted in the period of financial crisis and immediately after the financial crisis. Literature has shown that return model is not suitable for the period of financial crisis and economic turmoil (see, Francis and Schipper (1999)).

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