

**VALUE RELEVANCE OF ACCOUNTING INFORMATION IN PRE AND POST IFRS
ACCOUNTING PERIOD: IMPLICATIONS FOR NIGERIA CAPITAL MARKET.**

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ABSTRACT

The study was conducted to investigate the existence of value relevance of accounting information in both pre and post International Financial Reporting Standards (IFRS) accounting periods in Nigeria. It also aim to determine the presence of any structural break point as a result of the adoption of IFRS which has been practiced in Nigeria with available financial statement for three years now to 2014. Three hypothesis were formulated from the objectives of the study and the theories of value relevance anchored on the Ohlson (1989) Clean Surplus theory. Muti linear regression analysis that adapted Ohlson(1995) model of value relevance was used in testing of the balance panel data gathered from 58 sampled firm drawn from the Nigeria Stock Exchange. The third hypothesis was tested using Chow test for significant break point as a result of the IFRS adoption base on the dummy variable creation approach with e-view 8. Hausman test was applied for the diagnostic test of the panel data. The findings of the research indicate that both book value of equity and earnings per share were affected by the adoption of IFRS but the structural break in the net book value of the equity does not result in any significant effect to its value relevance which remain insignificant both before and after the adoption of IFRS. The earnings per share (EPS)) were significantly affected as it shows a significant increase in the value relevance with the adoption of IFRS. This was further substantiated by the diagnostic test base on Hausman (1978) test which clearly discloses the presence of random effect bias that makes the earnings per share depicts a position of value relevance before IFRS adoption. Thus with the fixed effect regression, the EPS before IFRS adoption is insignificant. The findings on the effects of IFRS lead to the recommendation for the sustenance of the existing structure in Nigeria for transformation to IFRS.

INTRODUCTION

Corruption has eaten deep into the fabrics of the enclaves of suppose sanctity institution that ought to have preserved what is left for a desired meaningful economic recovery and human development to take place in Nigeria (Ngeri, Umar & Abdul, 2013; Rotimi, Obasegu, Lawal & IseOlorunkanmi, 2013; Osioma B.C, 2012). **It therefore becomes a fantasy for any call to bridge the gap between theories and practice nor performance and reward the requisites for economic development.** No wonder the continuous collapse of economic institutions in the country such as Cardbury Plc. and African Petroleum (Osioma 2012) to mention but few. Choudhury (2013) asked, “Is it sufficient to wait until the next crisis hits and only to ask “where were the auditors”. The time to act is now and to this end this study, among other things, aims to explore the value relevance of accounting information, the effects of

IFRS adoption on the value relevance and how they can contribute towards a meaningful economic recovery.

Accounting, a mirror of business activities with the profit as its object made visible through accounting methods as observed by Fujita and Jinnai (2004), is needful for the sustenance of any micro and macro business operations in any economy hence the value relevance of accounting effects on any nation's economy cannot be overemphasized. This has led to the recent move to ensure that International Financial Reporting Standard(IFRS) guard against any unforeseen financial crisis cum global economic meltdown as enumerated by the International Financial Standard Board(IFSB) chairman, Hoogervorst (2014).It may be proper to advocate that the adoption of IFRS in Nigeria is with greater perception of maintaining the relevance and reliability of accounting information thereby guiding the populace to batter investment of their hard earn resources. Gorgan, Gorgan, Dumituru&Pitulence (2012) observed that the quality of financial reporting is vital in building the global economy. They revealed this to be the reason for IFSB's statement in its constitution that it acts in "public interest" in order to develop a set of accounting standards that require financial statements which contain high quality, transparent and comparable information, useful to global markets participants and other categories of users in making decisions.

Value-relevance of accounting information is a sine qua non for bridging the gap between economic growth and economic development through the strengthening of the financial reporting role in the capital market, Choudhury (2013) observed. Nigeria has been witnessing a tremendous growth in the financial industry and capital market as well which transcend economic growth but that has not addressed the challenges of unemployment in the land. Choudhury (2013), the chief executive of the International Federation of Accountants (IFAC), in his article pointed out that financial reporting plays an integral role in the capital markets and economic stability and growth. He called for improved financial reporting and accounting education which he believed will help in strengthening the financial reporting chain. He also stressed that for the financial information to attain the envisaged position, it must be value relevance. According to Kargin (2013) value relevance is a phenomenon whereby statistical relationship exist between information presented by the financial statement and stock prices. Nigerian government has mandated companies listed in Nigerian Stock Exchange to adopt International Financial Reporting Standard (IFRS) since 2010 with effective date January 2012. How value relevant is the accounting information before and after the introduction of IFRS in Nigeria capital market forms the basis for this study.

More recent research from many countries shows an increase in the value relevance of accounting information with adoption of IFRS (Kargin2013; Kousenidis et al 2010; Halowen et al 2013). As the introduction of IFRS ushers in a new dimension of value relevance of accounting information especially for the book value of equity which was believed to have been influenced more by the IFRS fair value principle against historical cost that derived from conservative principle, can the findings of the researchers on existence of value relevance in Nigeria still hold? What is the true position of value relevance of accounting information now in Nigeria? What changes have the IFRS adoption brought in the value relevance of accounting information towards sustainability of listed firms in the Nigerian Stock Exchange? These questions and more made us to look at the issues relating to the value relevance of accounting information in pre and post IFRS accounting period and the implications to the Nigeria capital market.

Objectives of the Study

The main objective of this study is to ascertain the change in the value relevance of accounting information after the adoption of IFRS and its implication in the Nigerian capital market. The specific objectives are:

1. To determine the value relevance of earnings per share in the Nigeria capital market.

2. To ascertain the value relevance of Net book value of equity in the Nigeria capital market.
3. To investigate the incremental information content of earnings and book values of equity in the post IFRS period in Nigerian capital market.

Research Hypotheses

1. The Earnings per share in Nigeria capital market show no significant evidence of value relevance.
2. The Net Book value of equity in Nigerian capital market is significantly not value relevant.
3. The incremental value relevance of accounting information is not higher in the post IFRS period for listed firms in Nigeria Stock Exchange.

The financial accounting standard setters will find this study useful in understanding the role standards can play in the value-relevance of accounting information as observed by Healy and Whelan (1998). The study will be useful to average independent Nigerian who will want to understand the usefulness of accounting information in the economic development and who will want to tap to this benefit to better his/her living by investing in shares under the good guidance of financial statements with evidence of value relevance of accounting information.

The study focused on the value relevance of accounting information with reference to Ohlson (1995) model of value relevance. Since information to generate from financial statement are numerous and interpretation can vary with individuals, effort was made to limit the study to earnings and book value the duo that can be categorised as the end products of the statement of profit and loss and other comprehensive income and the statement of financial position respectively. This is to permit a comprehensive and thorough study aim at an unbiased result to be achieved. Dividend per share DPS was pronounced in the study of value relevance of accounting information in Nigeria by Oyerinde (2011). It is eliminated in this study after the confirmation of its multicollinearity with earnings per share EPS. EPS is a major independent variable and has more available information than DPS. Again DPS is not a component of Ohlson (1995) model of value relevance model.

Because of the presence of different regulations guiding financial institutions like banks and insurance companies they are excluded from the study.

Compliance by listed companies is another major limitation to this study hence, all listed companies not yet complied with IFRS were excluded from the study. In addition, any listed company with shortage of information for the period of study 2009 to 2014 is excluded from the study. Finally, the work is limited to non-negativity reporting firms from 2009 to 2014. Any default in any year eliminates a company as the work requires a balanced panel data. The dependent variable for the study, which is the share market price was based on the price of shares four months after the end of the fiscal year, a justification for time lapse permitted for the quoted companies in Nigeria Stock Exchange to forward their financial statements. We, therefore, use April end market share price as our dependent variable.

After three years of financial reporting base on IFRS adoption in Nigeria, there is need for evaluating whether the implementation has improved value relevance of financial accounting information. The IFRS which was developed by International Accounting Standards board is gaining more and more world recognition and acceptance.

We shall look at this study in five sections which comprise the introduction, literature review, data and methodology, analysis and finally summary, conclusion and recommendation as the last section.

Literature Review

Kargin (2013) carried out a research study on the impact of IFRS on the value relevance of accounting information on Turkish firms. The pre and post IFRS value relevance were investigated covering the period 1998 to 2011. Turkey as a member of European Union adopted IFRS in 2005. The sample is

based on firms that complied with the IFRS requirement excluding financial sectors because of their different reporting requirements. Ohlson (1995) model which is derived from ordinary least square (OLS) estimation method was applied on the data for analysis. The result showed that accounting information before the adoption of IFRS is value relevance but recorded a general increase after the adoption of IFRS. The earnings per share is found to have decrease in its value relevance while book value per share has recorded more than average increase.

Oyerinde (2011) studied value relevance of accounting information in Nigeria stock market using 68 companies from the listed companies in the Nigeria stock market selected on the basis of availability of information in the database. The study avoided all banks and other financial institutions. The findings reveal that there is a significant relationship between accounting information (EPS, DPS, and NBV) and their respective share prices. It also discovered that dividend is the most widely used accounting information for investment in Nigeria.

In considering the implication of IFRS adoption on capital markets Kousenids and Ladas (2010) in a study conducted at Greece using Easton and Harris (1991) model and Feltham and Ohlson (1995) model for the period 2003 - 2006 examines the value relevance of accounting information in the pre- and post-periods of IFRS. The two models they used represent return and price models respectively. They concluded that earnings incremental information increased for post IFRS while the incremental information content of book values reduced with introduction of IFRS which they explained was as a result of fair value principle under the IFRS.

Adaramora and Oyerinde (2014) studied the value relevance of accounting information in Nigeria with a sample of 66 quoted firms both financial and non-financial using ordinary least square with the aid of e-view software package for the period 1990 – 2009. They came to conclusion that the accounting information in Nigeria is value relevant with some distortion between 1992 to 1998 and 2004 to 2009 which they attribute to political instability and global financial crisis respectively.

Abiodun (2012) researched on the significance of accounting information on corporate values of firms in Nigeria between 1999 and 2009 using logarithmic regression model on a sample of 40 companies. The result shows that earnings is more relevant than book value. Recommendation and emphasis on corporate governance scores the point on this research work regarding mismanagement, misrepresentation, and irregularities. He opined that financial reports should be free of window-dressing, creative accounting, fraud and other sharp practices.

Fodio and Salaudeen (2012) did a comparative study to investigate the effect of inflation on the value relevant of accounting information. This they did by comparing inflation adjusted accounting data and historical accounting data from Nigerian Stock Exchange data using Parker 1977 approach. The results of the study showed that historical cost information has the potency of distorting accounting information to decision makers though not significantly. The study also showed that historical cost information is more value relevant than inflation adjusted accounting information though statistically the value superiority was still not found to be significant. They arrived at a conclusion that information content of inflation adjusted data beyond those of historical cost have statistically significant incremental explanatory power over and above those of historical cost.

Adaramola and Oyerinde (2014) again established the relationship between financial accounting information and market values of quoted firms in Nigeria using the generalised least square (GLS) method for 57 sampled firms between 1991 and 2010. The result showed that earnings, book value, dividend and cash-flows all have significance effect on the share prices for listed firms in Nigeria stock market at 5% level of significance.

Mgbame and Ikhataua (2013) investigated the relationship between accounting information and stock volatility in the Nigeria capital market using a Garch analysis approach with some of its derivatives. The

result of the investigation showed that information on book values, earnings per share and dividend per share were related to stock volatility. They came to conclusion in line with global view that volatility clustering, leptokurtic distribution and leverage affect the Nigerian Stock Market returns data. They cited Okpara and Nwezeaku (2009) which agrees on stock returns on Nigeria as not consistent.

Oshodin and Mgbame (2014) studied value relevance of financial information in the Banking and Petroleum sectors of Nigerian stock market. Ten companies each were selected from Banking and Petroleum sector respectively for a comparative study with the aid of multiple regression analysis and ordinary least square. The result shows that EPS is the most value relevant of the accounting information while cross-sectional information result shows that financial information in the petroleum sectors are more value relevant than that of Banking sector.

Data and Methodology

The study is an ex post facto study base on sample of fifty eight listed companies in the Nigerian Stock Exchange (NSE) existing from 2009 to 2014 and have their financial statements prepared and available in the NSE library for the period. The choice of the period covered is informed from the understanding that 2012 is the IFRS adoption year for corporate entities in Nigeria. The period is divided into two for pre and post IFRS adoption years where 2009 to 2011 is for pre adoption years and 2012 to 2014 is the post adoption years.

Model Specification

Ohlson model (1995) which is popular in the value relevance studies (Kargin, 2013) is hereby employed for the detection of value relevance of accounting information in Nigeria capital market. The model specification according to Kwong (2010) in Kargin (2013) is given below as

Model 1:

$$\text{prilMP}_{it} = \alpha_{ti} + \beta_1 \text{EPS}_{ti} + \beta_2 \text{BVPS}_{ti} + \varepsilon_{ti}$$

Model 2:

$$\text{AprilMP}_{it} = \alpha_0 + \alpha_1 \text{IFRSD} + \beta_1 \text{EPS}_{it} + \beta_2 \text{EPS}_{it} \text{IFRSD} + \beta_3 \text{NBV}_{it} + \beta_4 \text{NBV} * \text{IFRSD}_{it} + \varepsilon_{it}$$

Results

Descriptive Statistics

Table 1

| | APRILMP | EPS | NBV |
|-----------|----------|----------|----------|
| Mean | 40.57641 | 3.00950 | 28.51341 |
| Median | 8.925000 | 0.89000 | 4.595000 |
| Maximum | 1040.000 | 95.0000 | 1359.000 |
| Minimum | 0.500000 | 0 | - |
| Std. Dev. | 102.9424 | 0.012000 | 0.324535 |
| Skewness | 6.719419 | 6.84664 | 119.5910 |
| Kurtosis | 58.01064 | 7.93799 | 8.404885 |
| | | 97.0130 | 80.99616 |

| | | | |
|--------------|----------|---------|----------|
| Jarque-Bera | 131812. | | |
| Probability | 46498.21 | 4 | 92306.54 |
| | 0.000000 | 0 | 0.000000 |
| | | 1047.30 | |
| Sum | 14120.59 | 8 | 9922.666 |
| Sum Sq. Dev. | 3677204. | 6 | 4962797. |
| Observations | 348 | 348 | 348 |

Source: E-view 8 output

Table 1 above is the e-view output of descriptive statistics of the data used in this study which we further partitioned into pre and post IFRS period and the major descriptive statistics which we considered as mean and standard deviation compared and presented below.

TTABLE 2: PERIODIC COMPARATIVE PRESENTATION - THE MEAN OF THE VARIABLES

| S/n | VARIABLE | OVERALL | PRE-IFRS PERIOD | POST-IFRS PERIOD |
|-----|----------|---------|-----------------|------------------|
| 1 | AprilMP | 40.57 | 33.66 | 47.48 |
| 2 | NBV | 28.51 | 25.6 | 31.4 |
| 3 | EPS | 3.01 | 3.14 | 2.87 |

E-view 8 output extract see appendix

From the table 2, the mean of the earnings per share (EPS) is higher in the pre-IFRS period with 3.14 to 2.87 for post IFRS period compare with the mean of the dependent variable (ArilMP) and NBV which were higher in the post IFRS period with 47.48 and 31.4 against 33.66 and 25.6 respectively.

TTABLE 3: PERIODIC COMPARATIVE PRESENTATION - THE STANDARD DEVIATION OF THE VARIABLES.

| S/n | VARIABLE | OVERALL | PRE-IFRS PERIOD | POST-IFRS PERIOD |
|-----|----------|---------|-----------------|------------------|
| 1 | AprilMP | 102.94 | 62.94 | 131.13 |
| 2 | NBV | 119.59 | 95.17 | 140 |
| 3 | EPS | 6.85 | 8.25 | 5.09 |

E-view 8 output extract see appendix

From table 3 above, the, the standard deviation of the dependent variable is higher in post IFRS period with 131.13 against 62.94 just like the NBV with 140 against 95.17. EPS is higher with 8.25 in pre IFRS period and 5.09 in the post.

Univariate Analysis

Table 4: Correlational Analysis of the variables

| | APRILMP | EPS | NBV |
|---------|----------|----------|----------|
| AprilMP | 1.000000 | 0.521819 | 0.06085 |
| EPS | 0.521819 | 1.000000 | 0.13849 |
| NBV | 0.060854 | 0.138491 | 1.000000 |

Source : E-view 8 output

Table 4 above shows the relationship that exists between variables. They all have positive correlation with one another but at low levels. EPS shows the highest and positive correlation with the dependent variable given as 0.522 followed with 0.138 also positive correlation with NBV. The correlation between NBV and the dependent variable AprilMP is lowest with 0.061 positive correlation.

4.4 Regression Analysis

This section presents the empirical results emanating from testing the hypotheses formulated for this study. The models used for value relevance and IFRS effect studies require three years data both in the pre and post IFRS as Nigeria has gotten three years of post IFRS data (2012 to 2014).

To test each hypothesis, we present the result of the yearly cross-sectional test for the value relevance following with the chow test result for determination of any structural break point as a result of the IFRS adoption.

4.4.1 IFRS Adoption and Value Relevance of Accounting Information

April market price (AprilMP) of sample companies' share is regressed against the earnings per share EPS and net book value (NBV) as specified in the adopted Ohlson(1995) model of value relevance.

$$\text{AprilMP}_{1it} = \alpha_0 + \beta_1 \text{EPS}_{it} + \beta_2 \text{NBV}_{it} + \varepsilon_{it}$$

Table 5 presents the results of model 1, yearly cross-sectional regression of AprilMP on EPS and NBV with β_1 and β_2 respectively as their coefficients.

Decision Rule: Accept Null Hypothesis for P-Value Greater than 10% Else Reject.

Table 5: Model One Test Result Summary

| Years | β_1 | p-value | β_2 | P-value | R ² | Adj R ² | F-Stat | P-value |
|-------|-----------|---------|-------------|---------|----------------|--------------------|--------|---------|
| 2009 | 1.656 | 0.0082 | -0.0025 | 0.9759 | 0.1365 | 0.105 | 4.348 | 0.0177 |
| 2010 | 7.901 | 0.0000 | 0.0410 | 0.6227 | 0.3455 | 0.3217 | 14.51 | 0.0001 |
| 2011 | 9.104 | 0.0000 | -0.0096 | 0.8839 | 0.4041 | 0.3824 | 18.65 | 0.0000 |
| 2012 | 21.87 | 0.0000 | -0.0571 | 0.3467 | 0.6711 | 0.6592 | 56.12 | 0.0000 |
| 2013 | 23.02 | 0.0000 | 209000 0 | 0.9997 | 0.6713 | 0.6593 | 56.16 | 0.0000 |
| 2014 | 16.85 | 0.0000 | 0.1965 | 0.5848 | 0.5449 | 0.5284 | 32.93 | 0.0000 |

Source: E-view 8 output. See Appendix 4 – 9

For the respective years from 2009 to 2014, the probability value of the F-statistics are all significant with 2009 being significant at 5% and the rest significant at 1% indicating that the model in use are in the overall significance. The Adjusted R² increased steadily from recorded 10.5% in 2009 to a peak of 65.93% in the year 2013 then decline to 54.49% in the year 2014. These shows that the chosen dependent variables has explanatory power of 10.5% in the year 2009 which increased to 32%, 38% and 65.92% respectively for 2010,2011 and 2012. In 2013.It recorded a pick of 65.93% which decline a little to 52% in the year 2014. This confirms the choice of our dependent variables as most vital elements for the proxy of accounting information in the value relevance studies in Nigeria.

The coefficient of the variables which are represented with β_1 and β_2 and their corresponding p-values as denoted in Table 5 explains the magnitude, direction and the significance of the variables. Thus in 2009 EPS has a positive coefficient β_1 of +1.656 and a p-value of 0.0177. This means that it has a positive association of 1.656 which is significant at 5%. The NBV coefficient, β_2 is 0.0025 negatively associated with AprilMP but insignificant. From year 2010 to 2014, β_1 are positively associated to AprilMP at 1% significant level while β_2 all through have p-values greater than 10% which are insignificant

Hypothesis One

1. *The Earnings per share in Nigeria capital market show no significant evidence of value relevance.*

Decision: The p-value of β_1 for all the years above are less than 10% and the overall β_1 (2009 - 2014)significant at 1% is equally less than 10% (see appendix 10). We therefore reject the above null hypothesis and accept the alternative with the decision that earnings per share (EPS) in Nigeria shows a significant evidence of value relevance in all the years before and after the year 2012 which is the year of IFRS adoption in Nigeria.

Hypothesis Two

1. *The Net Book value of equity in Nigerian capital market shows no significant evidence of value relevance.*

The p-value of β_2 for all the years is greater than 10% as we can see from the table 5 above and the overall β_2 with p-value of 0.8020 is as well greater than 10% (see appendix 10). We therefore accept the above hypothesis and affirm that the net book value of equity (NBV) in Nigeria capital market shows no evidence of value relevance in any of the sampled years before and after the adoption of IFRS in Nigeria.

In each of the above years, the p-value is less than 10% for EPS, and as we can see, the coefficient of the variables increased over the years as well except 2014 that decline to 16.85 from 23.02 the pick in 2013. The Adjusted-R²confirm the presence of value relevance at all years before and after the adoption of IFRS. But the overall result gave Adjusted R-squared of 35% (Appendix 8) which is less than any of the individual years. It is obvious the value relevance is higher after the adoption but how significant is the change can only be answered by the use of Chow test for structural breakpoint test. Thus we carried out the chow test (see appendix 9 and Table 6 below).

Hypothesis Three

1. *The incremental value relevance of accounting information is not higher in the post IFRS period for listed firms in Nigeria Stock Exchange.*

Model 2: Chow Test model for Determination of Structural Break point of Value Relevance as a Result of IFRS Adoption.

$$\text{AprilMP}_{it} = \alpha_0 + \alpha_1 \text{IFRSD} + \beta_1 \text{EPS}_{it} + \beta_2 \text{EPS}_{it} \text{IFRSD} + \beta_3 \text{NBV}_{it} + \beta_4 \text{NBV}_{it} \text{IFRSD}_{it} + \varepsilon_{it}$$

Decision Rule: Accept the null hypothesis of chow test for probability value of F-statistics greater than 10% otherwise, reject.

Table 6: Model Two Test Result Summary

| Variable | IFRS Effect | | No IFRS Effect | |
|---------------------------|-------------|---------|----------------|--------|
| | Coefficient | P-value | | |
| EPS | 3.180 | 0.0000 | 7.87 | 0.0000 |
| EPS*IFRSD | 17.08 | 0.0000 | | |
| NBV | -0.0074 | 0.8981 | -0.0100 | 0.8020 |
| NBV*IFRSD | -0.0008 | 0.9071 | | |
| R ² | 0.5359 | | 0.2724 | |
| R ² - Adjusted | 0.5288 | | 0.2682 | |
| F-Statistics | 78.88 | | 64.59 | |
| Prob(F-Statistics) | 0.0000 | | 0.0000 | |

Source: E-view 8 output extract. See appendix 10 & 11

Decision:

The F-Statistics of 78.88 is significant at 1%. We therefore reject the null hypothesis for chow test and accept the alternative which implies the presence of structural breakpoint as a result of the dummy variable IFRSD introduced.

The above table 6 depict the effect of IFRS on the above two items of value relevance identified with reference to Ohlson's mode and which represent the most two important of the overall financial statement being statement of financial position and comprehensive income statement (kargin 2013). Thus we can see that EPS with coefficient of 2.187 is significant at 1% before IFRS effect and coefficient of 16.70 also significant at 1% after IFRS adoption.

The independent variable NBV has a coefficient of -0.048 which is not significant before IFRS effect and coefficient of 0.0180 also not significant after the IFRS effect consideration.

The R² and R² –Adjusted were respectively 0.5359 and 0.5288 which shows that the independent variables used in the model are partially adequate to explain the dependent variable (AprilMP).

4.5.1: Diagnostic Test

This being a panel test we employ Hausman (1978) test for correlated random effects to detect the presence of heterogeneity bias resulting from unobserved heterogeneity in the panel data.

Model 2 Diagnostic Test

$$\text{AprilMP}_{it} = \alpha_0 + \alpha_1 \text{IFRSD} + \beta_1 \text{EPS}_{it} + \beta_2 \text{EPS}_{it} \text{IFRSD} + \beta_3 \text{NBV}_{it} + \beta_4 \text{NBV}_{it} \text{IFRSD}_{it} + \varepsilon_{it}$$

Decision Rule: Accept the null hypothesis for probability value of Hausman test greater than 10% otherwise, reject. Rejection means accepting the fixed effect while acceptance means accepting the random effect.

Table 7: Model Two Diagnostic Test Result Summary

| Variable | Normal Test | | Fixed Effect Hausman Test | |
|----------|-------------|---------|---------------------------|---------|
| | Coefficient | P-value | Coefficient | P-value |

| | | | | |
|---------------------------|---------|--------|--------------|--------|
| EPS | 3.180 | 0.0000 | 0.2187 | 0.6060 |
| EPS*IFRS | 17.08 | 0.0000 | 10.30 | 0.0000 |
| NBV | -0.0074 | 0.8981 | 0.03415 | 0.5392 |
| NBV*IFRS | -0.0008 | 0.9071 | -0.0277 | 0.4907 |
| R ² | 0.5359 | | 0.906 | |
| R ² - Adjusted | 0.5288 | | 0.8865 | |
| F-Statistics | 78.88 | | 44.72 | |
| Prob(F-Statistics) | 0.0000 | | 0.0000 | |
| Hausman Test Prob | 0.0000 | | Fixed Effect | |

Source: E-view 8 output extract. See appendix 12 & 13

Decision: The Hausman test probability value is less than 10% hence we reject the Hausman test null hypothesis and accept the alternative which implies that the fixed effect is greater than the random effect.

Table 7 above shows the summary result of the pre and post IFRS random effect for the value relevance of earnings and book values of cross-sectional sample data from the Nigeria Stock Exchange. The summary result of the fixed effect from the table is here compared with the normal regression test from table 6.

With the diagnostic test, we observe the fixed effect has a great influence on the value relevance of EPS which is significant at 1% without the fixed effect but insignificant with p-value of 0.6060 after the diagnostic test. This implies that the presence of uncorrelated random variables with significant heterogeneity bias is responsible for the value relevance of EPS in our normal regression test.

The findings of this study before the diagnostic test were in line with previous researches on value relevance studies in Nigeria capital market. Oyerinde D T (2011) carried out a study from 2002 to 2008 and found that there exist value relevance of accounting information in Nigeria. Adaramola and Oyerinde (2014) in their trend analysis study also confirm an increasing value relevance of accounting information in Nigeria. Ibiameke & Abanyam (2013) also attest to the existence of value relevance before the adoption of IFRS in Nigeria. An increase of 44.3% in Adjusted R-Squared observed on adoption of IFRS.

The outcome of the diagnostic test disagrees with our earlier findings as well as the findings of these previous researchers with the assertion that EPS is not value relevant before IFRS adoption. Chukwuma, Asogwa, Ezeji and Uzuagu (2015) allude that there are other non –based capital market factors responsible for the value relevance of accounting information in Nigeria with the assertion that refers to Nigeria capital market as insensitive. In partial agreement with him our findings show from the fixed effect that which is greater than the random effect that there is no value relevance of accounting information before the adoption of IFRS. The presence of the value relevance without the fixed effect implies a huge bias by the random few that affected the total outcome.

The net book value of equity exhibits the same insignificance position with or without fixed effect but we saw a case of the insignificance level decreasing with the fixed effect from 0.891 and 0.9071 to 0.5392 respectively for pre and post IFRS. This situation though decreasing with the IFRS adoption does not portend well for an entity's going concern.

The R² and the R²-Adjusted of 0.5359 and 0.5288 increased to 0.906 and 0.8865 respectively which shows that the cases of value relevance after IFRS adoption with fixed effect have a very strong case of explanatory variables of the dependent variable. The F-Statistics decreased from 78.88 to 44.72 but without any changes in its probability value which remain significant at 1%.

5.1 Summary of Findings

The following are the findings of this study.

1. There exist value relevance of earnings per share in Nigeria capital market in line with the findings of some existing research work in this area of research
2. There is no significant evidence of value relevance of net book value of equity in Nigeria capital market.
3. There exists structural break point that affects all the independent variables as a result of IFRS adoption. In the other words, the adoption of IFRS in Nigeria has a significant effect on the value relevance of accounting information in Nigeria.
4. The existence of value relevance of earnings per share before the adoption of IFRS was set aside by the diagnostic test implying that the initial outcome was necessitated by the presence of uncorrelated random variables that introduces the bias that significantly affected the situation.

5.2 CONCLUSION

Contradicting evidence mark the value relevance of accounting information as to whether it has increased or decreased over time as a result of adoption of International Financial Reporting Standards. Some scholarly works have been done on the value relevance of accounting information in Nigeria before the adoption IFRS (Oyerinde, 2011; Adaramora and Oyerinde (2014)), and after the adoption (Odia & Ogiedu, 2013; Okoye, P.V.C., 2014, Chukwu G., 2014). As Nigeria adopted IFRS in the year 2012, there were no sufficient information at the disposal of the erudite professionals though they still made useful contributions. With three years financial statement already available from quoted companies in Nigeria, we saw the time as ripped though not fully ripped for investigation of the effect of IFRS adoption in Nigeria.

There is a strong evidence from our findings that IFRS has increased the value relevance of accounting information in Nigeria but the slight decline recorded in the ultimate year of this study is a negative sign that must be watched closely. It is therefore recommended that various mechanism and structures put in place for IFRS adoption in Nigeria such as Financial Reporting Council (FRC) and others should be sustained and be constantly improved upon to maintain strict control and compliance to IFRS. The sustained EPS value relevance will eventually read to the value relevance of NBV of which its present situation spells doom.

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Appendices

Appendix 1 :Basic Statistics of the overall data- E-view ouput

| | APRILMP | EPS | NBV | NPA |
|----------------------------|----------------------|----------------------|----------------------|----------------------|
| Mean | 40.57641 | 3.009505 | 28.51341 | 5223996. |
| Median | 8.925000 | 0.890000 | 4.595000 | 733702.0 |
| Maximum | 1040.000 | 95.00000 | 1359.000 | 2.10E+08 |
| Minimum | 0.500000 | -0.012000 | 0.324535 | 1777.000 |
| Std. Dev. | 102.9424 | 6.846644 | 119.5910 | 19423901 |
| Skewness | 6.719419 | 7.937996 | 8.404885 | 7.725588 |
| Kurtosis | 58.01064 | 97.01309 | 80.99616 | 69.81403 |
| Jarque-Bera Probability | 46498.21 0.000000 | 131812.4 0.000000 | 92306.54 0.000000 | 68191.37 0.000000 |
| Sum | 14120.59 | 1047.308 | 9922.666 | 1.82E+09 |
| Sum Sq. Dev. | 3677204. | 16266.16 | 4962797. | 1.31E+17 |
| Observations | 348 | 348 | 348 | 348 |

Appendix 2:Basic Statistics Pre- IFRS E-view ouput

| | APRIL_MP | NBV | EPS | PPE |
|----------------------------|----------------------|----------------------|----------------------|----------------------|
| Mean | 33.66425 | 25.61001 | 3.143805 | 16525883 |
| Median | 9.810000 | 4.075310 | 0.930000 | 3259156. |
| Maximum | 419.0000 | 802.0000 | 95.00000 | 3.49E+08 |
| Minimum | 0.500000 | 0.324535 | 0.003100 | 40080.00 |
| Std. Dev. | 62.94288 | 95.17344 | 8.249449 | 41499553 |
| Skewness | 3.599777 | 6.449398 | 8.370265 | 5.484081 |
| Kurtosis | 18.19090 | 46.34393 | 90.18654 | 39.04906 |
| Jarque-Bera Probability | 2048.830 0.000000 | 14826.79 0.000000 | 57142.60 0.000000 | 10293.80 0.000000 |
| Sum | 5857.580 | 4456.142 | 547.0222 | 2.88E+09 |
| Sum Sq. Dev. | 685392.5 | 1567031. | 11773.24 | 2.98E+17 |
| Observations | 174 | 174 | 174 | 174 |

Appendix 3: Basic Statistics Post-IFRS E-view ouput

| | APRIL_MP | NBV | EPS | NPA |
|--------|----------|----------|----------|----------|
| Mean | 47.48856 | 31.41683 | 2.875205 | 6468659. |
| Median | 8.625000 | 5.230000 | 0.845000 | 713508.5 |

| | | | | |
|--------------|----------|----------|-----------|----------|
| Maximum | 1040.000 | 1359.000 | 28.08000 | 2.10E+08 |
| Minimum | 0.500000 | 0.638970 | -0.012000 | 1777.000 |
| Std. Dev. | 131.1396 | 140.0419 | 5.092578 | 24423044 |
| Skewness | 6.008558 | 8.455932 | 3.038823 | 6.798638 |
| Kurtosis | 42.13597 | 76.22407 | 13.11280 | 51.37310 |
| Jarque-Bera | 12151.26 | 40946.38 | 1009.247 | 18305.11 |
| Probability | 0.000000 | 0.000000 | 0.000000 | 0.000000 |
| Sum | 8263.010 | 5466.529 | 500.2856 | 1.13E+09 |
| Sum Sq. Dev. | 2975185. | 3392832. | 4486.643 | 1.03E+17 |
| Observations | 174 | 174 | 174 | 174 |

Appendix 4: April Market Price Regression on Earnings and Book Value 2009

Dependent Variable: APRIL_MP

Method: Least Squares

Date: 03/12/16 Time: 16:59

Sample: 1 58

Included observations: 58

| Variable | Coefficien t | Std. Error | t-Statistic | Prob. |
|--------------------|-----------------|-----------------------|-------------|--------|
| C | 29.43096 | 7.446787 | 3.952169 | 0.0002 |
| EPS | 1.656802 | 0.604110 | 2.742551 | 0.0082 |
| NBV | -0.002509 | 0.082808 | -0.030295 | 0.9759 |
| R-squared | 0.136529 | Meandependent var | 35.59914 | |
| Adjusted R-squared | 0.105130 | S.D. dependent var | 56.56310 | |
| S.E. of regression | 53.50733 | Akaike info criterion | 10.84785 | |
| Sumsquaredresid | 157466.9 | Schwarz criterion | 10.95443 | |
| Log likelihood | -311.5877 | Hannan-Quinn criter. | 10.88937 | |
| F-statistic | 4.348188 | Durbin-Watson stat | 1.929278 | |
| Prob(F-statistic) | 0.017653 | | | |

Appendix 5: April Market Price Regression on Earnings and Book Value 2010

Dependent Variable: APRIL_MP

Method: Least Squares

Date: 03/12/16 Time: 17:12

Sample: 1 58

Included observations: 58

| Variable | Coefficien t | Std. Error | t-Statistic | Prob. |
|----------|-----------------|------------|-------------|--------|
| C | 11.17344 | 8.378103 | 1.333648 | 0.1878 |
| EPS | 7.901414 | 1.477108 | 5.349248 | 0.0000 |

| | | | | |
|--------------------|-----------|-----------------------|----------|--------|
| NBV | 0.041016 | 0.082902 | 0.494750 | 0.6227 |
| R-squared | 0.345457 | Meandependent var | 34.34121 | |
| Adjusted R-squared | 0.321655 | S.D. dependent var | 65.10278 | |
| S.E. of regression | 53.61976 | Akaike info criterion | 10.85205 | |
| Sumsquaredresid | 158129.3 | Schwarz criterion | 10.95863 | |
| Log likelihood | -311.7095 | Hannan-Quinn criter. | 10.89356 | |
| F-statistic | 14.51401 | Durbin-Watson stat | 2.214806 | |
| Prob(F-statistic) | 0.000009 | | | |

Appendix 6 : April Market Price Regression on Earnings and Book Value 2011

Dependent Variable: APRIL_MP

Method: Least Squares

Date: 03/12/16 Time: 17:16

Sample: 1 58

Included observations: 58

| Variable | Coefficien t | Std. Error | t-Statistic | Prob. |
|--------------------|-----------------|-----------------------|-------------|--------|
| C | 5.274629 | 8.299288 | 0.635552 | 0.5277 |
| EPS | 9.104568 | 1.493534 | 6.095989 | 0.0000 |
| NBV | -0.009624 | 0.065601 | -0.146707 | 0.8839 |
| R-squared | 0.404083 | Meandependent var | 31.05241 | |
| Adjusted R-squared | 0.382414 | S.D. dependent var | 67.64212 | |
| S.E. of regression | 53.15768 | Akaike info criterion | 10.83474 | |
| Sumsquaredresid | 155415.7 | Schwarz criterion | 10.94132 | |
| Log likelihood | -311.2075 | Hannan-Quinn criter. | 10.87625 | |
| F-statistic | 18.64739 | Durbin-Watson stat | 2.158624 | |
| Prob(F-statistic) | 0.000001 | | | |

Appendix 7 : April Market Price Regression on Earnings and Book 2012

Dependent Variable: APRIL_MP

Method: Least Squares

Date: 03/12/16 Time: 17:28

Sample: 1 58

Included observations: 58

| Variable | Coefficien t | Std. Error | t-Statistic | Prob. |
|--------------------|-----------------|--------------------|-------------|--------|
| C | -11.88187 | 11.09469 | -1.070951 | 0.2889 |
| EPS | 21.87171 | 2.067018 | 10.58129 | 0.0000 |
| NBV | -0.057108 | 0.060167 | -0.949161 | 0.3467 |
| R-squared | 0.671133 | Meandependent var | 45.70172 | |
| Adjusted R-squared | 0.659174 | S.D. dependent var | 123.6844 | |

| | | | |
|--------------------|-----------|-----------------------|----------|
| S.E. of regression | 72.20736 | Akaike info criterion | 11.44730 |
| Sumsquaredresid | 286764.6 | Schwarz criterion | 11.55387 |
| Log likelihood | -328.9717 | Hannan-Quinn criter. | 11.48881 |
| F-statistic | 56.12033 | Durbin-Watson stat | 1.914926 |
| Prob(F-statistic) | 0.000000 | | |

Appendix 8 : April Market Price Regression on Earnings and Book 2013

Dependent Variable: APRIL_MP

Method: Least Squares

Date: 03/12/16 Time: 17:33

Sample: 1 58

Included observations: 58

| Variable | Coefficien t | Std. Error | t-Statistic | Prob. |
|--------------------|-----------------|-----------------------|-------------|--------|
| C | -14.91729 | 12.59375 | -1.184499 | 0.2413 |
| EPS | 23.02365 | 2.177488 | 10.57349 | 0.0000 |
| NBV | 2.09E-05 | 0.060846 | 0.000344 | 0.9997 |
| R-squared | 0.671290 | Meandependent var | 49.94224 | |
| Adjusted R-squared | 0.659336 | S.D. dependent var | 141.1672 | |
| S.E. of regression | 82.39418 | Akaike info criterion | 11.71125 | |
| Sumsquaredresid | 373384.1 | Schwarz criterion | 11.81782 | |
| Log likelihood | -336.6261 | Hannan-Quinn criter. | 11.75276 | |
| F-statistic | 56.16026 | Durbin-Watson stat | 1.915944 | |
| Prob(F-statistic) | 0.000000 | | | |

Appendix 9 : April Market Price Regression on Earnings and Book 2014

Dependent Variable: APRIL_MP

Method: Least Squares

Date: 03/12/16 Time: 17:40

Sample: 1 58

Included observations: 58

| Variable | Coefficien t | Std. Error | t-Statistic | Prob. |
|--------------------|-----------------|-----------------------|-------------|--------|
| C | -8.521483 | 14.33248 | -0.594557 | 0.5546 |
| EPS | 16.84926 | 2.145553 | 7.853107 | 0.0000 |
| NBV | 0.196519 | 0.357578 | 0.549583 | 0.5848 |
| R-squared | 0.544933 | Meandependent var | 46.82172 | |
| Adjusted R-squared | 0.528386 | S.D. dependent var | 130.2321 | |
| S.E. of regression | 89.43584 | Akaike info criterion | 11.87526 | |
| Sumsquaredresid | 439932.3 | Schwarz criterion | 11.98183 | |
| Log likelihood | -341.3825 | Hannan-Quinn criter. | 11.91677 | |
| F-statistic | 32.93072 | Durbin-Watson stat | 2.102150 | |

Prob(F-statistic) 0.000000

Appendix 10 : April Market Price Regression on Earnings and Book Value 2009 to 2014

Dependent Variable: APRILMP

Method: Panel Least Squares

Date: 03/12/16 Time: 17:48

Sample: 2009 2014

Periodsincluded: 6

Cross-sections included: 58

Total panel (balanced) observations: 348

| Variable | Coefficien t | Std. Error | t-Statistic | Prob. |
|--------------------|-----------------|-----------------------|-------------|--------|
| C | 17.17737 | 5.226880 | 3.286353 | 0.0011 |
| EPS | 7.870007 | 0.697187 | 11.28823 | 0.0000 |
| NBV | -0.010016 | 0.039914 | -0.250950 | 0.8020 |
| R-squared | 0.272428 | Meandependent var | 40.57641 | |
| Adjusted R-squared | 0.268210 | S.D. dependent var | 102.9424 | |
| S.E. of regression | 88.06174 | Akaike info criterion | 11.80254 | |
| Sumsquaredresid | 2675430. | Schwarz criterion | 11.83575 | |
| Log likelihood | -2050.641 | Hannan-Quinn criter. | 11.81576 | |
| F-statistic | 64.59003 | Durbin-Watson stat | 0.646073 | |
| Prob(F-statistic) | 0.000000 | | | |

Appendix 11 : Chow test for IFRS effect on Value Relevance of Accounting Information

Dependent Variable: APRILMP

Method: Panel Least Squares

Date: 03/12/16 Time: 17:51

Sample: 2009 2014

Periodsincluded: 6

Cross-sections included: 58

Total panel (balanced) observations: 348

| Variable | Coefficien t | Std. Error | t-Statistic | Prob. |
|--------------------|-----------------|-----------------------|-------------|--------|
| C | 23.85719 | 5.828886 | 4.092924 | 0.0001 |
| IFRSD | -34.12814 | 8.529056 | -4.001397 | 0.0001 |
| EPS | 3.179711 | 0.665827 | 4.775584 | 0.0000 |
| EPS*IFRSD | 17.07847 | 1.251216 | 13.64951 | 0.0000 |
| NBV | -0.007393 | 0.057713 | -0.128094 | 0.8981 |
| NBV*IFRSD | -0.008106 | 0.069388 | -0.116818 | 0.9071 |
| R-squared | 0.535591 | Meandependent var | 40.57641 | |
| Adjusted R-squared | 0.528802 | S.D. dependent var | 102.9424 | |
| S.E. of regression | 70.66363 | Akaike info criterion | 11.37083 | |

| | | | |
|-------------------|-----------|----------------------|----------|
| Sumsquaredresid | 1707725. | Schwarz criterion | 11.43725 |
| Log likelihood | -1972.524 | Hannan-Quinn criter. | 11.39727 |
| F-statistic | 78.88411 | Durbin-Watson stat | 0.514306 |
| Prob(F-statistic) | 0.000000 | | |

Appendix 12 : Hausman Test for Pre and Post IFRS Value Relevance of Accounting Information

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section random effects

| Test Summary | Chi-Sq. Statistic | Chi-Sq. d.f. | Prob. |
|----------------------|-------------------|--------------|--------|
| Cross-section random | 0.000000 | 5 | 1.0000 |

* Cross-section test variance is invalid. Hausman statistic set to zero.

Cross-section random effects test comparisons:

| Variable | Fixed | Random | Var(Diff.) | Prob. |
|-----------|-----------|------------|------------|--------|
| | | | | |
| | | | | |
| IFRSD | 15.062668 | -17.712723 | 0.164578 | 0.0000 |
| EPS | 0.218750 | 0.755997 | 0.013065 | 0.0000 |
| EPS*IFRSD | 10.301395 | 11.236114 | 0.021324 | 0.0000 |
| NBV | 0.034149 | 0.021113 | 0.000657 | 0.6109 |
| NBV*IFRSD | -0.027730 | -0.021919 | 0.000131 | 0.6111 |

Cross-section random effects test equation:

Dependent Variable: APRILMP

Method: Panel Least Squares

Date: 03/12/16 Time: 18:32

Sample: 2009 2014

Periods included: 6

Cross-sections included: 58

Total panel (balanced) observations: 348

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|-----------|-------------|------------|-------------|--------|
| C | 32.10198 | 3.066615 | 10.46821 | 0.0000 |
| IFRSD | -15.06267 | 4.322901 | -3.484389 | 0.0006 |
| EPS | 0.218750 | 0.423662 | 0.516331 | 0.6060 |
| EPS*IFRSD | 10.30140 | 0.726401 | 14.18142 | 0.0000 |
| NBV | 0.034149 | 0.055555 | 0.614691 | 0.5392 |
| NBV*IFRSD | -0.027730 | 0.040183 | -0.690083 | 0.4907 |

Effects Specification

Cross-section fixed (dummy variables)

| | | | |
|--------------------|-----------|-----------------------|----------|
| R-squared | 0.906795 | Meandependent var | 40.57641 |
| Adjusted R-squared | 0.886519 | S.D. dependent var | 102.9424 |
| S.E. of regression | 34.67810 | Akaike info criterion | 10.09245 |
| Sumsquaredresid | 342732.7 | Schwarz criterion | 10.78983 |
| Log likelihood | -1693.086 | Hannan-Quinn criter. | 10.37009 |
| F-statistic | 44.72236 | Durbin-Watson stat | 1.025860 |
| Prob(F-statistic) | 0.000000 | | |

Appendix 13 :Hausman Fixed Effect for Pre and Post IFRS Value Relevance of Accounting Information

Dependent Variable: APRILMP

Method: Panel Least Squares

Date: 03/12/16 Time: 18:24

Sample: 2009 2014

Periodsincluded: 6

Cross-sections included: 58

Total panel (balanced) observations: 348

| Variable | Coefficien t | Std. Error | t-Statistic | Prob. |
|-----------|-----------------|------------|-------------|--------|
| C | 32.10198 | 3.066615 | 10.46821 | 0.0000 |
| IFRSD | -15.06267 | 4.322901 | -3.484389 | 0.0006 |
| EPS | 0.218750 | 0.423662 | 0.516331 | 0.6060 |
| EPS*IFRSD | 10.30140 | 0.726401 | 14.18142 | 0.0000 |
| NBV | 0.034149 | 0.055555 | 0.614691 | 0.5392 |
| NBV*IFRSD | -0.027730 | 0.040183 | -0.690083 | 0.4907 |

EffectsSpecification

Cross-section fixed (dummy variables)

| | | | |
|--------------------|-----------|-----------------------|----------|
| R-squared | 0.906795 | Meandependent var | 40.57641 |
| Adjusted R-squared | 0.886519 | S.D. dependent var | 102.9424 |
| S.E. of regression | 34.67810 | Akaike info criterion | 10.09245 |
| Sumsquaredresid | 342732.7 | Schwarz criterion | 10.78983 |
| Log likelihood | -1693.086 | Hannan-Quinn criter. | 10.37009 |
| F-statistic | 44.72236 | Durbin-Watson stat | 1.025860 |
| Prob(F-statistic) | 0.000000 | | |
