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Article

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Effect of international financial reporting standard (IFRS) adoption on earnings value relevance of quoted Nigerian firms

Ndubuisi Odoemelam^{1*}, Regina G. Okafor¹ and N. Grace Ofoegbu¹

Abstract: In this study, we examine the effect of IFRS adoption on the earnings value relevance of quoted Nigerian firms. Using a sample of 101 firms (1212 firms-year observation) that are quoted on or before 2006, and have adopted IFRS from 2006 to 2017, we can investigate earnings value relevance. As the principal objective of the inquiry, we introduce a cross-product term, equal to the product of earnings per share (EPS) and IFRS dummy variable, into the basic Ohlson model. The paper uses the Fixed Effect Model as the appropriate estimator for analysis of the data. The estimated coefficient on the cross-product term is statistically significant and positive. The results suggest that the adoption of IFRS in Nigeria leads to higher earnings value relevance. IFRS, as a principle-based, allows managers to use their discretion in the specific treatment of financial items. In doing so, they may bias earnings. Further, the results revealed that estimated coefficient of the cross product of book value and IFRS dummy variable is statistically insignificant and negative. Surprisingly, the simultaneous addition of earnings, the book value of equity, and firm-specific variables in a modified basic Ohlson model show enhanced



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PUBLIC INTEREST STATEMENT

Financial reporting on the financial statement of the corporate entity using the IFRS ensures commitment to the stakeholder's information need for making economic decisions. Standard setters and other interested stakeholders- government, creditors, and fund owners are interested to know the effect of IFRS on accounting information provided in the annual reports. This research investigated the effect of the IFRS adoption on the earnings value relevance of quoted Nigerian companies. Nigeria is an emerging economy that mandatorily adopted IFRS in 2012 for quoted firms. Data on annual reports of companies was used. Results show a significant and positive effect of IFRS adoption on earnings value relevance. Earnings value relevance implies that investors consider firms financial performance in making economic decisions. The audit firm size, “Big 4” auditors significantly enhance the earnings value relevance. The result helps policy makers to formulate policies that would enhance the effective implementation of the Standards.

earning incremental value relevance, while other variables were insignificant, except the interaction of earnings and audit firm size. Overall, results suggest that earnings under IFRS are valued relevance about economic growth conditions, with the nature of such relevance explaining variations on the share price. The findings of this study are utmost important to economic policymakers, investors, and Standard Setters.

Subjects: Financial Accounting; Financial Statement Analysis; International Accounting

Keywords: Earnings; value relevance; IFRS; NGAAP; Nigeria; fixed effect model

1. Introduction

The demand for transparent, comparable, reliable financial information in the markets caused by the high-profile corporate scandal in the U.S. and that acclaimed to have contributed to the economic meltdown triggered of the quest for International Financial Reporting Standard (hereafter IFRS)(Adwan, 2016; Hail, Tahoun, & Wang, 2017). Hence the need for harmonization of accounting reporting standards and other measures to mitigate such occurrence. The inevitability of globalization occasioned the unavoidable increased integration and adoption of IFRS (Al Mamun, Sohag, & Hassan, 2017; Özcan, 2016; Uyar, Kılıç, & Gökçen, 2016), its drive to economic growth (Gu & Semba, 2016) and call for formal harmonisation and integration of African stock markets to aid informational efficiency (Ntim, 2012) point to the fact that accounting information is vital to capital market growth.

Nigeria, as part of the globe, decided to adopt IFRS in 2012 because the level and quality of disclosure before the adoption of IFRS was poor (Ofoegbu & Odoemelam, 2018). The adoption of IFRS is an acknowledgment of the importance of the accounting profession and its role in providing useful financial information to aid proper allocation of limited resources and comparable accounting information for investment decision by investors and other stakeholders. As well as economic intermediaries to mobilize fund from the surplus unit and support the agricultural sector, entrepreneurs, industry and other sectors of the economy which will help boost the growth of the capital market and engender economic growth.

The stakeholders have their expectations from the companies. Within the positive context of stakeholder theory, investors expect accounting information that will aid them to make investment decisions. The government anticipates companies to have a shared value as a means of contributing to the development of the economy. Contractors and loan owners demand qualitative accounting information. It can also be inferred that this perspective can be extended to a notion that all stakeholders also have a right to be provided with information about how the company is impacting on them. Accounting information contents provide a framework to create value for stakeholders, which translates to satisfying the interest of a diverse group of stakeholders and resolving agency related problems.

Based on the preceding, could it be possible that the earnings under IFRS explain the variations on the market value of quoted firms? The answer to this question demands an empirical investigation in the context of Nigerian quoted firms. However, several theoretical and empirical evidence have been contributed by scholars as regards the value relevance of accounting information contents and accounting regulations to capital market growth.

Stent, Bradbury, and Hooks (2013) suggest that IFRS adoption is an essential event in accounting history with potentially necessary consequences for capital markets and the quality of accounting information. Stent et al. (2013) supported the view that the use of IFRS increases the quality of financial reporting and has tremendous benefits to investors. Such benefits adopters of IFRS stand to gain are improved disclosure and low capital costs. To Leuz and Wysocki (2016) quality

disclosure and reporting reduce information asymmetries that otherwise give rise to frictions in raising external capital for investment. The accounting earnings information is said to be value relevant when it can alter the economic choices of the users, and it is described as the usefulness of financial statement information to outside parties in the firm.

Prior researchers have provided robust, insightful empirical evidence on the significance of earnings ability to summarize the market value of quoted firms (e.g., Ahmed (2018); Alnodel (2018); Kwon (2018); Barth, Beaver, and Landsman (2001); Barth, Landsman, Lang, and Williams (2012); Barth, Li, and McClure (2017); Elbakry, Nwachukwu, Abdou, and Elshandidy (2017); Givoly, Hayn, and Katz (2017)). Divergence results so far have been reported on the effect of accounting information on the market value of quoted companies. Barth et al. (2017) found a persistent increase in the value relevance of accounting numbers. Alnodel (2018) revealed that the book value of equity becomes less value relevant, while earnings are more value relevant. Kwon (2018) examined the value relevance of companies quoted on the Korea stock exchange and found that the book value and earnings value relevance significantly under IFRS. Elbakry et al. (2017) investigated the dynamics of value relevance of accounting information pre and post-IFRS revealed a decline in the book values of equity value relevance and a tremendous increase in the earnings value relevance after the adoption of IFRS in Germany. Elbakry et al. (2017) further reported that in the U.K., earnings value relevance is high under IFRS than under the local Generally Accepted Accounting Principle (hereafter GAAP). Garza Sánchez, Cortez Alejandro, Méndez Sáenz, and Rodríguez García (2017) in a horizon of Latin America, analyzed if changing from local GAAP to IFRS improves the quality of accounting and report that earnings value relevance increased after the adoption of IFRS. Ahmadi and Bouri (2018), in the study of Tunisian banks and financial institutions quoted on the Tunisian Stock Exchange, found that earnings and book value are statistically significantly associated with firm value as well as related to the firm stock value. From the horizon of China, Elshandidy (2014) investigated the value relevance of accounting information of quoted firms in the Chinese Stock Market and found that accounting information is value relevant. Chebaane and Othman (2014) study on the impact of IFRS adoption on the value relevance of earnings and book value of equity in emerging economies in Africa and Asian regions, the study documented that both variables are significant in explaining the variations of market values in pre-IFRS and Post-IFRS. The study further reported that earnings per share (EPS) value relevance increased in the post-IFRS period and the study also stated that the informativeness of accounting key variables is more value relevant in common law countries compare to code law system.

From the context of our study, review of empirical studies on accounting information value relevance indicate that the results of most of these studies are inconclusive (e.g., Ewereoke, 2018; Olayinka, Paul, & Olaaoye, 2017 ; Ranti Uwuigbe, Uwuigbe, Jafaru, Edith Igbino, & Adebayo Oladipo, 2016; Omokhudu & Ibadin, 2015). Prior studies that documented earnings value relevance (e.g., Ewereoke, 2018; Omokhudu & Ibadin, 2015; Ranti Uwuigbe et al., 2016). On the other hand, (Ewereoke, 2018; Omokhudu & Ibadin, 2015) reported that the book value of owner's equity was not valued relevant. These previous studies sample sizes that are less than 100 companies that cannot be generalized (e.g., Ewereoke, 2018; Omokhudu & Ibadin, 2015), while some focused only on non-financial companies (e.g., Okafor, Ogbuehi & Anene, 2017; Omokhudu & Ibadin, 2015; Ranti Uwuigbe et al., 2016). Umoren, Akpan & Ekeria (2018) studied on the banking sector, while among all the reviewed related literature, only Olayinka et al. (2017) covered a period up to 2015.

Our study is motivated to close the gap in the literature by examining the effect of IFRS adoption on the earnings value relevance of Nigerian quoted firms and for the period (2006–2017) comprising pre and post-IFRS periods. We included all companies with complete data (i.e., both financial and nonfinancial) and excluded firms quoted after 2006 to have balanced data for panel analysis. The purpose is to examine the sectors together instead of studying them in parts (Ofoegbu &

Odoemelam, 2018), with the robust econometric estimator, Fixed Effect model to mitigate false results.

The remainder of this study is structured as follows: Section 2 provides a brief discussion of the research context. Section 3 presents theories, while section 4 deals with empirical literature review and hypotheses development. Section 5 the research design, and moreover, empirical results and discussions are handled in section 6 and finally, section 7 gives the summary and conclusion.

2. Research context - Nigeria

This section of the research context discusses the background to issues of value relevance, financial reporting, and capital markets in Nigeria.

2.1. Value relevance of accounting information contents

Several scholars have defined value relevance in many ways in the accounting literature (Beisland, 2009; Barth et al. 2001). Value relevance is defined in the existing literature as the association between accounting information content and share prices. Also, value relevance is defined as the ability of financial statement information to capture and summaries substantial value (Beisland, 2009). Value relevance is measured as the statistical association between financial statement information content and stock market values. From the previous definitions of value relevance of accounting information, it was evident that for an accounting number to be value relevant, it must significantly associate with the firm's market value. Also, it is not out of context that Ohlson primary model variables (i.e., Earnings and book value) are always used as the basis for firm valuation (Oyerinde, 2011). Oyerinde (2011) is of the view that the management discretion allowed by accounting standards may affect the reliability of earnings, which in turn may affect the relevance of earnings in determining substantial value.

2.2. IFRS and adoption in Nigeria

The inevitability of globalization occasioned the unavoidable increased integration of IFRS (Al Mamun et al., 2017; Özcan, 2016; Uyar et al., 2016) and it drives economic growth (Gu & Semba, 2016) hence the demand for transparent, comparable, reliable financial information in the markets caused by the high-profile corporate scandal in the U.S. triggered of the quest for IFRS (Adwan, 2016; Hail et al., 2017; Ofoegbu & Odoemelam, 2018). "As part of the globe, Nigeria also started yearning for a legal authority that seeks to improve investors' confidence by tightening government regulation of accounting and inspection of some areas of financial reporting." (Ofoegbu & Odoemelam, 2018). For more information on the adoption of IFRS (see the work of Ofoegbu and Odoemelam (2018) and Erin, Olojede & Ogundele (2017). In September 2010, the federal government of Nigeria approved 2012 as the year of mandatory IFRS adoption in Nigeria. However, before 2012, some the quoted companies in Nigeria have started reporting their financial activities based on IFRS requirement. The implication of the adoption of IFRS is the use of fair value accounting otherwise known as mark-to-market accounting. This new wave of fair value accounting although been criticized by many, has gained many disciples.

Advocates of fair value accounting argue that fair value implies more value relevant accounting information to investors and represent accurate real volatility (e.g., Laux & Leuz, 2009). A recent study by Barth (2018) noted that a reasonable number of researcher indicate that fair values are more relevant to the user's decision-making than historical cost-based amounts. The Nigerian Standard Setters, Financial Reporting Council (FRC) has joined the "league" of fair value accounting as America's Financial Accounting Standards Board (FASB) and London-based International Accounting Standards Board (IASB) have not budged an inch to drop it.

However, according to Yonetani and Katsuo (1998), those against fair value accounting are concerned that quick and unwell plan adoption of market value accounting will have adverse effects on both banks and the financial system. The critics believe fair value accounting exacerbated the 2008 financial crisis (Menicucci & Paolucci, 2016; Suzuki & Takuma, 2017) and concluded

that earnings based on mark-to-market accounting for investment securities are likely to be riskier than those based on historical cost. Fargher and Zhang (2014) lament that fair value measurement by financial institutions has increasingly relied on managerial assumptions. Hence, the use of managerial discretions has led to a higher probability of earnings management and lower earnings informativeness.

The sources and motives of accounting regulation are essential. Hence, the adoption of IFRS became a project for various countries, including Nigeria, to facilitate easy comparison of financial reports and gains of other benefits.

3. Theoretical frameworks

The underpinning theories of the study are discussed in this section. The accounting information content can be evaluated based on the positive approach of accounting theory or information perspective. The positive approach views it from management's behaviour towards existing accounting practices. The proponents of positive approach believe the techniques are established based on nested functions, and these methods are determined mostly by management. The positive approach sees accounting information as an economic commodity that can be efficiently utilized by the holder to solve the financial problem of selecting or deciding among choices of investment or budgetary planning (Dumitru, 2011). However, we narrowed our underpinning theories for this study to be agency and stakeholders theories.

3.1. Agency theory

This theory is essential in this study because of its relevance in proffering solution to agency problems. Bebchuk, Cohen, and Hirst (2017) noted that agency problems of institutional investors could be expected to lead to underinvestment. The issue of information asymmetry exacerbates agency conflict. The theory predicts that in the presence of information asymmetry, the manager is exposed to some privileged information regarding the firm, a situation which induces opportunistic tendencies. The separation of ownership, control, and globalization of business redefine the relationship that exists between the owners and the managers to that of an agent and principal. As the agent, the manager is expected not to pursue goals that are geared towards the achievement of his selfish interest at the expense of the shareholders. Agency theory views the firm as an interrelated set of contracting relationship among individuals. The theory assumes that both parties of the contractual relationship will act to maximise their utilities by using the information available to them (Holtz & Sarlo Neto, 2014). In other words, the uncertainty resulting from information asymmetry between the management (i.e., agent) or the firm and the outside equity and debt holders (i.e., principal) leads to the agency costs in the organization (Jensen & Meckling, 1976). Beatty, Liao, and Weber (2010) and Biddle, Hilary, and Verdi (2009) reported that quality accounting information mitigates this problem arising from information asymmetry.

The agency theory becomes vital in our study context as it tends to guarantee that accounting information contained in the financial statement is readily available without impediment.

As the earnings disclosed by quoted firms increases, it will signal good news to investors, and this will transmit to upsurge on the market value.

3.2. Stakeholder theory

Among other factors stated that constant demand by stakeholders for quality information and more necessary disclosures is a factor that facilitated the adoption of IFRS. On the other hand, stakeholder theory is one of the theories that explain the existence of accounting lobbying (Hoffmann & Zülch, 2014). The stakeholder theory perspective takes cognizance of the environment of the firm, including customers, suppliers, employees, and other segments of the society. "These stakeholders of the enterprise and lobbying decisions of these individuals are determined by the stakeholders who possess power, urgency, and legitimacy." (Ahmad, 2015).

Akisik (2013) pointed out that accounting regulation has a high degree of effect on economic growth, even after controlling for some macroeconomic and socioeconomic variables. Accounting plays an essential role of capturing higher quality information about the economic activities of entities and report back in a way that improves stakeholders financial decisions in any given economy (Hope, Thomas, & Vyas, 2017).

4. Empirical literature review and hypotheses development

4.1. Empirical review

Ball and Brown (1968) pioneered the works on the value relevance of accounting information contents, and their study has spurred other researchers leading to many value relevance literature. In one example, Zahroh (2012) report that accounting earnings and a book value of equity are essential fundamental accounting variables to explain the stock price. In support of the view of Zahroh (2012) on the usefulness of earnings and book values of equity, recent prior studies have provided mixed empirical results. Research conducted by Barth et al. (2017) on the evolution in value relevance of accounting information. The study spanned from 1962 to 2014, by considering more accounting information contents than the primary earnings. Barth et al. (2017) found that the earnings and book of owner's equity value relevance have not declined. They used a non-parametric approach and generally documented a more pronounced increase in the relationship between share price and accounting information content.

Givoly et al. (2017) studying on the value relevance of accounting information, categorically stated that looking at value relevance of accounting information content from stockholders' perspective is not the same with that of debt holders. On that note, their information needs are not the same. Having acknowledged the difference, Givoly et al. (2017) investigated the change in the information content of accounting information over time-based on debt holders needs. The study examined the association between accounting numbers and bond valuation and returns and found that the information content to debt holders has increased over time. However, contrary to Barth et al. (2017) claim of persistent increase in value relevance of accounting numbers, the study reported that the information content to equity holders has declined. Givoly et al. (2017) attributed the reported increase information content to debt holders to changes in credit risk and other reporting factors. The study by Givoly et al. (2017) is evidence that value relevance must be looked at from different perspectives

Kwon (2018) examined the value relevance of accounting information content of companies quoted on the Korea stock exchange. The study used panel data of large, medium and small companies; the study found that value relevance of book value, accounting earnings, operating income, cash flows and operating cash flows significantly changed pre and post-K-IFRS adoption. Ahmadi and Bouri (2018), in the study of Tunisian banks and financial institutions quoted on the Tunisian Stock Exchange engagement on value relevance aimed at assessing the relevance of accounting information contents for the period of 2010 to 2015 with a sample size of 24 banks and financial institutions. The study found that earnings and book value are statistically significantly associated with firm value as well as related to the firm stock value. From the horizon of China, Elshandidy (2014) investigated the value relevance of accounting information of quoted firms in the Chinese Stock Market and found that accounting earnings are value relevant.

Elbakry et al. (2017) investigated the dynamics of value relevance of accounting information pre and post-mandatory adoption of IFRS in Germany and the UK using three different versions of a linear equity valuation model. The researchers show firstly, based on the basic Ohlson model that there exists a decline in the value relevance of book values of equity. However, the study also reported a tremendous increase in the earnings for both countries after the adoption of IFRS. Comparatively, the study documented incremental value relevance of both earnings and book values which are higher in the long term for firms in the UK compared to in Germany based on the modified model. Based on the third model, Elbakry et al. (2017) further showed that there is

a significant increase in the relative predictive power of the book value of equity in the UK compared to the apparent effect of economic indicators on the value relevance of earnings in Germany. Also, noted in the study is the informativeness of accounting information contents is high under IFRS than under the local GAAP. The study is limited to only three years effect; the time frame seems not to be long-term enough, as claimed by the study.

Also, a recent study by Garza Sánchez et al. (2017) in a horizon of Latin America, analyzed if changing from local GAAP to IFRS improves the quality of accounting. The study covered a period of 2000 to 2014 with a sample size of 923 companies from four Latin America. The study employed the methodology of panel data and quantile regression and reports that accounting relevance increased after the adoption of IFRS.

Alnodel (2018) investigated the impact of the IFRS adoption of the value relevance of accounting information for insurance firms quoted in the Saudi Stock market. The study relied on the Ohlson model (1995) and the Easton-Hari's valuation model (1991) and collected data from 21 insurance companies from 2007 to 2014. The empirical results revealed that the book value of equity becomes less value relevant, while earnings are more value relevant. Alnodel (2018) finding partially in agreement with Barth et al. (2017), Kwon (2018) and contrary to an earlier study by (Elbakry et al., 2017).

Chebaane and Othman (2014) study on the impact of IFRS adoption on the value relevance of earnings and book value of equity in emerging economies in Africa and Asian regions, the study documented that both variables are significant in explaining the variations of market values in pre-IFRS and Post-IFRS. The study further reported that the explanatory power of earnings per share (EPS) is evident in the post-IFRS period and the study also stated that the informativeness of accounting key variables is more value relevant in common law countries compare to code law system.

Ahmed (2018), compared the value relevance of accounting information between firms that have pre-IFRS and post-IFRS, and the study centered on three Europeans countries. The study employed multivariate and panel regressions methodology. The study documented that voluntary IFRS adoption did not improve the value relevance of accounting information but show an increased association between accounting information, stock prices, and stock returns over both periods. However, the study reported no significant difference between pre-IFRS and Post-IFRS.

A study by Umoren, Akpan, and Ekeria (2018) focused on quoted financial companies in Nigeria and examined the value relevance of accounting information content of 10 banks, using data that spanned from 2007 to 2016. The study used ordinary least square (OLS) regression for data analysis, and found an insignificant relationship between earnings per share, book value per share and market price per share both in pre-IFRS and post-IFRS regimes.

Ewereoke (2018) investigated the value relevance of accounting information of 68 firms quoted on the Nigeria Stock Exchange. The study adopted the Ohlson 1995 model by employed ordinary least square for the data analysis. Ewereoke (2018) study covered from 2001 to 2015. The study found that earnings per share are value relevant, while book value per share and dividend per share were not valued relevant.

Olayinka et al. (2017) examined the value relevance of accounting information content using a balanced data for the pre-IFRS and Post-IFRS. The data for the study was sourced from 52 quoted companies from both sectors of consumer goods and financial services sectors of Nigeria stock exchange market covering 2008 to 2015. The study adopted price and returns regression models for data analysis. They documented that value relevance of earnings, cash flow, book value, and net income improved as a result of IFRS adoption.

Whereas, Okafor et al. (2017) embarked on a related study to Olayinka et al. (2017) by determining the effect of IFRS adoption on the value relevance of book value, earnings per share, and cash flow from operations of 12 selected consumer firms quoted on Nigeria Stock exchange. The study also employed the ordinary least square method for the analysis of data that spanned from 2008 to 2015. The results reported by Okafor et al. (2017) was also similar to Olayinka et al. (2017) findings.

Ranti Umuigbe et al. (2016) investigated the effect of earnings per share value relevance on the share price of 15 listed banks in Nigeria stock exchange market for a period that spanned 2010 to 2014. The study employed fixed effects panel data method was used for the data analysis and based on the analysis; the study reported that a significant positive relationship exists between earnings per share and share price.

The study by Umoren and Enang (2015), also, focused on the relationship impact of IFRS adoption on accounting information value relevance of quoted banks of Nigeria. The study used descriptive and least square regression method to analyze data from 12 banks covering a period of 2010 to 2011. Umoren and Enang (2015) reported that equity value and earnings value relevance improved after IFRS adoption in Nigeria.

Omokhodu and Ibadin (2015), on the other hand, examined the value relevance of accounting information of 47 quoted non-financial companies from 1994 to 2013 (940 firm years observation). The study employed the ordinary least square (OLS) estimation and dynamic model (Random and Fixed effects estimators). They reported that earnings, dividends, and cash flow statistically significantly associated with share price, but book value was insignificant.

4.2. Hypothesis development

4.2.1. IFRS adoption and earnings value relevance

The adoption of IFRS has generated arguments on what effects it may have on the earnings of companies or their share capital. Those in favour of the principle-based (IFRS) as against the traditional rules-based (GAAP) standards advanced many reasons why it should be adopted by countries. Some of the claim advantages of IFRS are first, the reduction in earnings management. Second, improved disclosure of accounting information as required by the standards. Third, the reduction in the cost of capital and agency related to the cost of getting information for investment decisions by investors. Fourth, foreign direct investment activities will increase due to easy comparability of financial reports. However, the adoption of IFRS in Nigeria encourages earnings manipulation or otherwise, which can lead to lower or higher earnings value relevance. IFRS is a principle-based and as such, allows managerial flexibility. Managers use their discretion in specific item treatment; in so doing, they may bias earnings. In an efficient market, market participants can detect such behavior and try to react against it, which can lead to a discount on the price of their firm's stock. Thus, the adoption of IFRS can either enhance or deteriorate earnings value relevance.

The extant literature provides the support that IFRS adoption could influence earnings value relevance. Jarva and Lantto (2012) argue that given the quality and completeness and the fair value orientation of the IFRS, that earnings calculated under IFRS would be of higher quality than earnings calculated under Finland Accounting Standard (FAS). Barth, Landsman, and Lang (2008) noted that firms using IFRS generally engaged in fewer earnings' management, that they recognize earnings on a timelier base, by so doing; provide higher value relevant accounting numbers. Barth (2018) acknowledge the fact there is evidence of fair value estimation error and management opportunism, however, according to Barth (2018), these issues are immaterial to negate the value relevance of the reported amounts. Earnings management is within and around us and is not only linked to fair value accounting, but actual cost-based amounts are also favourite targets, too (Barth, 2018). In one example,

a study by Ozili and Outa (2019) revealed that mandatory IFRS adoption discourages earnings smoothing and that IFRS has higher accounting quality and informativeness of earnings.

Earning per share is generally defined as the portion of a company's profit allocated to each outstanding share of common stock. EPS is a fundamental tool for investors for a financial measure that shows the profitability of a firm and the evaluation of publicly traded equity companies. The increase in EPS indicates that the company is better off in terms of profitability. EPS is among the various variables for measuring accounting information content and has proved to be value-relevance. It is the most commonly used in recent studies on the value relevance of accounting information content. According to Bowen (1987), the information content of earnings is an issue of obvious importance and is a focal point of controversies in accounting. Bowen (1987) sees the information content of profits as the extent of variation in investors' assessments of the probability distribution of future returns (or prices). According to Ozili and Outa (2019), "earnings affect investors' decisions on resource allocation, and investors prefer earnings stability than abnormal (or surprise) earnings." Thus, we expect IFRS adoption to influence earnings value relevance.

Hypothesis: H1) IFRS adoption significantly influences earnings value relevance

4.3. Control variables

4.3.1. Book value equity per share (BVPS) and share price (SP)

Book value equity per share is among the accounting information contents that have been proven to value relevance. BVEPS is defined as the ratio that divides common equity value with the number of common stock shares outstanding. A good number of researchers have used book value equity value in studying for accounting information value relevance. From the financial position (balance sheet), the common equity is defined as assets of a company minus liabilities equal equity. Clarkson, Hanna, Richardson, and Thompson (2011) described book value and earnings as summary descriptors of value, and higher value relevance of these accounting variables lead to a lower cost of capital for firms seeking for external financing. Thus, we expect book value per shares to explain variations in share prices significantly.

4.3.2. Company attributes and governance structure

There several essential variables that drive the firm's earnings value relevance or share price. The omission of these variables, such as company size, leverage, audit quality, and company age, may likely lead to misleading result and recommendation bias (Elbakry et al., 2017). Hence, we also, included these essential variables to avoid the spurious result.

Firm Size: Large firms have huge assets; as such, their assets to liability will be high. This implied that large companies tend to report higher profits than smaller companies. Uwaigbe et al. (2015) are of the view that large companies have incentives in manipulating and exaggerating of their earnings due to the intricacy of their operations. Prior studies have provided evidence on the relationship that exists between firm size and share price. In one example, Hussainey, Mgbame & Chijioke- Mgbame (2011) study found that firm size and share price was negatively related.

Audit firm size: Prior research argues that audit characteristics enhance the credibility of financial reporting are associated with stronger earnings-return associations (Chen, Krishnan, Sami, & Zhou, 2013). The quality and reputation of an engaged external auditor are presumed to contribute to investors trust in the reported profits of firms. Therefore, as many firms engaged hire a Big four auditor due to their reputation and expert's knowledge on IFRS requirements, investors will have confidence on earnings of such companies and likely to higher valuation of the stock price. On the other hand, because of the essential financial reporting, especially profit and loss, incentives for firms and managers to manage it is surprising and sometimes corporate governance, auditors and regulators

watch over it. Anchoring on this perception, we expect the big four auditors to influence earnings value relevance since the agency theory defined the audit process as the mechanism through which quality of the accounting information can be confirmed (Oroud, Islam, Ahmad & Ghazalat, 2019). We, expect audit quality to positively relate to share price and enhance the earnings value relevance.

Leverage: Leverage is a vital accounting variable that is calculated by the company's total liabilities divided by total assets (Ofoegbu & Odoemelam, 2018; Palea, 2013; Chen, Li, Liang & Wang, 2011). According to Chen et al. (2011) argue that "under uniform conditions, companies that face the risk of violating their debt contracts are likely to choose accounting procedures that can shift future earnings to current period to avoid default costs." We argue that under IFRS regime managers exercise discretion over certain financial items, which may lead to earnings management, either increasing or decreasing to actualize their objective. "Agency cost theory explains the linkage between leverage and disclosure, an increase in leverage induces more agency-related costs and is associated with more IFRS disclosure compliance. Moreover, higher disclosures by managers reduce information asymmetry and agency costs between owners of fund and managers." (Ofoegbu & Odoemelam, 2018). Kothari, 2000 and Habib and Azim (2008) stated that the risk level of companies would influence the value relevance of accounting information. Thus, we expect assets-liability ratio (LEV) to enhance earnings value relevance.

Company Age: Company's age, to an extent, determines the disclosure practices of some companies. Several authors have provided evidence that older firms tend to be extensive in an accounting information disclosure to remain as the leaders in the market. Intuitively, an extensive disclosure helps to reduce agency cost, thereby encouraging investor to invest more of shares of firms. We followed Ofoegbu and Odoemelam (2018) and Tatiana, Georgokopoulos, Sotiropoulos & Vasileiou (2013) approach in calculating the age of the firms. In this study, we also adopt the Age dummy variable firms. For instance, we categorize the companies into two groups. The first group (mature with leverage higher than 20%) is scored one and the second group is (younger with the leverage of less than 20% leverage) is scored o (Ofoegbu & Odoemelam, 2018; Tatiana et al. 2013).

5. Research design

5.1. Data and sample considerations

The original population of the study is made up of 173 companies quoted on the floor of the Nigerian Stock Exchange (NSE) agriculture, conglomerates, construction/real estate, consumer goods, healthcare, ICT, Industrial goods, natural resources, oil & gas, services and financials(5, 6, 7, 23, 11, 9, 17, 4, 13, 23 and 55 respectively). Next, an elimination process is undertaken based on several criteria. The following firms are initially excluded: those that were quoted after 2006 and also those that are not in operation up to 2017. Therefore, we selected at least 2 from each sector (i.e. Agriculture 2, conglomerates 3, construction/real estate 3, consumer goods 18, healthcare 5, ICT 4, Industrial goods 14, natural resources 3, oil & gas 9, services 16 and financials 24) that have consistently submitted their annual reports to the NSE from 2006 to 2017 and have adopted IFRS provisions for financial reporting on or before 2012. Hence, the final sample was made up of 101 quoted companies over 12 years, resulting in a total sum of 1212 financial year observations from NSE for our empirical investigation. Twelve years of data, comprising six years before the adoption of IFRS (until 2011) and six years after the adoption of IFRS (until 2017). The data from the sample companies covered a period of 12 years from 2006 to 2017 and are transformed into specific attributes of our variables for the number of years for the research.

5.2. Variables and measures

According to Habib and Azim (2008), the reason for including equity in the relevance model assumes "that the book value of equity is a proxy for the present value of expected normal future profitability and that it reveals a company's liquidation." Prior studies showed that equity value is related to accounting earnings (e.g., Habib & Azim, 2008). APriori Expectation is such that $\beta > 0$ ($i = 1-2$) if earnings are more informative, it is expected that $\beta_1 > \beta_2$ in equations (model) (1 & 2). In the mid of the 1990s,

lots of researchers began to examine the role of the book value of equity, using a valuation framework by Ohlson (1995) and Feltham and Ohlson (1995) which expresses share prices under certain conditions as a function of both earnings and book value of equity. Recent empirical work based on Feltham and Ohlson (1995) valuation framework provides evidence for the incremental relevance of book value in equity valuation. They claim that under some reasonable assumptions, equity value is the present value of net financial assets plus the current value of all future free cash flow operating activities (Feltham and Ohlson, 1995). If book value is more informative, it is expected that $\beta_1 < \beta_2$ in equations (model) (1 & 2) therefore, changes in share price were specified to be explained by the earnings, book value of equity and IFRS adoption. The error term (ϵ_{it}) is used as a surrogate for all other variables not included.

5.3. Model specification

To test the relevance of the hypotheses regarding the investigation of the effect of accounting earnings of quoted Nigerian firms on market value, the following model (Price regression) developed by Ohlson (1995) and has been used as in (e.g., Birt, Joshi, & Kend, 2017; Elbakry et al., 2017; Mechelli, Cimini, & Mazzocchi, 2017) was adopted with modification. Also, to efficiently carry out this research work, methods of data analysis were carried out by using panel data. Therefore, the price regression model explained below (section 5.1.1), adopted for panel data regression. Several studies identifying the value relevance of accounting information gained support from Ohlson (1995) price regression model (e.g., Alnodel, 2018; Elbakry et al., 2017).

5.3.1. Price regression model

The first test followed a standard approach to testing the empirical association between market value (share price) and accounting numbers (accounting information contents). Price is a function of the earnings per share (EPS) and a book value of equity per share (BVSP). The test model is as follows:

$$SP_{jt} = \beta_0 + \beta_1 EPS_{jt} + \beta_2 BVPS_{jt} + \epsilon_{jt} \quad (1)$$

where SP_{jt} = Stock's price per share of firm j at the fiscal year ended t

EPS_{jt} = Earnings per share for firm j at time t.

$BVPS_{jt}$ = book value of owners' equity and

ϵ_{jt} = error term

β_0 = constant term

β_1 & β_2 = regression coefficients for all the explanatory variables

SP_{jt} is stock price, and it is measured at the end of December at year t. EPS_{jt} is earnings per share for year t, and $BVPS_{jt}$ is the book value of equity per share at fiscal year-end. The above model is being based on the Ohlson (1995) valuation framework. Moreover, earnings are assumed to be a proxy for residual income used Ohlson's valuation model.

Secondly, as earlier noted in the previous section, in line with other researchers, we modified Ohlson (1995) Price regression model. As in model (2),

$$SP_{jt} = \alpha_0 + \beta_1 EPS_{jt} + \beta_2 BVPS_{jt} + \gamma_1 DUMIFRS_{jt} + \gamma_2 DUMIFRS_{jt} \cdot EPS_{jt} + \gamma_3 DUMIFRS_{jt} \cdot BVPS_{jt} + g_1 FS_{jt} + g_2 AFS_{jt} + g_3 LEV_{jt} + g_4 AGE_{jt} + w_1 AFS_{jt} \cdot EPS_{jt} + w_2 AGE_{jt} \cdot EPS_{jt} + f_j + r_t + \epsilon_{jt} \quad (2)$$

Where,

SP_{jt} = Stock's price per share of firm at the end of the annual report announcement month; EPS_{jt} the reported fiscal year accounting earnings from continuing operations scaled by the number of shares outstanding of firm j at time t ; $BVPS_{jt}$ is the book value of owner's equity per share of firm j at year t . $DUMIFRS_{jt}$ = IFRS dummy variable for firm j at time t . It takes a value of 1 the year of IFRS adoption (voluntary and mandatory) date onwards and 0 otherwise. FS_{jt} is the total asset (as a proxy for firm size) in local currency; AFS_{jt} is the audit firm size (1 if the company is audited by Ernest & Young, Deloitte, PwC or KPMG and 0 otherwise); LEV_{jt} is the leverage ratio; AGE_{jt} is company age dummy variable for firm j at time t . It takes a value of 1 if the company's leverage is equal to or greater than 20% and 0 otherwise. $AFS_{jt} \cdot EPS_{jt}$ is the interaction between earnings and audit firm size; $AGE_{jt} \cdot EPS_{jt}$ is the cross product of earnings and company age dummy variable. Table 1 provides measurement and definitions these variables

The coefficients (β_1 & β_2) indicate the value relevance of earnings per share and book value per share, respectively. The coefficient γ_1 provides the explanatory power of the switch from original local accounting standards to the new IFRS. Following Elbakry et al. (2017) $DUMIFRS_{jt} \cdot EPS_{jt}$ and $DUMIFRS_{jt} \cdot BVPS_{jt}$ have been included to shed light on the statistical significance of the asymmetry in the value relevance of these accounting information content variables at the firm level when firms listed on the Nigerian stock exchange were voluntarily and mandatorily switched from local NGAAP to IFRS. Importantly and empirically, the coefficients γ_2 and γ_3 are differential slopes reflecting the impact of reporting under IFRS requirements. A statistically significant positive figure indicates that earnings produced under the IFRS value relevance.

The slope coefficients (g_1, g_2, g_3 & g_4) on all other variables in model 2 are included to obviate endogenous problems. These variables are drivers of firms' earnings value relevance or determinants of stock returns (Iatridis, 2010). Therefore, the coefficients w_1 & w_2 indicate the value relevance of earnings per share interaction with the dummy variables of audit firm size and company age. Thus, we expect these coefficients to be positive.

Lastly, the term α is the overall company group constant, and f_j is a dummy variable indicating the effects of those characteristics which are unique to a specific j th company and do not vary over time t . The symbol i_t is a dummy variable for time; ε_{jt} is a stationary error term with a zero mean and constant variance (Elbakry et al., 2017)

6. Empirical results and discussion

6.1. Descriptive statistics

Panel A and B of Table 2 presents a summary of the descriptive statistics and frequency table of the sample of the study. Panel A shows the mean, standard deviation, min, max, skewness, and kurtosis are for testing the normality of the data used for the study. On the other hand, panel B indicates the frequency of the dummy variables of IFRS adoption, audit firm size, industry type, and company's age.

Descriptive statistics in Table 2 indicates that the dependent variable share price has the high value of standard deviation, which implies a wide range between the minimum (0.4100) and a maximum of stock prices of (1487). Means of earnings per share and book value per share are 1.1431 and 7.308, respectively. The minimum values of earnings per share and book value per share from sample firms operation per share have negative signs. The cross-product of IFRS adoption and earnings per share shows a maximum of 43.5800 and a minimum of -20.7200 while the IFRS adoption interaction with book value per share indicates a maximum of 90.99 and minimum of -20.700. Interestingly, Table 2 also revealed that the lowest minimums of both earnings per share and book value per share of -211.99 and -21.1800, respectively, occurred pre-IFRS regime. In the post-IFRS, the skewness of 6.8184 shows that the earnings data are positively skewed. Furthermore, the mean of assets-liability ratio (LEV.) is 0.6434, which indicates that the average Nigerian quoted

Table 1. Shows the measurement and explanation of variables

DEPENDENT	ABBR.		Source	Expected Sign
Share Price	SP	Measured by the market value of the firm's share price as at the end, each fiscal year	Annual Reports	+
INDEPENDENT				
Earnings	EPS	Earnings (net income)/ market value of equity	Annual Reports	+
Book Value	BVPS	The book value of owner's equity per share	Annual Reports	+
Regulation	DUMIFRS	Dummy variable = 1 if the company report under IFRS in each year and 0 otherwise.	Annual Report	+
Post-IFRS Earnings	EPS*DUMIFRS	The interaction between IFRS dummy variable and earnings (net income)/market value of equity	Annual Reports	+
Post-IFRS Book Value	BVPS*DUMIFRS	The interaction between IFRS dummy variable and the book value of owner's equity per share (i.e., earnings under IFRS)	Annual Report	+
Firm Size	FS	Assets size calculated as the natural logarithm of total assets as at the end of the accounting year (i.e., book value under IFRS)	Annual Report	+
Audit Firm Size	AFS	Dummy variable = 1 if the is audited by one of the "Big 4" and 0 otherwise	Annual Reports	+
Leverage	LEV.	The leverage ratio. This is calculated as total liabilities divided by total assets at the end of the accounting year.	Annual Report	+
Company Age	AGE	Dummy variable = 1 if the company's equal or greater than 20% and 0 otherwise	Annual Report	+
EPS*AFS	EPS*AFS	The interaction between earnings and audit firm size (i.e., earnings of both pre and post-IFRS audited by the "Big 4" auditors)	Annual Reports	+
EPS*AGE	EPS*AGE	The interaction between earnings and company age (i.e., earnings of financial companies for both pre-IFRS and Post-IFRS regimes)	Annual Report	+

firm raise their funds by borrowings and/or issues debt instruments more compare to issuing common stock.

The variables share price, earnings per share, and book value per share showed wide variations around their means. The result suggests a volatile return during the period. The finding agrees with the view of Beaver, McNichols, & Wang (2017) that the period is characterized by the economic and financial crisis and the worst recession.

Moreover, Panel B of Table 2 also indicates the frequency of the dummies of IFRS adoption, audit firm size, company age, and industry type. Panel B of Table 2 first, shows concerning financial reports prepared in line with IFRS and NGAAP, that 54% (654 firm year-observation) was presented using IFRS requirements, whereas, 46% (554 firm year-observation) was prepared based on local standards (NGAAP). Second, the frequency table indicates also, that 728 (60%) out of a total of 1212 financial reports (firm-year observation) were audited by either one of the big four auditors (Ernest& Young, Deloitte, PwC or KPMG). On the other hand, 494 (40%) was audited by other auditors (NBig 4). Finally, Panel B of Table 2 revealed 1109 (91.5%) of firm-year observation have leverage higher than 20% while 103(8.5%) have the leverage of less than 20% leverage. This shows that majority of quoted firms are older.

Table 2. Panel A:descriptive statistics

Variable	Mean	Std. Dev.	Max	Min	Skewness	Kurtosis
SP	23.7880	85.9593	1487	0.4100	10.6836	145.2782
EPS	1.1431	7.1963	43.5800	-211.990	-20.7299	639.1852
BVPS	7.3081	12.6474	90,9900	-21.1800	3.2910	16.3761
Dumifrs	0.5429	0.4983	1.0000	0.0000	-0.1722	1.02967
EPS*Dumifrs	0.7823	3.3481	43.5800	-20.7600	6.8184	69.2942
BVPS*Dumifrs	4.6126	11.4092	90.9900	-20.7200	4.1795	23.8389
FS	9.7435	2.0976	15.3900	4.3300	0.4089	3.0337
AFS	0.6006	0.4899	1.0000	0.0000	0.4110	1.1689
LEV.	0.6434	1.2789	29.0000	0.0100	16.8971	320,3136
AGE	0.9150	0.2789	1.0000	0.0000	-29,765	9.8598
Observ. 1212						

Panel B: Frequency Table

Dumifrs

		Frequency	Percent	Valid Percent	Cumulative	Percent
Valid	NGAAP	554	45.7	45.7		45.7
	IFRS	654	54.3	54.3		100
Obser.		1212	100	100		

AFS

	NB4	494	39.9	39.9		39.9
Valid	B4	728	60.1	60.1		100
Obser.		1212	100	100		

AGE

	Young	103	8.5	8.5		8.5
Valid	Old	1109	91.5	91.6		100
Obser.		1212	100	100		

Notations:

SP = The share price; EPS = The earnings per share; BVPS = The book value per share; Dumifrs = IFRS adoption dummy; FS = Firm size; LEV = Leverage; AFS = Audit firm size; AGE = Company age.

6.2. Pairwise correlation analysis

Pearson correlation coefficients (PCC) in Table 3 indicates the positive and significant correlations between stock price and many variables of interest in this study. The stock price is significantly and positively related to earnings per share, book value per share, audit firm size, and company age.

However, there is an insignificant positive relationship between stock price and IFRS dummy variable, and leverage and insignificant negative relationship between stock price and firm size. Also, earnings per share are positively and significantly related to the book value of equity per share and audit firm size while is positively and insignificantly related with, IFRS adoption dummy variable, firm size, and company age.

6.3. Multicollinearity analysis

The result of the pairwise correlation analysis reveals a positive correlation between all the independent variables (EPS and BVPS) and the dependent variable (SP). Hence, some issues are commonly related to the behavior between endogenous variables. Therefore, a further check of collinearity is required. We used a robustness check by conducting the test for multicollinearity using the variance inflation factor (VIF) and tolerance. Table 4 presents the Variance Inflation Factor (VIF) and the Tolerance Value (TV).

Table 4 indicates that the test for multicollinearity using the VIF and TV shows the absence of multicollinearity as all the factors are below 5 and tolerance values are below 1.0.

6.4. Regression results

In this section, regression results are presented. First, Table 5 below shows the summary of the regression result of the share price reaction to accounting earnings, the book value of equity, and the adoption of IFRS.

Panel data has two approaches: fixed and random effect models. In order to apply or determine the appropriate estimator method to be used, a Hausman test is usually carried out on the data set. Before performing a Hausman test, it is necessary to state that, Hausman test hypothesizes that REM is more appropriate for panel data analysis than FEM. The results of the Hausman test are: $\chi^2_{(2)} = 113.2$, and $P = 0.0000$. The result implies that the Fixed Effect (FEM) is more efficient than a random effect (FEM). Considering the Hausman Test results in Table 5, it reveals that the assumption that REM is more efficient for analyzing our data should be rejected since the calculated p-value in Hausman result is 0.0000, which is less than 0.05 significance level. Hence, we adopted a fixed effect model as reflected in equations two as the appropriate model estimator for data analysis and discussion of results.

As earlier stated, for brevity, the discussion here is confined to the estimated regression model based on the fixed effect model in equation 2. From Table 5, the results of the investigation of the effect of the adoption of IFRS on the accounting earnings value relevance in explaining variations on the share price of quoted Nigerian firms revealed mixed results. Thus, for example, if the yearly variations in earnings, the book value of equity and in our variables of interest—the adoption of IFRS (Dumifrs) and cross product of earnings and IFRS adoption (EPS*DUMIFRS) significantly influence stock prices of quoted Nigerian companies.

From Table 5, regarding our primary variable of interest (EPS*DUMIFRS), the coefficient on $DUMIFRS_{it} \cdot EPS_{it}$ (earnings interaction with IFRS adoption), $\gamma_2 = 11.5066$ significantly positive at 1% ($P < 0.01$) level. This indicates that IFRS significantly contribute to higher earnings value relevance. That is, IFRS enhances the earnings value relevance. This result provides supporting evidence for our conjecture (H): IFRS adoption significantly influences earnings per share value relevance. This finding agrees with the reports of previous studies such as Barth et al. (2017), Elbakry et al. (2017), Garza Sánchez et al. (2017), Olayinka et al. (2017), Okafor et al (2017), Ranti Umuigbe et al. (2016) and Chebaane & Othman (2014). Therefore, the result suggests that our variable of interest proposition (H), cannot be rejected concerning the most substantial positive significant relationship that exists between earnings

Table 3. Correlation matrix

		SP	EPS	BVSP	Dumifrs	FS	LEV	AFS	AGE
SP	Pearson Correlation	1							
	Sig. (2-tailed)								
EPS	Pearson Correlation	.386**	1						
	Sig. (2-tailed)	.000							
BVSP	Pearson Correlation	.408**	.285**	1					
	Sig. (2-tailed)	.000	.000						
Dumifrs	Pearson Correlation	.028	.045	.102**	1				
	Sig. (2-tailed)	.324	.116	.000					
FS	Pearson Correlation	-.003	.030	.125**	.157**	1			
	Sig. (2-tailed)	.928	.304	.000	.000				
LEV	Pearson Correlation	.003	-.013	-.034	.003	.033	1		
	Sig. (2-tailed)	.917	.641	.239	.925	.247			
AFS	Pearson Correlation	.161**	.082**	.234**	.006	.241**	-.008	1	
	Sig. (2-tailed)	.000	.004	.000	.835	.000	.779		
AGE	Pearson Correlation	.060*	.016	-.025	.023	.082**	.047	.054	1
	Sig. (2-tailed)	.037	.590	.389	.418	.004	.102	.062	

Notations:

SP = The share price; EPS = The earnings per share; BVSP = The book value per share; Dumifrs = IFRS adoption dummy; FS = Firm size; LEV = Leverage; AFS = Audit firm size; AGE = Company age.

Table 4. Variance inflation factor

Variables	1/VIF	VIF
EPS	.917	1.090
BVSP	.738	1.356
Dumifrs	.959	1.043
LEV	.990	1.010
AFS	.797	1.254
AGE	.917	1.090
FS	.567	1.763
MVIF		1.2294

Table 5. Share Price (SP) Reaction to Earnings Per Share (EPS), Book Value Per Share (BVPS) and other control variables

Estimator Variable	FIXED Coef	EFFECT Std Error	Prob	RANDOM Coef	EFFECT Std Error	Prob
EPS	−8.2718	1.9769	0.0091	−8.8093	1.9539	0.0000
	(−4.1841)			(−4.5084)		
BVPS	0.2913	0.2446	0.2339	0.6896	0.2305	0.0028
	(1.1910)			(2.9911)		
DUMIFRS	−5.4595	3.0967	0.0782	−8.8833	2.9087	0.0023
	(−1.7630)			(−3.0540)		
EPS*DUMIFRS	11.5066	0.5513	0.0000	12.1515	0.5356	0.0000
	(20.8703)			(22.6858)		
BVPS*DUMIFRS	−0.3999	0.2349	0.0895	−0.5655	0.2328	0.0153
	(−1.2716)			(−2.4287)		
FS	−4.0053	2.4112	0.0970	0.1677	1.5266	0.9125
	(−1.6611)			(0.1098)		
AFS	−1.8996	5.4790	0.7289	2.3464	4.7356	0.6204
	(−0.3467)			(0.4954)		
LEV	0.0871	0.9778	0.9290	0.2472	0.9712	0.7991
	(0.0891)			(0.2545)		
AGE	−1.0529	5.5289	0.8490	0.0433	5.3578	0.9935
	(−0.1904)			(0.0080)		
EPS*AFS	4.7838	1.7223	0.0056	5.2832	1.6888	0.0018
	(2.7775)			(3.1282)		
EPS*AGE	3.3472	2.3833	0.1605	3.5757	2.3700	0.1316
	(1.4044)			(1.5086)		
Cons	59.7247	22.8483	0.0091	14.4997	14.8944	0.3305
	(2.6139)			(0.9735)		
R ²	0.7998			0.3704		
Adj R ²	0.7796			0.3646		
F-Statistic	39.5978			64.1867		
Prob. F	0.0000			0.0000		
DW	0.7108			0.6228		
Hausman Test	chi2(113.29)					
	Prob>chi2 = 0.0000*					

Note: * significant at the 1% level, ** significant at the 5% level, *** significant at 10% level

Numbers in parentheses are t- values; SP = The share price; EPS = The earnings per share; BVPS = The book value per share; Dumifrs = IFRS adoption dummy; FS = Firm size; LEV = Leverage; AFS = Audit firm size; AGE = Company age.

reported under IFRS regime and the share price of quoted firms in Nigeria Stock Exchange (NSE). Also, our findings concur with the view of Ewert and Wagenhofer (2005) and Ahmed and Eliwa (2015) that the use of accounting information in the capital market is fundamental and serve as an instrument in the hands of investors, creditors, government and other stakeholders (Ahmed & Eliwa, 2015; Ewert & Wagenhofer, 2005). The implication is that IFRS is a stakeholder-oriented framework. In the Nigerian context, our findings contradict the report of Ahmed (2018), Ewereoke (2018) and Umoren et al. (2018) that reported no significant difference between pre-IFRS and post-IFRS.

Moreover, from Table 5, the model reveals that another primary financial variable—book value of owner's equity per share interaction with IFRS adoption dummy variable was statistically insignificant ($p = 0.5004$). The finding agrees with the report of Ewereoke (2018) and Omokhudu and Ibadin (2015) that book value of per share does not value relevant.

The inferior result of NGAAP compare to the IFRS is not surprising, and the outcome provides evidence in support of the views of Ofoegbu and Odoemelam (2018) Nigeria adopted IFRS in 2012 because the level and quality of disclosure before the adoption of IFRS was poor. These findings agree with (e.g., Ball (2006), Daske, Hail, Leuz, and Verdi (2008), Laux and Leuz (2009), Leuz and Wysocki (2016) those in support of fair value accounting and the adoption of IFRS. It implies that investors utilize earnings information anchoring on Maali and Al-Attar (2017, p. 262) assertion that “A more transparent firm is more appealing and trustworthy.” (Maali & Al-Attar, 2017, p. 262). The finding is consistent with other researches, for instance, Alnodel (2018) and Elbakry et al. (2017) both that found a tremendous increase in the earnings after the adoption of IFRS. The implication is that investors in quoted Nigerian companies use earning performance more under IFRS than local NGAAP

Importantly, Table 5 revealed that the overall multiple regression model (FEM) is fit. Table 5 reveals a coefficient of multiple determination (R Square of 0.7998 and an Adjusted R square of 0.7796), which represents the percentage of the variation in the share price of sampled firms quoted in NSE explained by the set of independent variables in the model in equation 2 of this study. The implication is that the independent variables together explained about 78% of the change in the share price of quoted companies in Nigeria. Also, the results indicate that the estimator method adopted in this study is a good fit for our data.

However, as indicated in the research design of this study, we further estimated model 2 in cognizance of the view of Iatridis (2010) to obviate omitted variables issue by including firm-specific variables and others as controlled variables. These variables are drivers of firms' earnings value relevance or determinants of stock returns (Iatridis, 2010). Table 5 also, presents a summary of the results of the statistical relationship that exist between share price and other controlled variables. Surprisingly, firm size, audit firm size, leverage, and company age show an insignificant relationship with the share price.

The inclusion of earnings interaction with audit firm size and company age revealed exciting results. The coefficients on EPS*AFS is both positive and significant ($P = 0.0056$) at 1% level. This result confirms that audit characteristics enhance the credibility of financial reporting and are associated with stronger earnings-return associations (Chen et al. 2013). However, the coefficient on EPS*AGE is positive but not significant.

7. Summary and conclusion

Detailed analysis of the effect of IFRS adoption on earnings value relevance shows that earnings significantly impact on the market value of quoted Nigerian companies. Our study implication is that in the post-IFRS era, earnings performance is used as a yardstick for investor's economic decisions. Our results are consistent with the conclusion that earnings are valued relevance in our study context but emphasize centers on the significant effect of the IFRS-adoption on earnings value relevance. The magnitude of the association is compelling and exciting. Our results are robust for the emerging Nigerian economy in cognizance of the strong significant influence of IFRS adoption on the relationship

between earnings and share price. Furthermore, our results are based on the context of Nigeria, an emerging economy and a common law country, having only six years post- IFRS (i.e., 2012 year of adoption), apparently, the extended run data set of IFRS era (≥ 10 years) may change the result as well as none inclusion of macroeconomic variables as control variables. Therefore, we are constrained to only two primary financial variables- earnings per share and book value per share and firm-specific variables and should be careful of generalizing our specific results to other countries. Our results provide useful insight background information for future research that will look at the long-term effect/impact of IFRS on the value relevance of accounting variables and including other control variables- macroeconomic factors and are also relevant for standard setters and policymakers charged with capital market development. Our contribution to the literature is threefold. First, we shed further light on the effect of IFRS adoption on earnings value relevance. Second, we contribute individually to the current debate on the importance of adoption of IFRS literature by showing the era of pre-IFRS reporting framework earnings of companies was not valued when investors make investment decision due to inadequate reporting framework. In the post-IFRS period, the mandatory disclosure perspective that is stakeholders value-oriented, earnings performance appear to be a yardstick for an investment decision. Our third contribution to the earnings value relevance literature is that audit firm size, commonly used as a proxy for audit quality enhance earnings value relevance in the context of Nigeria.

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