



International Financial Reporting Standard Adoption and Value Relevance of Accounting Information in Nigeria

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ABSTRACT

This paper examined the impact of International Financial Reporting Standard (IFRS) adoption on the value relevance of accounting information in Nigeria. In achieving the objectives of this research, the fact book and the annual reports for the period 2010-2013 were used. Also, using the judgmental sampling technic a total of 10 companies were selected from a population of 26 listed companies in the consumer goods industry listed on the floor of the Nigerian Stock Exchange (NSE), The Ohlson model was adopted to develop six models for the course of the paper. Using ordinary least square regression, the study found out that; earnings per share (EPS) and book value of equity per share are accounting variables that jointly explains share price. The study observed that with the introduction and adoption of IFRS, there has been is an improvement in the value relevance of accounting information. The study also observed that EPS exhibits a stronger explanatory power both in pre and post IFRS adoption periods. The paper therefore concludes that though IFRS has helped in the relevance of accounting information; there are still room for earnings management.

Keywords: Value Relevance, Accounting Information, Explanatory Power, International Financial Reporting Standard, Earnings Per Share

JEL Classifications: G21, M41

1. INTRODUCTION

Financial reporting plays a fundamental role in economic development either domestically or globally because it reveals financial indicators that inform investors' decisions (Nassar et al., 2014). More so, it helps to boost investors' confidence which is vital to the functioning of capital markets; consequently, determining the economic development of a nation (Herbert et al., 2013; Uwuigbe et al., 2016). Financial information is primarily used to make informed decisions. In lieu of this, relevance and faithful representation have been identified as two main qualities to be reflected in financial information. "Financial information is termed useful when it is relevant and represents faithfully what it purports to represent" (Conceptual Framework, 2010: FQC4). Relevance and faithful representation are the main qualitative characteristics of useful information. "Financial information is relevant when it is capable of influencing the decisions made by

users. Financial information is capable of influencing decisions if it has predictive value, confirmatory values or both" (Conceptual Framework, 2010: FQC6-QC10).

Nevertheless, going by the recent global financial crisis, the qualitative characteristics of financial information has been questioned as investors' confidence has dived since investors are uncertain about the information available to them (Uwuigbe et al., 2016; Oduware, 2012). In a bid to improve the information environment to aid investors' decisions, a major move of International Accounting Standard Board (IASB) is the introduction of International Financial Reporting Standards (IFRSs) (Beke, 2010). It basically aims to benefit investors and other users of financial statements by reducing the cost of investments and increasing the quality of the information provided. In addition, it is expected to also increase the knowledge of the users and provide investors and other relevant stakeholders with

capacity to predict future actions (Swati, 2015; Uwuigbe et al., 2016; Uwuigbe et al., 2016; Emeni et al., 2016).

However, despite the growing adoption of IFRS by emerging economies (e.g., Turkey, South Africa, Mexico) and developing countries, little attention has been given to the study of the impact of IFRS adoption on value relevance in emerging economies (Andre and Evans, 2012; Kargin, 2013). Thus, there is a dearth in literature in emerging economies on whether the relevance of accounting information has improved after the adoption of IFRS. In addition, there are indications of lack of consensus or mixed findings from extant literature on the impact of IFRS adoption on the value relevance of accounting information. This is evident in the findings of Callao et al. (2007), Turel (2009), Hevas and Karampinis (2009), Latridis (2010), Tsalavoutas et al. (2012) were they observed that accounting information relevance has not been improved after the adoption of the IFRS. On the other hand, findings from Schiebel (2007), Tsalavoutas et al. (2012) showed that the value relevance of accounting information has increased since after the adoption of IFRS. Hence, based on the lacuna in the extant literature, this study will attempt to examine the value relevance of accounting information in pre and post financial periods of IFRS adoption for listed firms in the consumer goods sector from 2010 to 2013. In addition, the study explored value relevance of book value and earnings per share (EPS) to assess stock prices with emphasis on the post-IFRS periods.

To gain more insight into this study, the remainder of this paper has been organized in the following sequence. Section 2 basically provides an in-depth review of related relevant literatures and the objectives of the study. Section 3 goes on to discuss the rationale for the study and the description of the methodology adopted for the study. The final sections of this article covers the findings, conclusions, managerial implications and suggested area of future researches.

2. REVIEW OF RELATED LITERATURE

2.1. Value Relevance of Accounting Information and IFRS Adoption

Financial statements are the most relevant external information that helps in communicating the wealth situation of a company in order to inform investor's decisions (Perera and Thrikawala, 2010). Beisland (2009) established that one of the major objectives of accounting information is to provide information on the worth of a company in order to aid investment decision of equity investors which implies that the usefulness of accounting information can only be determined when they influence economic decisions. However, the issue of reduced accounting quality globally has led to the need for the implementation of IFRS (Uwuigbe et al., 2016). Bogstrand and Larsson (2012) posited that accounting figures are value relevant if they are able to disclose information that influences the value of a firm. A major goal of IFRS is to ensure that accounting information is useful to its primary users (investors) by providing a fair view of a business entity (Rebecca et al., 2015).

Barth et al. (2001) stated that accounting information is relevant when it can be used to predict equity value, that is, it influences

economic decisions. There are four perspectives to value relevance: They include the fundamental analysis perspective, the prediction perspective, the information perspective and the measurement perspective. The fundamental analysis described value relevance as the ability of financial statement information to capture the intrinsic share value; the prediction perspective captures value relevance as the ability of financial information to predict future dividends, future cash flows, and future earnings of future book values. The information perspective described value relevance as the statistical association between financial information and prices or returns and measurement perspective describes value relevance as the ability of financial statement information to capture or summarize the information that affects share values (Francis and Schipper, 1999; Nilsson, 2003; Adzor and Abanyam, 2004). A value relevance analysis is conducted in order to determine the relationship between accounting information and market values in the capital market (Khanagha, 2011). Kargin (2013) stated that a financial statement can be termed value relevant when the information embedded therein depicts the value of the concerned firm. Suadiye (2012) defined value relevance as the statistical association between accounting information and stock market values.

An earlier study of Ball and Brown (1968) empirically evaluated accounting income numbers by linking them with the real-world outcome measured in investment decision which the authors described as an appropriate test of usefulness. In order to explain the statistical association between accounting information and stock market values. Ohlson (1995) developed a model that relates a firm's market value to contemporary and future incomes, book values and dividends. The development of the Ohlson's model brought to limelight studies to determine the value relevance of accounting information. Similarly, Perera and Thrikawala (2010), Nimalathasan and Vijitha (2014), Stephen and Okoro (2014) examined value relevance of accounting information in order to determine the relationship that exists between these variables. The accounting variables used include EPS, dividend per share, price/earnings ratio, net asset per share and return on equity. It was observed that a significant relationship exists between these variables.

2.2. Explanatory Power of Accounting Information, Share Price (SP) and IFRS Adoption

Beisland (2009) averred that explanatory power is a measure of how much variation in SPs is explained by accounting variables. It is used to measure value relevance and statistically measured using the co-efficient of determination (R^2), Soderlund (2010), Kwong (2010), Suadiye (2012) attested to the joint explanatory power of earnings and book values in the determination of the stock prices. Olugbenga and Atanda (2014) examined the trends of the joint explanatory power of accounting variables for a period 1990-1999 in Nigeria. It was found out that joint explanatory power of accounting variables have been fluctuating which the author explained as the influence of political instability; this was further confirmed by Umobong and Akani (2015). Whereas, Umoren and Enang (2015), Yahaya et al. (2015) asserted that the joint explanatory power of earnings and book value of equity have improved after the adoption of IFRS.

Glezakos et al. (2012) found out that earnings in recent times have played a diminishing role which was explained as the shift of investors' interest in stock market prices on the basis of more concentration on fundamental values that make up the business. This was confirmed by a study carried out by Kargin (2013), who posited that the value relevance of accounting information has improved considering book values while it is not so with earnings. Tsalavoutas et al. (2012) further explained that changes in the explanatory power of accounting variables are as a result of IFRS being more focused on the statement of financial position which results in more volatility and less persistence in net income. However, Qu et al. (2012), Yahaya et al. (2015), Indrawati (2015) found out that EPS assumed a stronger explanatory power in both pre-IFRS and post-IFRS adoption periods.

2.3. Accounting Information (Book Value of Equity and Earnings) and SP on IFRS Adoption

Several studies (Turel, 2009; Suadiye, 2012; Kargin, 2013) on the value relevance of IFRS in Turkey compared accounting information under the capital market board accounting standards to IFRS using the Ohlson's model. The results show that the value relevance of earnings and book value of equity improved after the adoption of IFRS. A study carried out by King'wara (2015) evaluated the effect of IFRS on financial reporting in Kenya. The author examined financial reporting on the basis of relevance to economic users and faithful representation of real-world economic phenomenon which was tested with the use of Ohlson's model. It was observed that the adoption of IFRS had a positive impact on the financial reporting quality of listed firms in the Nairobi Stock Exchange.

Soderlund (2010) examined IFRS and value relevance of financial reporting in Finland: A disaggregated approach revealed that Finland has been using conservative accounting that focuses on creditors and the need to be a part of the international capital markets brought to fore the adoption of IFRS in Finland. The study examined if IFRS is more relevant than Finnish accounting standards. The author adopted a qualitative archival study that entails content analysis of financial statements comparing accounting variables by Finnish accounting standards with accounting variables by IFRS. The study as part of its findings observed that the statement of comprehensive income is more relevant than statement of financial position.

Hevas and Karampinis (2009) examined the effect of the mandatory adoption of IFRS on the value-relevance of earnings and book values in Greece. The authors adopted the earnings-book value capitalization model. It was found that that IFRS adoption positively affected the value relevance of consolidated net income and book value but it had no effect on their unconsolidated counterparts. Similarly, Tsalavoutas et al. (2012) examined the transition of IFRS and the value relevance of financial statements in Greece on the basis that Greece is a small market and it is known to be characterized by inadequate reporting quality. The results show that accounting quality did not improve after the adoption of IFRS which was explained by the combined value relevance of book value of equity and net income. Also, in order to give more representative effects of International Accounting Standards (IAS)

on accounting quality. Barth (2005) examined the effects of IAS on accounting quality using a sample of 23 countries with the aim of comparing firms that adopted IAS and firms that did not adopt. The results indicate that the IAS adopting firms provide a higher accounting quality.

Dobija and Klimczak (2010) study which focused on examining the effect of the development of accounting on market efficiency and value relevance of reported earnings using Poland being a transition economy. A transition economy was used because of its unique characteristics of developing a financial market and relevant regulations. It was found out that at the early stage of the development of financial market; development of accounting had a positive effect on market efficiency and value relevance of reported earnings. However, as new regulations emerged, there was less value relevance of accounting information which according to the authors implies that the only effect of the international harmonization process was to promote foreign direct investment and not strengthen the national information environment. This study was replicated by Alali and Foote (2012) in India. The study employed the returns-earnings models and price-earnings models. The results show that EPS and book value per share are positively and significantly related to price per share; it was also found that accounting information under IFRS is relevant during the inception of the market in 2000. Also, accounting information relevance under IFRS is dependent on the situation of the market whether it is bearish or bullish; the size of the company and the type of auditor.

Latridis (2010) concentrated on the differences in financial reporting under UK GAAP and IFRS. The results show that financial reporting under IFRS improves accounting quality.

In order to examine the value relevance of accounting information. Khanagha (2011) adopted the regression approach and portfolio approach. It was found out that both approaches indicate the value relevance of accounting numbers. However, for the period after accounting reforms, the regression approach indicates a decline in the value relevance of accounting earnings while the portfolio approach indicates that the value relevance of accounting information after accounting reforms differ in degree as changes in earnings and return on equity declined and changes in cash flows improved.

Kwong (2010) examined the value relevance of accounting information and financial reporting among firms in Malaysia across three reporting periods with different levels of the IFRS adoption: Pre-Malaysian Accounting Standards Board (MASB); post MASB and IFRS convergence. Ohlson model adopted for the study provides evidence to support prior studies that IFRS is value relevant for decision-making among investors.

Chalmers et al. (2010) using the AB-share listed companies in Shenzhen examined the value relevance of accounting information for the period of pre and post-2001 accounting reforms found out that accounting information explains better returns on share for A-share firms and AB-share firms in the post accounting system for business enterprises. The paper also found out that book value

of equity for AB-share firms is incrementally value-relevant to that of A-share firms. Qu et al. (2012) examined whether the value relevance of accounting information has improved. The research determined whether accounting information has become useful for investors that trade in A-shares of listed Chinese companies. Dai et al. (2015) established that there is improved value relevance for A-share market which is similar to B-share even after the change of accounting standards showing consistency with the results of Qu et al. (2012).

An empirical study on value relevance with the aim of comparing German GAAP and IFRS carried out by Schiebel (2007) by using listed companies on the Frankfurt Stock Exchange. The results show that German GAAP is statistically more relevant than IFRS. Mousa and Desoky (2014) examined the value relevance of IFRS using the case of Gulf Co-operation Council (GCC) countries, Bahrain. The research adopted two models: Stock return model and price earning model. The stock return model showed a minimal difference in the value relevance of accounting information post-IFRS adoption while the price earning model showed improvement in the value relevance of accounting information after the adoption of IFRS. In Nigeria, Umoren and Enang (2015) examined the effect of IFRS adoption on the value relevance of financial statements of Nigerian listed banks. Ohlson model was adopted for the research work. It was found out that both book value for equity and EPS became more value relevant after IFRS adoption which was confirmed theoretically by Mohammed and Lode (2015). Adzor and Abanyam (2014) examined whether investors' perceive financial statements as important in stock valuation and whether IFRS adoption has led to a marginal increase in the value relevance of financial statements in Nigeria. Ohlson model was adopted. The result indicated that there is a positive relationship among EPS; book value of equity and SP and the value relevance of accounting information have improved after the adoption of IFRS.

2.4. Theoretical Framework

Prior to the introduction of IFRS and the issue of recurring financial credibility crises, financial reports were known to lack integrity, transparency and reliability as a result of manipulations all geared towards the need to ensure that existing investors are not lost and potential investors are encouraged to make investments King'wara (2015). However, IFRS emphasizes the need to produce relevant information (that is, it has predictive or confirmatory ability or even both), Financial information is relevant when it can influence the economic decisions of its users. From investors' point of view, financial information is relevant when it influences their equity investment decisions (Barth et al., 2001; Karunarathne and Rajapakse, 2010),

The concept of value relevance of accounting information in relation to investors' decisions is explained by the inputs-to-equity valuation theory which explains that accounting's role is essentially to provide information on inputs to be used in valuation models that investors use in valuing firms' equity (Houlthausen and Watts, 2001). Hence, the valuation model suggested by Ohlson (1995) shows the relationship between accounting information and investors' decisions. The value relevance of accounting information is measured in terms of their explanatory power in

relation to SP have been researched on by several researchers. The Ohlson model attempts to break the financial statements into two basic parts; that is, the statement of profit and loss and other comprehensive income and the statement of financial position. The need to examine the value relevance of book value of equity per share representing the statement of financial position in both the pre and post-IFRS periods under consideration gave rise to Model 1 and Model 2 shown below:

$$\text{Model 1: } SP_{i,T} = \alpha_0 + \alpha_A BEQ_{i,T} + \theta \quad (1 - \text{Pre-IFRS adoption})$$

$$\text{Model 2: } SP_{i,T} = \alpha_0 + \alpha_A BEQ_{i,T} + \theta \quad (2 - \text{Post-IFRS adoption})$$

Applicable to EPS being the representative of the statement of profit or loss and other comprehensive income is its explanatory power in relation to SP both in pre and post-IFRS periods expressed in a model form for the study developed from the Ohlson's model. This led to the development of Model 3 and Model 4.

$$\text{Model 3: } SP_{i,T} = \alpha_0 + \alpha_B EPS_{i,T} + \theta \quad (3 - \text{Pre-IFRS adoption})$$

$$\text{Model 4: } SP_{i,T} = \alpha_0 + \alpha_B EPS_{i,T} + \theta \quad (4 - \text{Post-IFRS adoption})$$

The introduction of IFRS proposes an improvement in the accounting quality of financial information. Latridis (2010) observed that the implementation of IFRS has standardized accounting practice and has given less room for information asymmetry and earnings management consequently improving efficiency of the stock market; this was further attested by Alali and Foote (2012) who found out that the introduction of IFRS overcomes the challenges of the UAE stock market in the form of scarcity of investment due to limits on foreign investment owned, lack of a unified standard for accounting practice and professional transparency. In order to determine whether IFRS has helped in the informational role of accounting; there is the need to examine the relationship between accounting variables and SP in pre-IFRS adoption period and post-IFRS adoption period. This leads to the development of Model 5 and Model 6.

$$\text{Model 5: } SP_{i,T} = \alpha_0 + \alpha_A BEQ_{i,T} + \alpha_B EPS_{i,T} + \theta \quad (5 - \text{Pre-IFRS adoption})$$

$$\text{Model 6: } SP_{i,T} = \alpha_0 + \alpha_A BEQ_{i,T} + \alpha_B EPS_{i,T} + \theta \quad (6 - \text{Post-IFRS adoption})$$

3. METHODOLOGY

This section is divided into: Population and sample selection, research design, sources of data, measurement of variables, model specification and method of data analysis. The population for the study is the consumer goods companies listed on the NSE with a population size of 28, a sample size of 26 see appendix 1 was arrived at using the Yaro Yamane's formula; mathematically represented as:

$$n = N/(1+N(e)^2);$$

$$n = 28/(1+28(0.05)^2)=26$$

Where,
 n = Sample size,
 N = Population size,
 e = Error term (5% was used).

However, 10 companies was used as the sample size for this research on the basis of reported negative earnings and unavailability of data of some companies using the filter rule specified by Adzor and Abanyam (2014). The research made use of the cross-sectional design because observations were made at a specific point in time. The secondary data in the form of audited financial statements was gotten from the NSE and was used for the course of the research because the variables needed for measurement of the dependent and independent variables are embedded in the financial statements. The ordinary least square regression method with the aid of Statistical Packages for Social Sciences was used to analyze the data being the best method to analyze a linear regression model so as to minimize the incidence of sum of squared errors.

The dependent variable for this research is value relevance of accounting information measured using explanatory power (SP, EPS and book value of equity) while the independent variable is IFRS adoption broken down into pre-IFRS adoption and post-IFRS adoption. Ohlson's model as used in Pirie and Smith (2005) was adopted for the course of the research to develop six models.

$$\text{Ohlson's model: } SP = \alpha_0 + \alpha_A \text{BEQ}_{I,T} + \alpha_B \text{EPS}_{I,T} + \theta$$

Where,
 I, T represent the firm for a particular year period,
 SP represent share price,
 BEQ represent book value of equity per share,
 EPS represent earnings per share,
 θ represent error term,
 α represent coefficient.

4. DISCUSSION OF FINDINGS

This section entails analysis of data and results drawn from the analysis.

Table 1 shows the mean and standard deviation for the observations that statistically describes the variables used for the research. On the average, the consumer goods companies have a SP of 86.39, book value of equity per share of 10.27 and EPS of 4.74 in the pre-adoption period while in the post-adoption period, an average of 153.6065, 114.779 and 5.594 for SP, book value of equity per share and EPS respectively. The increase in the mean could affirm the positive effect IFRS has on accounting information and the capital market.

From the results shown in Table 2, explanatory power was tested using adjusted R^2 which shows the degree at which the independent variable is a strong predictor of the dependent variable. Hence, the null hypothesis one was accepted because EPS (0.970) has a stronger explanatory power in comparison with BEQ (0.675) in relation to SP in the pre-adoption period.

Table 3 shows that EPS still maintained a strong explanatory power even with the advent of IFRS adoption since the adjusted R^2 of EPS being 0.859 is greater than that of BEQ being 0.583. Hence, hypothesis two is rejected.

Using t-test to compare the difference in the riskiness of EPS and book value per share, Table 4 indicates that there is a statistical difference between the standard deviation of EPS and book value per share.

In order to test whether financial statements have become more relevant, the coefficient estimates of the accounting variables are used. This is measured by looking at the difference in the coefficient estimates of the pre-IFRS adoption value and post-IFRS adoption value; a positive difference means an increase while a negative difference means a decrease. The result indicates that both EPS (7.138) and BEQ (4.286) have become more relevant after the adoption of IFRS. This implies that the financial statements have become more relevant as a result of IFRS adoption. Hence, hypothesis three was rejected. Also, it was observed that the joint explanatory power of accounting variables decreased (Table 5).

4.1. Robustness Checks (Multicollinearity Test and Data Adjustment)

Prior to the data analysis, the data was adjusted to minimize the scaling effects of institutional difference. Hence, the data used

Table 1: Descriptive statistics

Variables	Pre-adoption period		Post-adoption period	
	Mean±SD	N	Mean±SD	N
SP	86.39±125.903	20	153.6065±293.85	20
BEQ	10.27±9.797	20	14.779±16.084	20
EPS	4.74±6.255	20	5.594±8.188	20

Source: SPSS Output (2015). SP: Share price, EPS: Earnings per share, BEQ: Book value of equity, SD: Standard deviation

Table 2: Explanatory power of accounting variables for pre-IFRS adoption period

Model	Constant	R ²	Adjusted R ²	Co-efficient (α)	P value
1 - BEQ	-7.521	0.692	0.675	10.690	0.000
3 - EPS	-23.350	0.971	0.970	19.835	0.000

Predictors: (Constant), BEQ, EPS. Dependent variable: SP. Source: SPSS Output (2015). SP: Share price, EPS: Earnings per share, BEQ: Book value of equity, IFRS: International Financial Reporting Standard

Table 3: Explanatory power of accounting variables for post-IFRS adoption period

Model	Constant	R ²	Adjusted R ²	Co-efficient (α)	P value
2 - BEQ	-56.323	0.605	0.583	14.205	0.000
4 - EPS	-32.450	0.859	0.859	33.260	0.000

Predictors: (Constant), BEQ, EPS. Dependent variable: SP. SP: Share price, EPS: Earnings per share, BEQ: Book value of equity, IFRS: International Financial Reporting Standard

Table 4: Paired t-test sample

Paired variables	t	df	Significant (two-tailed)
Pair 1 - EPSSTD – BEQSTD	-6.722	43	0.000

EPS: Earnings per share, BEQ: Book value of equity

Table 5: Accounting information is not relevant after IFRS adoption

Model 5	Pre-IFRS adoption		Model 6	Post-IFRS adoption	
	Co-efficient (α)	P value		Coefficient (α)	P value
(Constant)	-0.986		(Constant)	-48.299	
EPS	22.213	0.890	EPS	29.351	0.000
BEQ	-1.734	0.000	BEQ	2.552	0.337
Adjusted R ²	0.973		0.851		

Predictors: (Constant), BEQ, EPS. Dependent variable: SP. Source: SPSS Output (2015). SP: Share price, EPS: Earnings per share, BEQ: Book value of equity, IFRS: International Financial Reporting Standard

were divided by the number of outstanding shares. More so, the data was tested for multicollinearity problem. Durbin–Watson indicated 1.739 which is <2 . Variance-in-inflation (VIF) indicated 1.002 which is <10 and the tolerance level being 0.998 is >0.1 . Using two different approaches (Durbin–Watson and VIF), no multicollinearity problem was found. In addition, to further buttress the view that investors in the consumer goods sector are risk-aversers. Table 1 shows that EPS assumes less risk measured using standard deviation in both pre-adoption period and post-adoption period. Furthermore, the result indicated in Table 4 affirms that there is a statistically significant difference in the riskiness of EPS and book value of equity per share.

Tables 2 and 3 show a stronger explanatory power of EPS in both pre and post IFRS adoption periods. This could be explained from the behavioral point of view that investors in the consumer goods sector are risk-aversers who prefer certainty in information; hence, they opt for an accounting variable which has less risk or variation. This result is in tandem with the findings of Qu et al. (2012), Yahaya et al. (2015) and Indrawati (2015); where they opined that a short period of observation and dependence of investors on earnings in investment decisions are responsible for consistency in the superiority of the EPS. However, Glezakos et al. (2012), Tsalavoutas et al. (2012) and Kargin (2013) were of the opinion that book value of equity has a better explanatory power to earnings on the basis that IFRS has helped to curtail creative accounting in respect to statement of financial position; IFRS emphasizes timely recognition of assets and liabilities and more use of fair value measurement; hence, resulting into high volatility and decrease in the persistence of earnings. In addition, investors are more interested in the intrinsic value of firms.

Findings from this research also show that the joint explanatory power of accounting variables have decreased with the advent of IFRS. This could be as a result of other qualitative factors put into consideration in the determination of SP not reflected in financial statements. This outcome is in line with the findings of Tsalavoutas et al. (2012), Umobong and Akani (2015). They opined that an offset of a decline in the earnings with an improvement in book value of equity could be responsible and the adoption of IFRS does not imply an instant improvement in the quality of accounting as some institutional factors could determine a firm's reporting incentives. Using a trend analysis. Also, Kwong (2010). Olugbenga and Atanda (2014) observed a fluctuating nature of the explanatory power of accounting variables as a result of political instability.

Furthermore, the research found out that the value relevance of accounting information has improved with the advent of

IFRS adoption which implies that IFRS major goal in terms of improving the economic consequences of financial reporting has been achieved in the consumer goods sector of Nigeria. This is consistent with the findings of Latridis (2010), King'wara (2015) and Umoren and Enang (2015). However, findings from this study contradicts the findings of Schiebel (2007), Dobija and Klimczak (2010) where they observed that the value relevance of accounting information reduced after the introduction of IFRS. The criteria for sample selection and IFRS have only helped in the promotion of foreign capital inflow and not in the reinforcement of the information environment were suggested as factors responsible for the outcome.

5. CONCLUSION AND RECOMMENDATION

The study examined the impact of IFRS adoption on the value relevance of accounting information and found out that the value relevance of accounting information has improved while EPS demonstrate a stronger explanatory power even after the adoption of IFRS. Also, the study observed that the stronger explanatory power of EPS gives more room for managers to smoothen earnings. Hence, this loophole can discourage foreign direct investment if it furthers discourage investors from having confidence in financial information. However, this can be addressed if the IASB should put into consideration the behavioral pattern of users of financial statements and more stringent local policies are to be put to checkmate the financial reports of companies.

6. LIMITATION OF STUDY

This study is however limited by the fact that it only examined the consumer industry of the Nigerian economy. However, future research could evaluate other sectors of the Nigerian economy. In addition, based on the number of years considered in this study, future research in this area could extend the number of years considered in this study.

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Appendix 1: Pooled data for accounting variables and SP for both pre and post IFRS periods

Companies	SP (pre-IFRS)		SP (post-IFRS)		EPS (pre-IFRS)		EPS (post-IFRS)		BEQ (pre-IFRS)		BEQ (pre-IFRS)	
	₦		₦		k		k		₦		₦	
	2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013
PZ Cussons	31.74	35	23.85	51	167	164	61	123	10.48	10.29	7.86	8.00
Nigerian Breweries	77.10	94.42	147	167.90	401	508	503	570	6.63	10.37	11.23	14.86
Unilever	24.25	29	47	54.70	111	145	148	127	1.60	1.38	2.7	2.5
Nestle Nigeria	368.55	445.66	700	1200	1906	2121	2667	2808	21.84	29.64	43.13	51.21
NASCON	6.39	4.01	8	14.99	62	81	104	102	1.87	2.18	2.49	2.6
Honeywell	9	4.84	2.17	2.94	25	30	34	36	1.8	1.99	2.15	2.34
Guinness Nigeria	158.51	245	226	251.07	931	1216	964	793	23.19	27.31	24.82	30.78
Flour mills	69	82.55	58	78	783	537	351	367	18.83	22.49	33.55	39.20
Dangote sugar	16.00	4.7	6	11.70	94	59	90	113	3.41	3.29	3.86	4.48
Champions Breweries	4.03	4.03	4.15	16.91	64	64	69	51	3.05	3.57	3.81	4

Source: Nigerian Stock Exchange. SP: Share price, EPS: Earnings per share, IFRS: International Financial Reporting Standard, BEQ: Book value of equity