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MANDATORY ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BY NIGERIAN LISTED BANKS: ANY IMPLICATION FOR VALUE RELEVANCE?

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Abstract

In January 2012 Nigeria adopted IFRS. Sequel to that adoption, the pressing question agitating the minds of researchers as well as other stakeholders in financial reporting is whether the mandatory adoption of IFRS has given rise to an enhanced value relevance (or quality) of financial information in Nigerian banks. To address this, we relied on the fundamental Ohlson (1995) model which has also been severally employed in prior researches. By means of criterion based sampling technique, we selected 13 out of the 21 listed commercial banks in Nigeria for our study. Our findings revealed that Book Value of Equity (BVE) and Earnings per Share (EPS) are positively associated with share price. We also observed that BVE is less associated with share price than EPS. We recommended inter alia that sustainable development of Nigerian Stock Exchange (NSE) can be boosted through credible financial information. When the integrity of the Financial Report is being threatened, investors (both local and international) are likely to shun or shrink from investing adequately in Nigerian Capital Market.

Keywords: IFRS, Value Relevance, EPS, BVPE, NSE

1.0 Introduction

The published financial reports are important sources of information about the organization's performance which is available to external user groups. According to Arnold, Hope, South-worth, & Kirkham (1994), there are at least two reasons why management should not be given the complete freedom to determine what accounting information should be included in the published financial statement despite the fact that they have access to information about all aspects of organizational activities. The first of the reasons has to do with information asymmetry. Whereas managers have access to information about all aspects of the organization's activities, others do not and therefore they could exploit their privileged position within the organization to further their own course at the expense of others. The second reason is that of comparability. If the financial reports were read by managers alone, then the choice of accounting treatment would have been of less importance. Thus if managers were given the complete freedom to determine the content of the financial reports, the external users of the accounts would be unlikely to receive the necessary and sufficient information to make rational decision, hence the introduction of accounting standards in many nation, Nigeria inclusive. Prior to the introduction of International Financial Reporting Standard (IFRS)/International Accounting Standards (IAS), what prevailed all over the world was nation's specific adaptation of the Generally Accepted Accounting Practice (GAAP), which was rooted in cultural, legal, economic and regulatory peculiarities of the countries. In Nigeria, for instance, the Nigerian Accounting Standards Board (NASB) (now Financial Reporting Council of Nigeria (FRCN)) came into being on September 9, 1982. It is the only recognized independent body in Nigeria, responsible for the development and issuance of Statements of Accounting Standards (SAS) for users and preparers of Financial Statement, investors, commercial enterprises and regulatory agencies of Government

According to Ezejelue (2001), the requirements of SAS are complementary to any disclosure requirements of the companies and Allied Matters Act 1990 and related regulations. In events were there were no SAS standards on any issue of concern to accounting practitioners, recourse was then made to International Accounting Standards (IAS). In December 2010, following the approval of the Federal Executive Council, the Nigerian Accounting Standards Board (NASB) issued an implementation roadmap for Nigerian's adoption of IFRS which set a January 2012 date for compliance for publicly quoted companies and banks in Nigeria. The Central Bank of Nigeria (CBN) and the Securities and Exchange Commission also adopted this date for compliance and issued guidance compliance circulars to ensure full implementation of IFRS in Nigeria. As at today, Nigeria has fully migrated to IFRS. The pressing question agitating the minds of researchers as well as other stakeholders in financial reporting at the moment is whether the mandatory adoption of IFRS has given rise to an enhanced value relevance (or quality) of financial information in Nigerian banks. Thus this paper shall be directed to address this problem. Consequently, the remaining part of this paper is classified into four sections as follows: Section 2 Literature Review and Hypothesis Formulation; Section 3 Methodology and Model Formulation; Section 4 Analysis of Findings and section 5 Conclusion and Recommendations

2.0 Literature Review and Hypothesis Formulation

The journey to the adoption of IFRS in Nigeria started in July 2010, when the Federal Executive Council approved the Road map for Nigeria's adoption of the standards. This was followed with the enactment of the Financial Reporting Council of Nigeria Act in 2011, which led to the transformation of the Nigeria Accounting Standards Board to the Financial Reporting Council (FRC). The FRC among other things is charged with the responsibility of implanting the road map for adoption of IFRS in Nigeria (Komolafe, 2013). In 2012 Nigeria commenced phased adoption of IFRS, with all companies quoted on the stock exchange and companies with significant public interest required to comply in the first phase. According to Egwuatu (2014) "The Board of the International Financial Reporting Standards (IFRS) has officially classified Nigeria as an IFRS country. This classification follows the successful implementation of the first two phases of the National Road Map for the Adoption of IFRS in Nigeria".

Alistair (2010) defined IFRS as a series of accounting pronouncements published by the International Accounting Standard Board (IASB) to help prepare financial statements throughout the world, to provide and present high quality, transparent and comparable financial information. Commenting on the relevance and challenges of IFRS, Ogbenjuwa (2016:1) maintained:

> *The adoption of the international accounting standards as a uniform financial reporting language by different countries portends structural challenges to reporting entities. Reporting entities will have to embark on large-scale restructuring, cognitive development, human capital development, and formulation of new policies to accommodate the emergence of the new reporting format. The confusion generated by the adoption decisions has heated up activities in the sociopolitical spheres of many developing countries. Organizations and various countries of the world are pressured to adopt the new reporting language or face commercial isolation. The International*

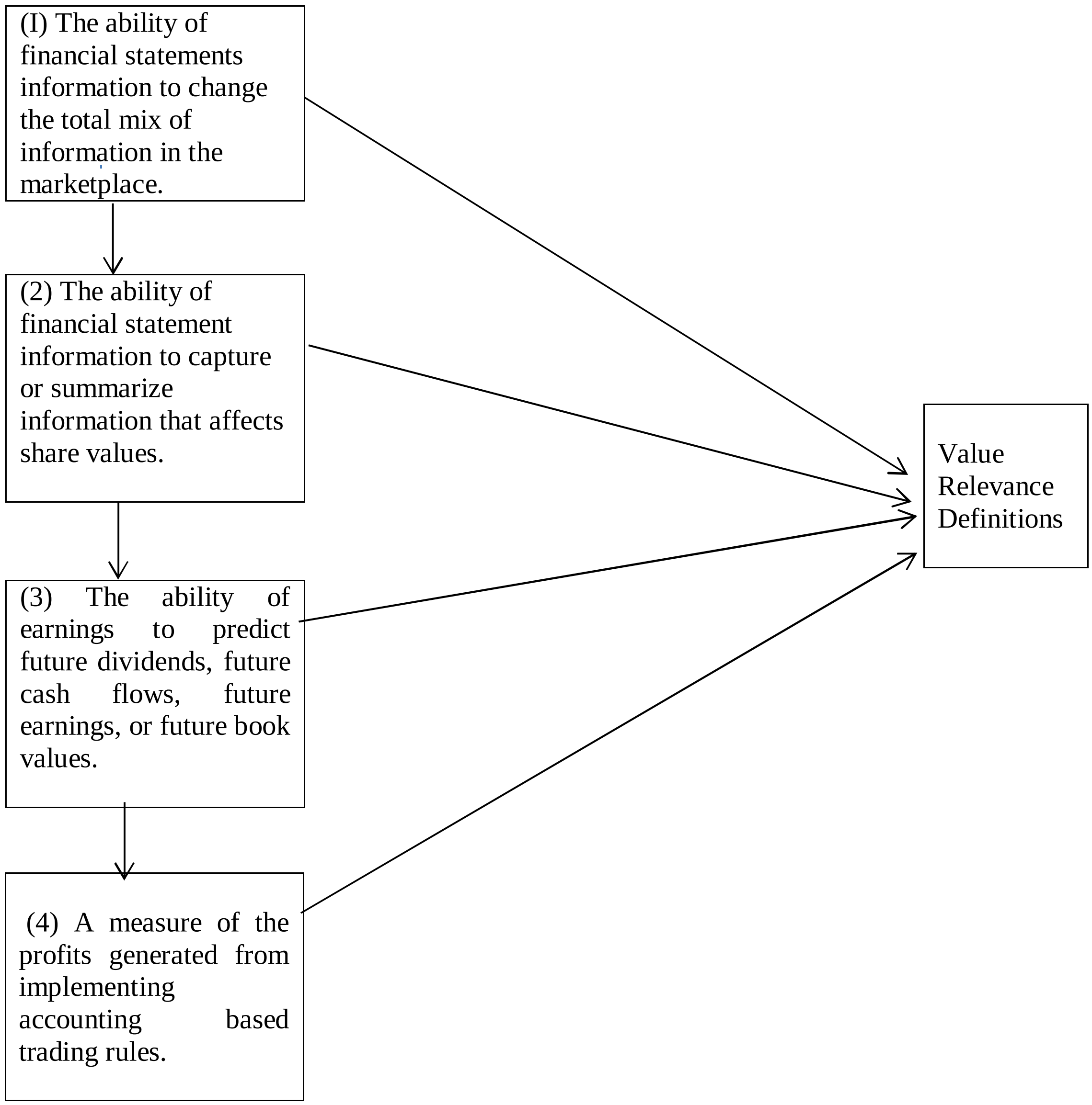
Accounting Standards Board (IASB) continues to advertise the global standard as the necessary reporting language for global commercial transactions.

2.1 Meaning of Value Relevance

The concept- value relevance is coined from two key words: value and relevance. Taking it one after another, the definition of the word value is profession or discipline specific. For instance, 'Economic Value' is the worth of a good or service as determined by people preferences and the tradeoffs they choose to make given their scarce resources or the value the market places on an item (Investopedia, n.d.). By implication, irrespective of the nature of the market, the economist equates value to price. In sociology, the word value means strongly held general ideas that people share about what is good and bad, desirable or undesirable; values provide yardsticks for judging specific acts and goals. Values impact significantly on a person's conduct and viewpoint and in most instances serve as reference point in all situations. Accounting value of a firm's assets is frequently referred to as the carrying value or the book value of the assets, that is, the "value" of assets is more illustrative of their cost, and not their true market value. However, it is noteworthy that many of the true resources of the firm do not appear on the balance sheet: good management, committed and loyal employees, conducive economic conditions to mention but a few. These factors no doubt, add real value to the firm.

On the other hand, According to IASB framework, relevance is identified as one of the four fundamental qualitative characteristics that determine the usefulness of accounting information for making economic decisions (IASB, 2013). Useful information must be capable of making a difference in a decision through helping users form predictions about outcomes of past, present and future events or to confirm or correct expectations (FASB, 1999). According to Barrak (2011) & Francis and Schipper (1999), four alternative interpretations or definitions of value relevance have appeared in market based accounting literature. These interpretations or definitions are as shown in Figure 1 below. Under definition 1, financial statement information leads stock prices by capturing intrinsic share values toward which stock prices drift. Value relevance would then be measured as the profits generated from implementing accounting-based trading rules. Under definition 2, financial information is value relevant if it contains the variables used in a valuation model or assists in predicting those variables (Francis and Schipper ,1999). Thus, the value relevance of earnings for a discounted dividend valuation model, or a discounted cash flow valuation model, or a discounted residual income model, might be measured by the ability of earnings to predict future dividends, future cash flows, future earnings, or future book values.

Figure 1: Definition of Value Relevance



Source: Adapted from Barrak (2011) & Francis and Schipper (1999),

Interpretations 3 and 4 are based on value relevance as signposted by a statistical connotation between financial information and prices or returns. Under Interpretation 3, the statistical association measures whether investors actually employ the information in question in setting prices, so value relevance would be measured by the ability of financial statement information to change the total mix of information in the marketplace. This interpretation according to Barrak (2011), implies that value relevance is measured in terms of "news," implying that value-relevant information alters stock prices because it induces investors to review their expectations. In the limiting case, earnings are perfectly predictable and there is no price response when they are announced.
Subsequent to IFRS adoption, studies on value relevance have been carried on by several researchers in various jurisdictions and the outcomes of these studies are irregular. For example Karampinis, and Hevas, (2009) test the effect of the mandatory adoption of IFRS upon the value relevance of earnings and book

values in Greece, using data from the Athens Stock Exchange that covered a period of two years before and two years after the mandatory adoption of IFRS, they found that the adoption of IFRS positively affected the value relevance of consolidated net income and book value of assets.
Niskanen, Kinnunen, and Kasanen, (2000) employ event study methodology and a market value model to examine the market reaction to and value relevance of reconciliation adjustments from UK companies in the transition to IFRS compliance. The sample comprises 85 firms from the London Stock Exchange FTSE 350 for 2005. They find the reconciliation adjustment from UK GAAP to IFRS not to be value relevant to shareholders' equity but have value relevant with respect to earnings. Here in Nigeria, Umoren and Enang (2015) empirically examines whether the mandatory adoption of IFRS has improved the value relevance of financial information in the financial statements of commercial banks in Nigeria. The sample comprises twelve listed banks in Nigeria. Specifically, financial statement figures of 2010 and 2011 (pre- adoption period) and 2012 and 2013 (post-adoption) were utilized. Descriptive statistics and least square regression were conducted to analyze the effect of IFRS adoption on the accounting quality. The result indicates that the equity value and earnings of banks are relatively value relevant to share prices under IFRS than under the previous Nigerian SAS. The results also indicate that earnings per share is incrementally value relevant during post -IFRS period while book value of equity per share is incrementally less value relevant during the post-IFRS period.
Callao, Jarne,, and Lainez, , (2007) investigate the book-to-market ratio of Spanish companies before and after the IFRS adoption. They interpret the disparity between market value of shareholders equity and book values as value relevance. They report no improvement in Spanish reporting quality after IFRS adoption. Tsalavoutas, Andre and Evans (2012) examine the combined value relevance of book value of equity and net income before and after the mandatory transition to IFRS in Greece. Contrary to their expectations, they find no significant change in the explanatory power of value relevance regressions between the two periods. The coefficients on book value of equity and net income are positive and significant in both the pre-IFRS and post-IFRS periods.

CONCEPTUAL FRAMEWORK

The conceptual framework is developed to clarify the relationship that exist between Market price of shares, Earnings per share and Book value per share. While Market price per share is the predictor variable, Earnings per share and Book value per share, constitute the criterion variables.

INDEPENDENT VARIABLES **DEPENDENT VARIABLE**

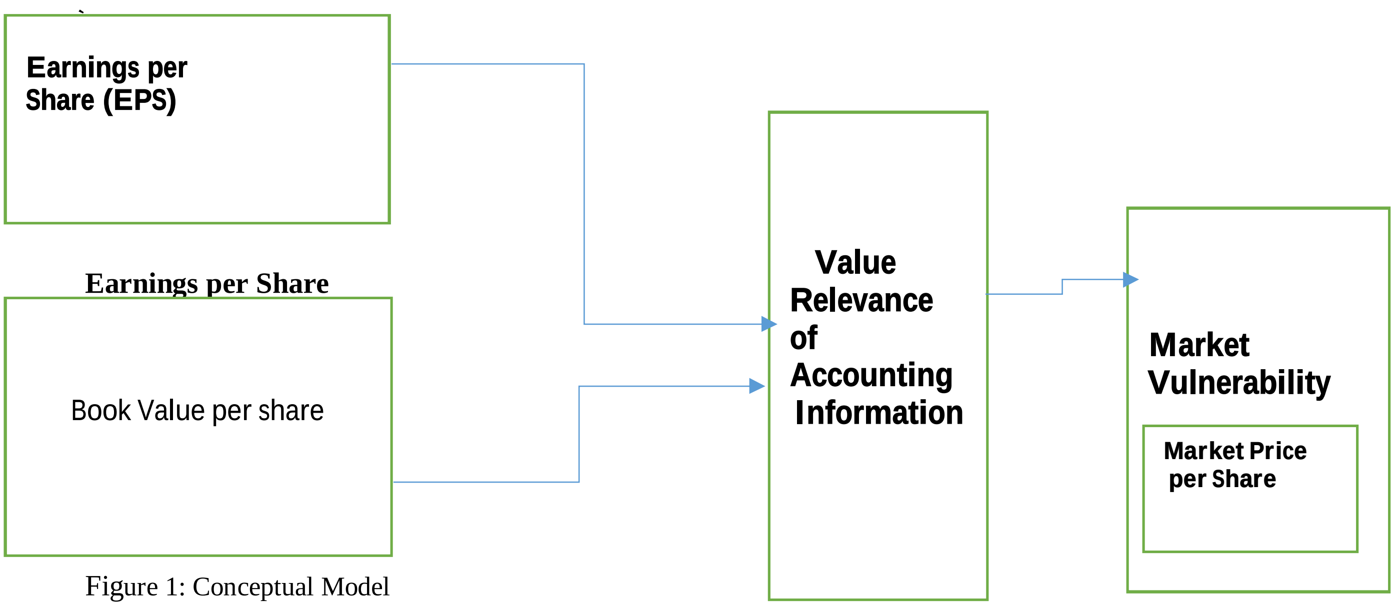


Figure 1: Conceptual Model
Source: Adapted from Tharmila and Nimalathasan (2013)

According to Glauttier, Underdown and Morris (2011), "EPS is an important ratio for two reasons. Firstly, the trend in EPS is a useful indicator to investors in the company of the profitable use of their money, second, is related by investment analysts to the market price of the shares to drive the price/earnings ratio"
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The book value of equity per share is a financial measure which indicates a per share estimation of the minimum value of an entity's equity. BVPS is used by owners of common shares in a firm to determine the level of safety associated with each individual share after all debts are paid accordingly. Book value per share compares the amount of stockholders' equity to the number of shares outstanding. The market value per share or fair market value of a stock is the price that a stock can be readily bought or sold in the current market place. In other words, the market value per share is the "going price" of a share of stock. The stock market and economy changes every day and with it comes fluctuations in company stock prices. Based on the foregoing, our only hypothesis in this paper stated in its null form is:

$H_{O1.}$ There is no significant relationship between the implementation of IFRS and value relevance of accounting information in Nigerian listed banks.

3.0 Methodology and Model Formulation

3.1 The Scope and Population of Study

The geographical scope of this study is Nigeria. It centers on the value relevance of IFRS Financial Reporting in Nigerian Banks. The study covers the period 2008 to 2015. The choice of the period is rooted in the fact that the era represents the time the issue of IFRS gained momentum in the world in general and in Nigeria to be specific. Additionally, the period allowed for a meaningful comparison between Nigerian GAAP - Statement of Accounting Standards (SAS) and IFRS. We employed the annual reports of 13 listed commercial banks domicile in Nigeria for this analysis.

The population of this study comprises all the 21 registered commercial banks in Nigeria as at 2014 (CBN, 2014).

3.2 The Sample Size

Out of the 21 registered commercial banks in Nigeria, we made use of the 13 that are listed and active in the Nigerian stock market as at 2015. The banks are Access Bank Plc, Diamond Bank Plc, First Bank of Nigeria Plc, First city Monument Bank (FCMB), Fidelity Bank, Guaranty Bank, Sky Banks, Stambic IBTC, Sterline Bank, UBA, of Nigeria, Unity Bank of Nigeria, WEMA Bank, and Zenith Bank.

The Sampling Techniques

The sampling technique adopted in selecting the 13 is purposive or criterion based sampling technique. The 13 out of the 21 listed commercial banks that we made use of were those that met the under-listed preconditions:

(I) the bank is listed and active on the Nigerian Stock Exchange (between January 2008 and December 2015). This is very key because value relevance researches lean on data from stock market; (11) the bank is not going through any litigation during the test period; and (III) the financial data is available during the test period.

3.3 Model Specification

The test of the above hypothesis is based on the fundamental Ohlson (1995) model which has also been severally employed in prior research (e.g. (Jarva & Lantto, 2010; Latridis, 2009; Barth, Landsman, & Lang 2006; Lang, Raedy & Yetman, 2003; Barth, Landsman & Lang 2007; Hung & Subramanyam, 2007; Paananen, Hamberg, & Marton 2005; Umoren and Enang 2015 etc.).

Book value of equity and earnings per share are the two accounting variables that we employed in this study. While share price constitutes the dependent variable, book value of equity and earnings per share constitute the independent variables. Two metrics for value relevance were examined. The first value relevance metric was based on the explanatory power from a regression of the share price on the book value of equity and earnings per share. This metric is shown in the understated equation (1).

$$\mathbf{MV_{i,t} = \alpha 0 + \alpha_1 BVPS_{i,t} + \alpha_2 EPS_{i,t} + e_{I,t}} \;\ldots\ldots\ldots(1)$$

The following equations are estimated to separately analyze the explanatory power that earnings and book value have for price.

$$\mathbf{MV_{i,t} = \alpha_0 + \alpha_1 EPS_{i,t} + e_{I,t}} \;\ldots\ldots\ldots(2)$$

$$\mathbf{MV_{i,t} = \alpha_0 + \alpha_1 BVPS_{i,t} + e_{I,t}} \;\ldots\ldots\ldots(3)$$

Equation 2 examines the relationship between price of share and earnings per share while equation 3 examines the relationship between price of share and book value per share.
Specifically, models 1 to 3 focus on the extent to which share price can be relatively explained by earnings per share and book value per share.
The models were analyzed for pre - (1a, 2a and 3a) and post – (1b, 2b and 3b) IFRS eras.
Incremental value relevance was estimated based on equation 4 as follows:

$$\mathbf{MV_{i,t} = \alpha_0 + \alpha_1 BVPS_{i,t} + \alpha_2 EPS_{i,t} + \alpha_3 P + \alpha_4 PxBVPS_{i,t} + \alpha_5 PxEPS_{i,t} + e_{I,t}} \;\ldots\ldots(4)$$

Where;
i,t is for bank *i* in year *t* ; **MV** is the Market price of stock at fiscal year-end ; ***BVPS*** is book value per share, ; ***EPS*** is earnings per share; ***P*** is a dummy variable set equal to 1 for the post-IFRS period and 0 otherwise. ; ***P x BVPS*** is the interaction variable between P and BVPS; ***P x EPS*** *is* the interaction variable between P and EPS.
This second value relevance metric lays emphases on the extent to which share price can be explained by earnings per share and book value per share. For the post-IFRS adoption period, the model controls for the interactions of both book value and earnings per share with the P dummy variable. For example, the interaction term P x $EPS_{i,t}$ designates the difference in value relevance of reported earnings before and after the IFRS adoption. If the coefficient α5 is significantly positive, this indicates that the equity value of firms becomes more sensitive to reported earnings of IFRS than under the previous Nigerian Accounting Standards (SAS). This implies that earnings reported by Nigerian listed banks become more informative to equity investors in determining the value of firms following adoption of IFRS.

4.0. Analysis of Findings

Two values are important in the table 4.4 below: Tolerance and Variance Inflation Factor (VIF). Tolerance is an indicator of how much of the variability of the specified independent variable is not explained by the other independent variables in the model and is calculated using the formula 1- R squared for each variable. According to Pallant (2011), if this value is very small (say less than 0.1), it indicates that the multiple correlation with other variables is high, i.e. suggesting the possibility of multicollinearity. The VIF is the inverse of the Tolerance value. The Variance Inflation Factor (VIF) measures the impact of collinearity among the variables in a regression model. The Variance Inflation Factor (VIF) is 1/Tolerance, it is always greater than or equal to 1.

Table 1 **Coefficients[a]**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		Durbin-Watson
		B	Std. Error	Beta			Tolerance	VIF	
1	(Constant)	4.007	.761		5.267	.000			
	EPS	.053	.006	.716	9.303	.000	.804	1.243	
	BVPS	.007	.050	.011	.141	.888	.804	1.243	1.784

Source: SPSS Output 2016 a. Dependent Variable: MV

There is no formal VIF value for determining presence of multicollinearity. Values of VIF that exceed 10 are often regarded as indicating multicollinearity. Pallant also maintained that VIF value above 10 is a pointer to the existence of Multicollinearity. Based on the foregoing criteria, since our Tolerance and VIF values are above and below 0.1 and 10 respectively, we can safely conclude that our model is devoid of multicollinearity. According to Tharmila and Nimalathasan (2015), the acceptable Durbin – Watson range is between 1.5 and 2.5. In our analysis, Durbin-Watson values for dependent variable is 1.784 which is well below 2.5. Thus, there was no auto correlation problems associated with the data used in this study. Hence, the application of regression technique and our models are appropriate.

4.1 Results of Regression and Discussion

Hypotheses 1 seeks to find out whether there is any significant relationship between the adoption of IFRS and the Value relevance of accounting information in Nigeria. We tested this hypothesis by evaluating the effect of IFRS adoption in Nigeria on financial reporting quality among listed commercial banks through value-relevance tests using a relative and incremental research design. Ohlson model framework was found useful in this regards. The framework provides a link between share price and two accounting variables i.e. Earnings per share and Book value per share. While share price constitutes the dependent variable, book value of equity and earnings per share constitute the independent variables. Our study adopts the coefficient of determination (R2) as the unit to measure the value relevance of book value per share and earnings per share, using least-square regression.

According to Pallant, (2001), the R **Square value** in the Model Summary, provides an indication of the amount of variation in the dependent variable (Market Price of Shares) explained by the model or independent variable say Earnings per share and Book Value per Share in our case (usually from a minimum value of 0 to a maximum of approximately 1).

4.2 Relative Value Relevance

Table 2. Below shows the result of the regression for pre-and post - IFRS periods. Models 1a and 1b reveal an increase in adjusted R^2 between the pre-IFRS and post-IFRS period from 59.1% to 72.2%. This suggests that the book value of equity per share and earnings reported under IFRS explains more about share prices as compared to the amounts being reported under Nigerian SAS. This implies that the value relevance of IFRS is significantly high compared to the Nigerian SAS. The coefficients of earning per share did not change between pre- adoption and post- adoption periods i.e. 0.000, whereas the coefficient of the book value of equity decreased slightly from 0.684 to 0.681. This proposes that the value relevance of IFRS is relatively the same for EPS and slightly different for BVPS with the post- adoption being more relevant.

This leads us to conduct a separate analysis of each of the accounting variables. The model 2a, 2b, 3a and

Models		**Regression Coefficients**		**R^2**	**F Value**
1.	**$MV_{i,t} = \alpha 0 + \alpha 1BVPSi,t + \alpha 2EPSi,t + e_{I,t}$**	**EPS**	**BVPS**		
a.	**Pre- IFRS Adoption Era.**	**0.000* (7.644)**	**0.684** (-0.409)**	**0.591**	**35.431**
b.	**Post- IFRS Adoption Era.**	**0.000* (10.014)**	**0.681** (0.414)**	**0.722**	**63.569**
2.	**$MV_{i,t} = \alpha 0 + \alpha 1EPSi,t + e_{I,t}$**				
a.	**Pre- IFRS Adoption Era.**	**0.000* (8.479)**		**0.590**	**71.891**
b.	**Post- IFRS Adoption Era.**	**0.000* (11.362)**		**0.721**	**129.106**
3.	**$MV_{i,t} = \alpha 0 + \alpha 1BVPSi,t + e_{I,t}$**				
a.	**Pre- IFRS Adoption Era.**		**0.020* (2.406)**	**0.104**	**5.789**
b.	**Post- IFRS Adoption Era.**		**0.004* (3.000)**	**0.153**	**8.999**

3b observe the univariate regression results for the two accounting variables separately (EPS and BVPS). The models for pre- and post- IFRS reveal that book value and earnings do significantly relate with the share prices. However, the .R^2s for the earnings is 59% for pre-IFRS and 72.1% for post-IFRS adoption. While the book value of equity is 10.4% for the pre-IFRS period and 15.3% for post-IFRS period.

Table 2 Value Relevance of Earnings and Book Value of Nigerian Listed Banks before and after Adoption of IFRS
Source: SPSS Output 2016
(a) *t*-values are reported in parenthesis below the coefficient estimates. (b) (*), (**), (***) denote statistical significance at the 10, 5 and 1% level, respectively.

The coefficient of earning per share was the same 0.000 for the two periods, while book value of equity was significant at 0.020 and 0.004 in the pre- and post- IFRS adoption respectively. Thus, the explanatory power of earnings per share and book value of equity is higher for post-IFRS period.

4.2 Incremental Value Relevance

Table 4.6 presents the coefficients, adjusted R^2 and F values of model 4. The adjusted R^2 is 66.6%. The coefficients of EPS and BVPS are 0.000 and 0.664 respectively. The coefficients for the interactive variables PxEPS and PxBVPS are 0.781 and 0.570 respectively. The coefficients of EPS and BVPS are significant while the coefficients of the interactive variables are not significant. The coefficient of PxBVPS and PxEPS are both positive.

Table 3 Incremental Value Relevance of Earnings and Book Value for the Banks for Post-IFRS Period

MODEL		Regression Coefficients					R^2	F Value
4	$\mathbf{MV_{i,t} = \alpha_0 + \alpha_1 BVPS_{i,t} + \alpha_2 EPS_{i,t} + \alpha_3 P + \alpha_4 PxBVPS_{i,t} + \alpha_5 PxEPS_{i,t} + e_{I,t}}$	EPS	BVPS	P	P x EPS	P x BVPS		
		0.000* 8.145	0.664** (0.436)	0.000* (4.922)	0.781** (2.78)	0.570** 0.570	0.666	39.115

Source: SPSS Output 2016

(a) *t*-values are reported in parenthesis below the coefficient estimates. (b) (*), (**), (***) denote statistical significance at the 10, 5 and 1% level, respectively.

This result suggests that Book Value of Equity and Earnings per Share are positively associated with share price. It appears that Book Value per Share is less associated than Earning per share. Overall, our findings suggest that the value relevance of accounting information is a major determinant of market vulnerability. With R^2 value of 0.666 which means 66.6%, in market vulnerability is explained by variation in value relevance of accounting information while the remaining 33.3% of variation are explained by factors other than value relevance of accounting information. This outcome agrees with the findings of (Nadia and Mohamed, (2014), Muhibudeen (2015), and Schiebel, (2006)). And it is at variance with the discoveries of (Paananen, (2008), and Miah, (2012)).

5.0 Conclusion and Recommendations

The main objective of this study is to find out if accounting measures reported under IFRS exhibits higher value relevance than SAS report. Flowing from the result of the empirical analysis, we can conclude that the value relevance of IFRS financial Reports is significantly high compared to that of Nigerian SAS. The overall results presented in this study indicate that the earning per share, book value of equity and share prices of Nigerian listed banks significantly altered following IFRS adoption although earnings per share proved more significant compared to book value of equity which was not significant during the Pre-IFRS period. The study further suggests that earnings per share and book value of equity are relevant in determining the value of shares in Nigerian listed banks in the post IFRS era.

The recommendations that emanate from this study which are likely to be very useful to Government, Capital Market Operators, Professional Accounting Bodies, Auditors, the Ministry of Education, NASB (FRCN), the Central Bank of Nigeria and a host of other stakeholders in financial reporting in Nigeria are presented hereunder.

It can be inferred that sustainable development of Nigerian Stock Exchange (NSE) can be boosted through credible financial information. When the integrity of the Financial Report is being threatened, investors (both local and international) are likely to shun or shrink from investing adequately in Nigerian Capital Market. Thus, it is hereby recommended that the directors of the banks (who inter alia are charged with the task of preparing Financial Reports) as well as the standard setter-Financial Reporting Council of Nigeria (FRCN) - should focus on improving the quality of earnings. This is because, earnings receives the prime attention from investors, while making investment decision.

Additionally, policy makers as well as other stakeholders in Financial Reporting, should implement more stringent regulatory oversight so as to enhance the value relevance of financial information. This in turn will boost investor’s confidence in NSE by extension, economic growth.

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