

IMPACT OF IFRS ADOPTION ON VALUE RELEVANCE OF EARNINGS AND BOOK VALUE OF NIGERIAN LISTED NON-FINANCIAL FIRMS

Muyiwa E. ALADE, T. OLWENY (PhD) & O. OLUOCH (PhD)
Jomo Kenyatta University of Agriculture and Technology
Nairobi, Kenya

ABSTRACT

Emergence and subsequent rife adoption of IFRS globally has redefined course for more empirical studies into assumed over-flocked value relevance discourse in accounting research. Owing to confounding submissions on value relevance of IFRS-based accounting information, this study investigates plausible influence of IFRS adoption on value relevance of earnings and book value of the Nigerian listed non-financial firms. The study relied on panel data sourced from forty-six listed non-financial companies with 31 December as financial year-end between 2008 and 2015. Panel least square regression was adopted to perform relative and incremental value relevance metrics. The relative metric results showed that earnings per share and book value are jointly and individually more value relevant positively and significantly during IFRS regime than under erstwhile Nigerian SAS. However, incremental metric analysis revealed that only earnings of the sampled firms is incrementally positive and significantly value relevant after IFRS adoption while positive influence of book value is statistically insignificant. These results confirm prior findings, suggesting that informative nature of IFRS is more value relevant to investors at the Nigerian stock market. As a matter of policy, we therefore recommend that Financial Reporting Council of Nigeria and NSE regulatory bodies as well as other accounting standards setters and stock markets regulators across the globe should work in tandem to strengthen IFRS adoption and compliance by listed firms.

Keywords: Value relevance, Earnings, Book value, IFRS adoption, Stock market.