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## International Financial Reporting Standard and Value Relevance of Accounting Information in Quoted Cement Firms in Nigeria

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### Abstract

With growing adoption of International Financial Reporting Standard (IFRS) by most countries, researchers has not relent effort in finding out empirically how the standard has added value to the relevance of financial information reporting to users. This study empirically examines whether the mandatory adoption of IFRS has improved the value relevance of financial information in the financial statements of quoted cement companies in Nigeria. The population constituted the five listed cement company listed on the Nigeria Stock Exchange(NSE) as at the year 2010 sample were selected based on the activeness of company the NSE that is only four cement companies are active as at 2013. Data were extracted from financial statement figures of 2010 and 2011 (pre-adoption of IFRS) and 2012 and 2013 (post-adoption of IFRS). Descriptive statistics and regression were conducted to analyze the effect of IFRS adoption on the accounting information quality using Stata version 12. The study finds that the earning per share, book value of equity and share prices of Cement Company have significantly improved following IFRS adoption, although earnings per share proved more significant compared to book value of equity. The study further suggests that earnings per share and book value of equity are relevant in determining the value of shares in Nigerian Cement Company in the post IFRS era. However, this study is limited since it is not generalizable beyond the limits of the listed cement. In addition, the study only examines the effect of IFRS adoption on reported earnings and book values of equity.

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Accounting numbers other than earnings and book values of equity, such as net assets, cash flow from operations might be considered in further research. Also as at the time of this study there no up to date financial reports by most of the cement company which has hindered the study in using the year 2012 as the base year for the mandatory adoption of IFRS owing to the fact that the year before and after must balance. It is therefore recommended that FRC and other accounting standards setters should ensure prompt preparation and publication of financial reports by listed firms. And future researcher can incorporate the limitation of this study to carry out research in the area.

**Keywords:** Value relevance; IFRS, Accounting information; Quoted cement firms in Nigerian.

## **1. Introduction**

The consumption of cement in Nigeria is on the increase as a result of housing and industrial construction, irrigation projects, roads, laying of water supply pipes, drainage pipes, establishment of new universities by federal government and private individuals. Growth in population and level of urbanization in major cities of Nigeria are also other factors that confirm the imminent demand for cement in Nigeria. More so, the Nigerian government backward integration policy on cement production in 2012 has facilitated the increase production of cement of over 80% in recent time. All these including the supply gap of cement in Nigeria shows that future investments in Nigerian cement industry will be a viable venture [1]. However, for any meaningful investment to occur, quality accounting information regarding share price and other performance indicators are essential. Investors, who are usually different from the management of the investments, only rely on the information supplied by management in the financial statements, in assessing the risk and value of a firm before deciding either to invest or to disinvest. The ability of the financial statement to effectively and satisfactorily guide investors on their investment decisions depends on the value relevance of the information in the financial statements.

The quality of information provided in financial reports determines the usefulness and reliance of such reports to users. According to [2] financial information influences investors' behavior with respect to portfolio selection, which in turn affects security prices and, therefore, the terms on which a firm obtains additional financing? Standard setters, regulators, and policy-makers all have a vital interest in the effect of financial reporting on the economy. This interest is due to the economic consequences associated with financial information.

'Value relevance is one of the measures used in determining accounting quality' [3].

Nigerian Accounting Standards Board (NASB) is the Federal agency statutorily responsible for the development and issuance of Statements of Accounting Standards (SAS) used in the preparation of financial statements in Nigeria. The NASB initially derived its powers from Section 335(1) of Companies and Allied Matters Act 1990 until the Nigerian Accounting Standards Board Act No. 22 of 2003 was enacted.

The development and adoption of the IFRS (International Financial reporting standards) is a major development across the Globe. The operation which arises from the need for better comparability and relevance of accounting statements across the Globe has changed the face of financial reporting within and amongst countries [4]. The

use of IFRS in preparing financial statements globally is maturing. This is not surprising given the pains associated with the low quality financial reports which witnessed an unprecedented growth in the recent past [5].

IFRS is a set of International Accounting Standard (IAS) that state how particular transactions and events should be reported in the financial statement of the companies. The standard which replace the old IAS are issued by the International Accounting Standard Board (IASB) for the purpose of making comparison as easy as possible. IFRS remains as a standard with high quality accounting reporting framework. Thus, the users of financial statements can easily compare the entity's financial information between countries in different parts of the world. Implications of adopting IFRS means adopting a global financial reporting language that would create a company globally understood financial statement [6].

The move for the adoption of IFRS in Nigeria started 2010 following the Federal Executive Council's approval of the road map for the adoption of the standards. This was followed with the enactment of Financial Regulation Council of Nigeria Act in 2011 which led to the transformation of the NASB to Financial Regulation Council (FRC). The FRC among other things is charged with the responsibility of implementing the roadmap for the adoption of IFRS in Nigeria. In 2012 Nigeria commenced phased adoption of IFRS, with companies quoted on the stock exchange and companies with significant public interest required to comply in the first phase included are cement manufacturing companies.

The fact cement industry is leading the way in industrial expansion and creating more needed employment, also over the few years the economy has been growing 7% pa but the cement market has increased by 11% this is stimulated by the Federal Government statement requiring some US\$30 million to provide adequate housing for many homeless Nigerians coupled with rapid urbanization and industrialization. The industry is among the listed public entities in Nigeria to fully adopt IFRS; a study on the value relevance of their financial statements becomes important in order to examine the effects of the mandatory adoption of IFRS on the value relevance (quality) of the financial statements of cement manufacturers in Nigeria. More so, financial statements serve the interest of varying users including management, owners, creditors, employees, government agencies, regulatory authorities, investors, analysts, and so-on. Specifically, investors are interested in those items of the financial statement that are values relevant for investment decisions. The study aligned with the view of shareholder-focused accounting principles such as IFRS are more value relevant for investment decisions than the Nigerian Statements of Accounting Standards. The findings are relevant to Financial Reporting Council (FRC) of Nigeria and other standard setters; provides feedback on mandatory adoption of IFRS improved accounting quality; contribute to the enrichment literature that relates to the adoption and implementation of IFRS and value relevance. This research will be of importance to standard setters, regulators, researchers, policy-makers and other stakeholders.

Prior studies on value relevance of accounting information and IFRS have focus on country abroad, those conducted in Nigeria directed attention to other sector of the economy without paying attention to cement manufacturing industry also there studies do not consider the base year being the year in which firms are mandated to adopted IFRS along this premise this paper aimed to empirically examine whether the mandatory adoption of IFRS has improved the value relevance of financial information in the financial statements of

quoted cement firms in Nigeria. Specifically, the objectives of the study are to compare the value relevance of book value of equity and earnings in determining the share price of the cement firms in Nigeria before and after the mandatory adoption of IFRS. To achieve the aforementioned, the following hypotheses guide the study: H1: The value relevance of book value of equity and earnings in cement companies' financial statement is higher in post IFRS periods than in the pre IFRS periods. The rest of this paper is organized as follows. Section two reviews the relevant literature. Section three discusses the research methodology while section four presents the analysis of data and research findings. Sections five concludes and proffer useful recommendations.

## **2. Literature review**

### **2.1 Concept of Value**

[7] Posits that firm value as the total value of a company's stock and accounting figures are value relevant if they can capture information that affects the value of a company's stock. However, firms and other assets are valued differently depending on the context. [8] As cited in [7] defines three value concepts: economic value, market value, and accounting value. Economic value refers to the notion that the value of any asset equals the future cash flows that can be gained from the asset. This value concept is consistent with the discounted cash flow model, which states that the value of an asset equals all future cash flows discounted to present value. Market value is the value of a firm on the stock market and is based on trade and investors' consensus beliefs about firm value [9] as referenced in [7]. He opines also that, information is often assumed to be the basis on which investors' beliefs and expectations about market value are formed arguing that observed stock prices could be viewed as a measure of the market's valuation of the claim on companies' future value creation and concludes that stock prices serve as indicators of the market's expectations of the future success of the firm. Accounting value refers to the book value of equity found in the balance sheet. While information is often assumed to be the basis on which investors' beliefs and expectations about market value are formed. Accounting value is the result of a measurement procedure that corresponds to accounting regulations and law. Accounting generates a description of the firm in an attempt to measure and describe its financial position and performance. This paper assumes the accounting concept for value as conceptualized above.

### **2.2 Accounting Regulations and Value Relevance**

According to [10] as referenced in [7], value relevance research requires an in-depth knowledge of accounting institutions and accounting standards. He argues that differences in accounting regulations between countries favor research based on case country studies rather than comparative studies where the researcher has limited possibilities to understand the accounting institutions and standards of all countries researched.

### **2.3 Usefulness of Value Relevance Research to Standard Setters**

[11] as referenced in [7] discussed five issues that limit the usefulness of value relevance research to standard setters. These are: 1. that standard setter cannot possibly meet the information requirements of all users of accounting information; favoring investors would necessitate limiting the usefulness for other groups of users. 2. The value relevance literature has not provided very strong results in terms of the strength of the association

between stock returns and accounting information (particularly earnings), 3. The results generated by value relevance studies are inevitably influenced by externalities that weaken the inferences that can be drawn from such studies. 4. Concerns can be raised as to the relative sophistication of market participants, particularly as to whether the complex statistical association models employed in value relevance studies can be interpreted by investors. 5. Standard setters require conclusive results and emphasize questions that comprehensively deal with an issue, which is not the case in value relevance studies since they are often incremental in nature.

#### **2.4 *Perspective on Value Relevance***

There are different ways of interpreting value relevance. [12] as referenced in [7] identified four different approaches to studying the value relevance of accounting information as follows:

##### **2.4.1 *The Fundamental Analysis view of Value Relevance***

The fundamental analysis approach to value relevance focuses on the usefulness of accounting information in equity valuation. Financial statement information is assumed to be relevant for valuation if portfolios based on this information are associated with abnormal returns. Thus, it is not assumed that the market is at all times efficient but that there is the possibility of earning abnormal returns simply by using accounting information.

##### **2.4.2 *The Prediction view of Value Relevance***

This interpretation of value relevance is also related to fundamental analysis research. Accounting information is assumed to be value relevant if it can be used to predict future earnings, dividends, or future cash flows.

##### **2.4.3 *The Information view of Value Relevance***

Accounting figures are assumed to have information content if the release of new information modifies investors' beliefs about future cash flows and thus causes price revisions. Information content studies use statistical association models to examine how the stock market reacts to the disclosure of new accounting information.

##### **2.4.4 *The Measurement View of Value Relevance***

Under the measurement of value relevance, accounting information is value relevant if it captures or summarizes information that in turn affects stock prices.

#### **2.5 *IFRS adoption in Nigeria***

[13] states that in order to allow for effective implementation of IFRS adoption in Nigeria, the former regulatory body in charge of monitoring the reporting system was in 2011 restructured from Nigerian Accounting Standards Board (NASB) to Financial Reporting Council of Nigeria (FRC). Financial Reporting Council of Nigeria is now the body corporate solely responsible for the issuance, monitoring and review of Accounting and Auditing Standards in Nigeria. The council is empowered under section 52(1) of the Act to adopt and keep up-

to-date accounting and auditing standards, and ensure consistency between Standards issued under International Financial Reporting Standards as provided under Part VII of FRC Act 2011 which dealt with review and monitoring of standards. This is one of the major developments brought by FRCN Act in 2010, where Federal Executive Council approved the adoption of IFRS as the reporting framework to publicly quoted entities by 2012 in Nigeria. Henceforth, the council (FRC) will only be reviewing, monitoring and issuing Standards to ensure consistency with the requirements of IFRS-Framework. Thus, all the standards to be issued or reviewed by the council should be in consistent to IASB guidelines for global reporting, given due consideration to our peculiar customs, business environment, laws and level of economic development. However, the Act does not specify or restrict the extent of compliance as to this regard. Rather, same section 55(1) emphasized that “in the exercise of its powers for developing and issuing standards, a directorate of the council shall adopt the following procedures while issuing a new standard: a) Identify accounting, auditing or financial reporting issues that require standardization, prepare and publish exposure draft, conduct a public hearing where necessary and prepare a draft statement of accounting standards;

b) Submit the draft statement of accounting, auditing or financial standards prepared in accordance with sub-section 1(a) of this section to the council for ratification and thereafter, council shall issue the standards; (c) Ratify such statements of accounting, auditing and financial reporting standards prepared in accordance with this section, and; d) Thereafter, the statements of accounting, auditing and financial reporting standards shall be published. Furthermore, sub-section 2-3 of the same section 55 makes some clarifications as follows; 2) Any relevant standard issued by relevant international body shall be adopted by the Council in accordance with the procedures in sub-section 1 of section 55.3) Each Directorate shall appoint working groups in order to accomplish it objectives and where appropriate in consultation with the chairman of the Council. From the above discussions on FRCN activities, it's clear that, most of the issues rose in favour of IFRS are just attempts to show how Nigeria is serious in the light of the compulsory implementation of IFRSs.

## **2.6      *Review of related empirical research***

Reference [14] surveyed data on the information quality under IFRS, IFRS for SME and German-GAAP from the perspective of non-publicly traded mid-sized corporations. Survey findings suggest for a higher quality of financial statements under German-GAAP compared to those under IFRS. Beyond that, more corporations anticipate an increase in information quality with a shift from (full-) IFRS to IFRS for SME. The findings of empirical research previously obtained regarding publicly traded corporations, which show preferences for IFRS, cannot be confirmed in respect of the preferences of the non-publicly traded mid-sized corporations participating. This may be due to a general skepticism towards IFRS, a lack of IFRS knowledge, the convergence of German-GAAP and IFRS owing to the German Accounting Law Reform Act or in-group biases.

Reference [15] examined the effects of mandatory IFRS adoption and investor protection on the quality of accounting earnings in forty-six countries around the globe. They found that earnings quality increased for mandatory IFRS adoption when a country's investor protection regime provides stronger protection.

Reference [16] studied the value of voluntary and mandatory disclosure in a market that applies International

Accounting Standards (IAS) with limited penalties for noncompliance employed panel-data analysis, their results show that, after controlling for factors such as asset size and profitability, mandatory disclosure has a highly significant but negative relationship with firm value, although a puzzling result from a traditional perspective, it is consistent with the predictions of analytical accounting models, which emphasize the complex interplay of factors determining disclosure effects.

Reference [17] addressed the relevance of AI on investor's stock market decisions in Commercial Banks registered under Colombo Stock Exchange (CSE) in Sri Lanka used correlation coefficient on data of the AI in the published financial statements of Commercial banks registered under CSE, covering a period of 5 years from 2006 to 2009. Their finding reveals a relationship between Accounting Information and Market Price per Share, further revealed that investors still consider Accounting Information which contain in the published financial statements of Commercial Banks registered under CSE for the stock market decisions in Sri Lanka.

Reference [18] discuss conceptually about the adoption of International Financial Reporting Standards (IFRS) by the Nigerian financial institutions. They concludes that IFRS reporting has more disclosures than NGAAP especially for financial institutions giving instances and that with the mandatory adoptions of reporting under IFRS by all listed financial institutions, will the accounting disclosures be more value relevant among Nigerian financial institutions. This study highlight the weakness of NGAAP compared to IFRS, although similar to the study of [3] but it's conceptual in nature and focus on financial institution as a whole. Also there conclusion do not align where as it aligned with the study of [19] and [20].

Reference [21] examined the effect of IFRS adoption on the performance evaluation of a case firm using some financial ratios selected from four major categories of financial ratios. The study was conducted through comparison of the ratios that were computed from IFRS based financial statements and Nigerian GAAP based financial statements. A One-Sample Kolmogorov-Smirnov Test was conducted to test for data normality. Mann-Whitney U test was employed in testing whether significant difference exists between the pair of ratios when the normality test showed a non-normal distribution of the data set. The result of the Mann-Whitney U test showed that there is no significant difference between the pair of ratios at 5% level of significance. It was concluded that the disclosure of IFRS compliant set of financial statements was not attributable to higher performance evaluation, through ratios, of the case firm. Rather, such disclosure could have been motivated by the capital needs theory or signaling theory.

Reference [22] conducted a comparative study on the value relevance of accounting information in the Nigeria banking and Petroleum sectors. 10 companies where randomly selected from each of these sectors. Data were collected on the Market Price per Share (dependent variable), Earning per Share, Book Value of Equity, and Leverage (independent variables) for the period 2007-2011, from the annual financial reports of the selected companies. Multiple regressions analysis was adopted for the analysis of the data and the Ordinary Least Square was the method of estimation. The regression results revealed among the following that: the EPS information is the most considered by investors when deciding the share price and that the financial information in the oil and gas is more value relevant compare to the financial information disclosed by companies in the banking sector.

Reference [23] examined the value relevance of accounting information of quoted companies in Nigeria using a trend analysis. Secondary data were sourced from the Nigerian Stock Exchange Fact Book; Annual Financial Reports of Sixty six (66) quoted companies consisting of financial and non-financial firms in Nigeria and the Nigerian Stock Market annual data. The Ordinary Least Square (OLS) regression method was employed in the analysis. The study reveals that accounting information on quoted companies in Nigeria is value relevant.

In another study by [24] assessment of the impact of International Financial Reporting Standard on stock market movement and extent at which it can improve the position of corporate organization in Nigerian capital market. Descriptive design was adopted using the stock price and shares traded during two years periods. It observed that the adoption of IFRS in Nigeria will enhance credible financial statements that will also provide a basis for the strength of a corporate entity in capital market hence is a welcome development in Nigerian economy.

Reference [3] 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. Using financial statement figures of 2010 and 2011 (pre-adoption period) and 2012 and 2013 (post-adoption) descriptive statistics and least square regression were employed, their 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; 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.

However, there is a balance in the years under comparison that is the pre and post adoption period two years evaluation each as used in their study, they have not taking into cognizance the base year being the year of adoption, 2012. They should have considered the post IFRS as years after the year of implementation starting from 2013 through 2014.

## **2.7 Theoretical framework**

### **2.7.1 Positive accounting theory**

Reference [25] posits that positive accounting theory research initiated by Watts (1977) and Watts and Zimmerman (1978) investigates how contracts based on financial accounting numbers affect firms' accounting practices. A feature common to this contracting research and governance research is an interest in the use of accounting number in contracts. However, the focus of research in these two areas is different. The positive theory literature usually takes contracts as given, and investigates how the use of accounting numbers in contracts influences firms' measurement of the accounting numbers. Hence, this literature does not address the effects of accounting information on efficiency. In contrast, governance research is concerned with how the information and limits to the information provided by financial accounting measures affect their use in contracts, and how financial accounting information affects firms' resource allocation decisions and productivity through a variety of corporate control mechanisms.

### **2.7.2 Agency theory**

Reference [26] elucidated that Agency theory is based on the idea that when a company is first established, its



owners are usually also its managers. As a company grows, the owners appoint managers to run the company. The owners expect the managers to run the company in the best interests of the owners; therefore a form of agency relationship exists between the owners and the managers.

Reference [27] adopted the theory on the premise that managers (agents) have better access to company's' accounting information can make credible and reliable communication to the market to optimize the value of the firm. Through financial reporting they communicate to the users of financial reports information that is useful in making choices among alternative uses of scarce resources.

This study adopts the agency theory owing to the fact that financial information presentation signifies the stewardship role of an agent to his principal as in the case of information disclosure to users following the former Nigeria Statement of accounting Standard during the pre IFRS adoption and the Post adoption period. Also align with the study of [28].

### 3. Method

There are five (5) cement firms listed on the Nigerian Stock Exchange (NSE) from as at the year 2010 namely: Dangote cement; Lafarge wapco cement; Ashaka cement; Cement Company of northern Nigeria and Niger cement. This form the population for the study while the sample, consisted of four company that are active to date on the NSE this is justified for the fact that Niger cement were delisted from the NSE in the year 2011. Financial statements for 2010 and 2011 (two years immediately before the mandatory IFRS adoption), was intended to be compared with those of 2013 and 2014(two years after the mandatory IFRS adoption) taking the year 2012 as the base year but due to non-availability of financial statement for three of the sampled companies apart from Dangote cement for the year 2014. The study used 2010 and 2011 for pre IFRS and 2012 and 2013 as mandatory adoption period. The study evaluates the effect of IFRS adoption in Nigeria on financial reporting quality among cement firms through value-relevance tests using a relative and incremental research design. It adopts the Ohlson model framework, which provides a link between share price and two accounting variables, but with a modification to capture the effect of the IFRS adoption. Book value of equity and earnings per share are the two accounting variables that are used in this study. While share price constitutes the dependent variable, book value of equity and earnings per share constitute the independent variables. This study employed Stata/SE version 12 for analysis of data.

**Table 1:** Accounting data

Variables	Yr '14(N)	Yr '13 (N)	Yr '12 (N)	Yr '11 (N)	Yr '13 (N)
Dangote Cement Plc					
EPS	10.90	12.34	8.98	8.10	6.8
VCE	638,543,114,000	571,562,826,000	427,060,594,000	297,053,675,000	211,509,215,000
Shares no.	17,040,507,405	17,040,507,405	15,491,370,368	15,491,370,368	15,491,370,368
BVPS	37.47	33.54	27.60	19.18	13.65

MSP	200	212.80	134.50	110.77	120
Lafarge Wapco Plc					
EPS	NA	9.34	4.87	2.88	1.63
VCE	NA	92,641,655,000	68,359,368,000	56,050,708,000	48,291,761,000
Shares no.	NA	3,001,600,004	3,001,600,004	3,001,600,004	3,001,600,004
BVPS	NA	30.86	22.77	18.67	16.09
MSP	80.28	115.00	58.53	43.25	40.70
Ashaka cement Plc					
EPS	NA	1.26	1.40	1.60	1.51
VCE	NA	47,162,040,000	49,514,245,000	46,726,932,000	16,146,282,000
Shares no.	NA	2,239,453,125	2,239,453,125	1,990,625,000	1,990,625,000
BVPS	NA	21.06	22.11	23.47	8.11
MSP	22	20	17.95	11.3	26.51
CCNN					
EPS	NA	1.13	0.95	1.83	1.01
VCE	NA	9,062,344,977	7,638,709,969	7,008,153,571	4,703,754,297
Shares no.	NA	1,256,677,770	1,256,677,770	1,256,677,770	1,256,677,770
BVPS	NA	7.21	6.08	5.58	3.74
MSP	10.80	11.20	5.30	4.35	15.49

Source: Compiled by researcher (2015)

Key:

EPS: Earning per share was sourced from profit and loss statement of the company by dividing the profit after tax by the number of outstanding shares for the respective period.

VCE: Value of common equity was sourced from the balance sheet statement of the company that is the total asset less the total liabilities for the respective period.

SHARES NO.: Number of shares outstanding sourced from the note to account on equity shares the difference between the authorized shares and unissued shares for the respective period.

BVPS: Book value per share determined by the researcher by dividing value of common equity by the number of shares outstanding for the respective period.

MSP: Market share price sourced from the NSE daily official share price listing for the last day of the year that is 31<sup>st</sup> December of the respective year.

NA: Not available.

**4. Results and discussions**

**4.1 Data Presentation:**

**4.1.1 Descriptive Statistics**

The general characteristics of the earnings per share, book value per share and market share price pre-IFRS and post-IFRS are as presented in Tables 2 and 3. For the pre-IFRS period, the earnings per share varies from N1.01 to N8.1, with a mean of N3.17 and a standard deviation of N2.72. The book value of equity per share ranged from N3.74 to N23.47 with a mean of N13.56 and a standard deviation of N7.09, while the share price has a minimum of N4.35 and a maximum of N120 with a mean of 46.55 and a standard deviation of N44.65.

The post-IFRS earnings per share give a minimum of N0.95 and a maximum of N12.34, with a mean of N5.03 and standard deviation of N4.58. Book value of equity ranged from N6.08 to N33.54, with a mean of N21.40 and a standard deviation of N10.1. The share price shows a range between N5.30 and N212.80, with a mean of N73.04 and standard deviation of N76.28. It should be noted that most of the data does not follow a normal distribution; there are large differences between minimum and maximum values, means and standard deviation also differ noticeably. However, the mean of earnings per share, book value per share and market share price show an increase from the pre-adoption to the post-adoption period. This may indicate a growing economy and capital market between the pre-IFRS and post-IFRS periods.

**Table 2:** Descriptive Statistics of earnings per share, book value per share and market share pre-IFRS

Variables	Mean	Std Dev.	Min.	Max.
Eps	3.17	2.715543	1.01	8.1
Bvps	13.56125	7.09254	3.74	23.47
Msp	46.54625	44.64775	4.35	120

Source: Compiled by researcher (2015)

**Table 3:** Descriptive Statistics of earnings per share, book value per share and market share On-IFRS

Variables	Mean	Std Dev.	Min.	Max.
Eps	5.03375	4.580804	.95	12.34
Bvps	1.40375	10.09856	6.08	33.54
Msp	73.035	76.27927	5.3	212.8

Source: Compiled by researcher (2015)

**4.1.2 Regression Models**

Relative Value Relevance Tables 4 and 5 show the result of the regression for pre- and on IFRS periods. The model reveals an increase in adjusted R<sup>2</sup> between the pre-IFRS and post-IFRS period from 86.1% to 94.9%. This implies that in addition to the fact that in both period the model is fit as the R square values are higher than

50%, meaning that the earnings per share and book value per share describe the market share price, the book value of equity per share and earnings per share 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 increased considerably from 15.64 to 16.46 implying a positive significance and book value of equity decreased from -0.39 to -0.62 implying negative significance respectively. This suggests that the market participants have changed the way in which they price their shares and these two accounting variables may now be relevant or irrelevant. This calls for a separate analysis of each of the accounting variables.

The univariate regression results for the two accounting variables separately. The models for pre- and post-IFRS reveal that earnings per share significantly relate with the share prices in the periods while the book value per share relate with share price insignificantly in the pre-IFRS period but significant during the IFRS though not as strong as it relates with the earnings per share. In that, the adjusted R2 for the earnings is 88.4 percent for pre-IFRS and 95.7 percent for on-IFRS while the book value of equity is -3.7 percent for the pre-IFRS period and 61.2 percent for post-IFRS period. The coefficients of earning per share increased considerably from 15.61 to 16.34 and book value of equity also increased from 2.09 to 6.17. This shows a considerable improvement during the IFRS periods. The explanatory power of earnings per share and book value of equity is higher for post-IFRS period.

**Table 4:** Value relevance of earnings and book value for all banks for pre-IFRS period

Reg Coeff of eps	Reg Coeff of bvps	Adj R-square	F-value
15.64044	-.396762	0.8610	22.67
15.60351		0.8841	54.40
	2.094458	-0.0375	0.75

**Table 4:** Value relevance of earnings and book value for all banks for On -IFRS period

Reg Coeff of eps	Reg Coeff of bvps	Adj R-square	F-value
16.45771	-.0621025	0.9486	65.63
16.34341		0.9572	157.43
	6.170355	0.6119	12.02

This result suggests that book value of equity was not relevant in pre-IFRS period but became relevant in post-IFRS period and earnings per share were also relevant in the pre-IFRS period and the relevance increased in the post-IFRS period. This is slightly in contrast with the result obtained from [3] the result indicates that the equity value of banks is not more sensitive to share price under IFRS than under the previous Nigerian SAS while earnings per share is more sensitive. This may also imply that book value of equity reported by Nigerian Cement

Company have become informative to equity investors in determining the value of firms following IFRS adoption.

## **5. Conclusion and recommendations**

This study has investigated the value relevance of financial information of listed cement companies in Nigeria. The overall results on accounting numbers presented in this study indicate that the earning per share, book value of equity and share prices of Cement Company significantly improved 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 Cement Company in the post IFRS era. However, this study is limited since it is not generalizable beyond the limits of the listed cement companies. In addition, the study only examines the effect of IFRS adoption on reported earnings and book values of equity. Accounting numbers other than earnings and book values of equity, such as net assets, cash flow from operations might be considered in further research. Also as at the time of this study there no up to date financial reports by most of the cement company which has hindered the study in using the year 2012 as the base year for the mandatory adoption of IFRS owing to the fact that the year before and after must balance. It is therefore recommended that FRC and other accounting standards setters should ensure prompt preparation and publication of financial reports by listed firms. And future researcher can incorporate the limitation of this study to carry out research in the area.

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