VALUE RELEVANCE OF ACCOUNTING INFORMATION IN A TRANSITIONAL ECONOMY: THE CASE OF NIGERIA STOCK MARKET

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Abstract
This study assessed the value relevance of accounting information of firms quoted on Nigeria Stock Exchange. Three specific objectives were formulated which dealt with determining the extent to which the accounting variables affect share prices of companies on Nigeria Stock Exchange. From the specific objectives, three hypotheses were also formulated. To test the hypotheses, a sample of 68 companies were selected, using multiphase sampling techniques from the population of 213 companies listed on Nigeria stock market in 2001. This study adopted the Edward – Ben Ohlson 1995 model transformed into an ordinary least square approach to test the research hypotheses. The analyses of the test shows that hypotheses one was rejected hence the acceptance of the alternate hypotheses which invariably means that earning per share is value relevant to equity share investment in Nigeria stock exchange market. Hypotheses two and three were accepted indicating that there are no significant relationship between book value per share, dividend per share and prices of companies listed on Nigeria stock exchange market. We therefore recommend among others that companies listed on Nigeria stock exchange market should prepare simplified investors summary account (SISA) with emphases on earning per share, dividend per share and cash flow in addition to the detailed financial statement, and investors having complementary information sources other than published accounting reports to become more informational efficient.

KEY WORDS: Value Relevance, Accounting Information, Nigerian Stock Exchange

Introduction
Recent years have witnessed the growth of global economy, which has been made possible by the advance communication technology. Financial statement usually prepared with national accounting standard must be examine and interpreted if they are to be used as a basis of comparison given the varied legal economic and political backgrounds in countries around the world. It is not surprising that national accounting standards vary among countries.

It is argued that growths of international capital market has focused attention on accounting information as an important source of credibility for national corporations with foreign investors as a factor assisting such investor in making international financial comparisons and in the flow of foreign investments especially to under developed countries (Aiman and Morrian 2010).

Accounting provides a vital service to broad and diverse users. Investors use financial accounting information for investment decisions.; government agencies need it particularly for tax purpose while regulating agencies use it to determine whether the existing statutory pronouncement are complied with, among others.

Accounting plays a significant role within the concept of generating and communicating wealth of companies (Meyer 2007). However, in the wake of the recent accounting scandals and economic meltdown where billions of naira of investment and retirement wealth have disappeared, the very integrity and survivability of the value relevance of this service has been called to question (Oyerinde, 2011).

Value relevance is one of the basic attribute of accounting quality. High quality accounting information is a pre-requisite for well functioning capital markets and economy as a whole and such should be of importance.
to investors, companies, and accounting standard setters. (Kalerina, 2005). Value relevance is seen as the ability of financial statement information to capture and summarize information that affects share values (Francis & Schipper, 1999). It is assumed that the function of accounting numbers is to reflect economic income as presented by stock returns and economic values as represented by market price. It is pertinent to mention that financial statement will only be used by investors when evaluating corporate stock if they provide useful information.

The global economic meltdown of 2008 did affect the Nigeria stock market. The social and economic impact of the global financial crisis on the developing countries generally and Nigeria specifically was too severe (Francis 2008). The current financial depression has evolved differently from other major crisis of unprecedented financial globalization where the financial sector and banking industry in Nigeria plays a historically large role in economic activity. The crisis also comes on the heels of major global shocked from high food and fuel prices across the globe that has imposed a heavy economic burden on many countries in Africa that faced problem and Nigeria specifically and this significantly increased the incidence of poverty, insecurity and political vulnerability (Sao, 2008).

The situation in Nigeria created impact on the country’s economy and especially on the financial system which is second important to oil exploration in the country economy (Ujunwa 2011). Nigerian Stock Exchange market (NSE) witnessed unprecedented growth in total market capitalization and value of shares traded between 2001 up to the second quarter of 2008, immediately the crisis was pronounced in July, 2008 in United State of America (USA), the Nigerian stock market started experiencing a serious downturn, activities (Undeme, 2009) The market capitalization of listed equities of more than 303 with value more than 10.18 trillion naira in 2004 and continued to appreciate to 12.4 trillion in March, 2007 which is the highest record achieved within 48 years of the market operation, but this dropped down to 3.2 trillion naira by the end of the year 2008. Similarly the share index dropped from 63016.60 to 31450.78 margin before the crisis was pronounced during the last trading week of 2008 (Badayi, 2009) to what extent has accounting information summarizes stock prices in the Nigeria stock market as an indicator of value relevance.

Stock markets worldwide had turbulent time in 2008 which brought value relevance of accounting information under severe criticisms. There are some concerns that accounting theory practice have not kept pace with rapid economic and high-technology changes which invariably affect the value relevance of accounting information. The claim is that financial statements are less relevant in assessing the fundamental market value of service oriented companies which are by nature high-technology driven. (Oyerinde, 2011). Accounting that marks or fails to capture meaningful information for the benefit of all investors is not sound and puts investors at risk. The value and quality of accounting information are determined by how well it meets the needs of users (Khanagha, 2011). Therefore the flow of reliable information is crucial to the growth of the Nigerian stock exchange-without it savers would simply keep their hard-earned savings in their houses. Relevance accounting information is needed to be presented fairly. To be useful financial information must not only present relevant phenomena but it must also faithfully represent the phenomena that it purports to represent.

The market valuation theory suggests that market value is a linear relation with the accounting figures such as book value and net profit. The theory has been tested in developed markets such as United State of America, United Kingdom, Netherlands, France and Germany (Gohsche and Schauer, 2011). Does the market valuation theory holds in emerging markets such as Nigeria? This study aims at extending such works by investigating the value relevance of accounting information in the Nigeria equity market (between 2001-2015).

**Accounting Information**

Existing and potential equity share investors often use accounting information to make investment decision. They often review a company accounting information to review its financial health and operational
profitability: this provides information about whether or not investing in the equity share of a company is a wise investment decision. The investors decision to buy or not to take stock depends upon accounting information and the more investors use accounting information, it is expected that rational decisions are made (Shehzad & Ismail, 2014). Accounting information as far as this study is concerned will be proxied by Earning Per Share (EPS) Dividend Per Share (DPS) and Book Value Per Share (BVPS).

**Earnings Per Share (EPS)**
The most important component of financial reports is the income statement as it indicates the result of operations of the period (Kallanki, 1996). Earnings are made up of two components; a cash flow component regarded as an objective part of earnings and accruals which is more inclined to subjective judgment and thus easily manipulated. A firm’s earnings represent a measure of the change in the value of the firm to common equity shareholders during a period (Marquardi and Weidem, 2010). Earnings is given by revenue minus cost of sales, operating expenses and taxes over a given period.
The primary goal of a firm should be to maximize the value of prices of a firm’s stock. The success or failure of management decision can be evaluated only in the light of the impact of firm’s stock pieces (Remi, 2005). The firm stock prices has direct purview in the management, efficiency which is one of the signals of firm’s performance. One of the components of this performance is earning per share.
In this study, earning will be evaluated as annual earnings per share for purpose of comparison.

**Dividend Per Share (DPS)**
Dividend is a proportion of corporate profits paid to its ordinary shareholders. The amount of dividend paid to shareholders depends on the dividend policy adopted by the firms. The stable dividend policy helps in resolving uncertainty from the minds of the investors and also plays an important role in creating a healthy investment climate (Kuma, Shama & Chatuvedi, 2010).
Unlike the book value of equity and earning, studies on value relevance of accounting information have not paid much attention to value relevance of dividend. Practically, in an attempt to explain the degree of relationship, between value of firm and dividend, two approaches are common. The first has to do with the effect of dividend announcement on share price fluctuation while the other relates to effect of dividend on share returns. (Bermad, 1995). This shows that using either the price model or accounting information studies, dividend has a crucial role to play.

**Book Value Per Share**
This is the financial measure that represents a per share assessment of the maximum value of the company’s equity. It is used as one of the factors to determine whether a share is undervalued by relating the original value of a firm’s common share adjusted for any outflow (dividend and share buy out) and outflow (retained earnings) modified to the amount shared outstanding.
The importance of the book value of equity in value relevance of accounting information has been subjected to test by various researchers.

**Value Relevance and Institutional Factors**
Value relevance researchers have become aware of the fact that the value relevance of accounting information is not based solely on accounting regulation but is influenced by a number of factors external to the accounting environment. (Bushman and Piotroski, 2005). The following five factors that influence the degree of and changes in value relevance are identified. Development of accounting regulation, control mechanism, business climate change, internalization and business cycle, economic development and industry structure.

The quality of accounting laws and regulations is the primary prerequisite of the value relevance recognition, measurement and valuation principle determine whether the information in the balance sheet and the income statement can be used for decision making. These principles differ across countries and are subject to development. Therefore tracking the changes in accounting principles in a country is important for understanding their effect on the development of value relevance. The transition of a centrally planned
Economy to a market economy means that accounting regulations has to be completely transformed in order to satisfy the requirements of the market economy. The accounting system in the beginning of the transition can be expected to lack value relevance because it is not based on the principles of a market economy. The implementation of a new accounting regulation should thus have a positive effect on the value relevance of accounting information (Katerina, 2005).

However, accounting standards might be of a high quantity and still the value relevance of accounting information might be low if they are not followed. In other words, such regulation and control mechanisms must exist that secure that the companies follow the accounting regulation and reveal financial information to its external users. Better control of companies financial information and a better information disclosure suggests that value relevance of this information should increase. The business environment under the centrally planned economy was secretive and closed. Public did not have any insight into the companies and economy. In the market economy, the companies must act in a different way. They are not anymore closed units managed by the state, but they need to open themselves to their surroundings: to their customers, suppliers, employees, creditors and members. Information channels become a powerful tool in competition with other companies. Changed attitudes towards less secrecy, greater openness and corporation, better information disclosure and more trust in the society in general should promote higher value relevance of the information (Runsten, 1998).

Finally, internationalization of the transitional economy, either through foreign customers and suppliers or through foreign investors entering capital markets or foreign companies establishing themselves in the country, changes the international environment of transitional economies. Entrance of the actors from well-functioning markets into the transitional economy encourages domestic enterprises to be more requisite and accountable to a larger number of stakeholders. It has a positive effect on the change in business environment. Increased internationalization and globalization of business should have positive effects on value relevance of accounting information (Shinkman & Zelenka, 1998).

The Nigerian Stock Market

The stock market is very vital to any economy because it encourages savings and investment in any healthy economic environment. This is achieved through aggregate savings that are channeled into real investment via stock market exchange which increases the stock market growth and invariably economic growth of the country. In other words, through the security market, the stock market converts long-term or perpetual investment enlarged which in turn accelerate economic growth. It has been posited that without high levels of domestic savings, broadly based human capital, good macro-economic management and limited price distortions, there would be no basis for economic growth. It is widely believed that savings and investment must go hand in hand for sustained economic growth.

In the developed world, stock market is the crucial tool that drives any economy on its path to growth and development. As a result of the important role of information to the market, stock exchanges world-wide, set listing and post-listing requirements for companies seeking quotation. For instance in Nigeria, the post-listing requirements of the Nigerian Stock Exchange (NSE) lay emphasis on the timely relevance of information. Quoted companies are required to provide the market with about their operations to the public. This information includes quarterly, half-yearly and yearly financial accounts. Investors in Nigeria suffer untold hardship due to lack of regular and reliable information from the listed companies on Nigerian Stock Exchange (NSE)(Goddy,2005). Over the past decades, the world stock market have surged and emerging markets have accounted for a large amount of this boom. The extent of stock market development in developing countries have been unprecedented and have led to fundamental shift both in the financial structures of less developed countries and in the capital flows from developed nations (Oyedepo,2005). Today emerging markets are now a very important key determinant of global economy. Johnson (2005) asserted that emerging markets have emerged as a major determinant of global prosperity. Emerging markets are the markets or countries that just starting to interest a broader class of investors world-wide. They are countries with developing financial markets that are perceived as having strong but unrealized prospects.
Nigeria economy in recent times has been growing, but still far behind in terms of development. The slow pace is evident in the rising level of unemployment, poverty, and low standard of living. A virile capital market influences economic development because of interrelationship between micro-economic stability and the soundness of financial system. This can take Nigeria out from the present predicament. In Nigeria the equity market is the largest. It has grown significantly in the recent time because of privatization, new issues of listed companies and price appreciation between 2001 and 2007. (the Nigerian Stock Exchange Fact Book, 2008)

Unlike the equity market, the patronage of the debt market have been quite low, principally, because of uncomplimentary policy environment and a preference of fund users for other firms of financing among other reasons. (Okereke, 1991)

The Global Economic Financial Crises.
Historical evidence shows that the financial crisis in the world economy is not a new issue but an event that recurs after a long period of time. Bush (2008) described global financial crises as an economic controversial period where value and volume of economic activities inexplicably and rapidly dropped down to an unexpected level, especially quoted equities, of which bank shares are inclusive.

Badaji (2009) recognized the following factors as global financial crises, fragility of banking system, inflation trend, devaluation of local currency, foreign trade deficit. Aobat and Akbar (2008) saw the global financial crises of 2008 as the worst of its kind since the great depression of the 1830s and 1930s. It became prominently visible in September, 2008 with the failure; merger and conservatorship altitude of several large united stated based financial firms.

The financial instability of leading USA and European investment banks, insurance firms and mortgage banks consequent to the subprime mortgage crises are the root of the event-from a global perspective (Evan P and Ambrose, 2007) Beginning with failures of large financial institutions like banks, insurance, brokerage firms and others in the united state, it rapidly evolved into a global crisis resulting in a number of European banks failing as well as decline of various stocks indices, and large reduction in the market value of equipment and commodities worldwide.

There was panic in almost all the financial markets across the globe where investors began to take their money out of milky mortgage bonds. All these happenings worked together to bring about credit squeeze ravaging not only the economy of States, but the global economy as well.

The situation in Nigeria created a deleterious impact on the country’s economy and especially on the finance system. It was observed that investors were pulling out their resources which made the stock prices generally to go down, in particular bank stocks. Noticeable effect of the crisis in Nigerian banks are lower deposit commitment by the customers, lower capital flows through lending activities, poor foreign exchange earnings and general shortage of cash volume for banks. The crisis caused Nigeria’s financial controller, decisively intervention to mitigate the emerging crisis effects on the public because bank shares were no longer valuable (Sanusi, 2009).

Empirical Review
The first empirical work was recorded by Ball and Brown (1968). They provided evidence of security market reaction to earnings announcement. They claimed that accounting information is useful to investors in estimating the expected values and risks of security returns. The result shows that earnings are value relevant.

Brown (1981) researched on the different multiplies placed on the components of earnings of U.S. electric utility firms. He used stock price as the dependent variables while the independent variables are the various earnings components. Results indicated that the cross-sectional valuation model is better by disaggregating earnings, into their components, and the operating income improvement is more valuable per higher earnings multiplies than the non-operating income component.
Chen et al. (1999) provide empirical evidence as to perception of usefulness by domestic investors in the Chinese stock market of accounting information provided under Chinese GAAP using a sample of all firms in the Chinese listed in Shanghai and Shenzhen stock Exchange from 1991 to 1997. They obtained evidence of value relevance of accounting information in China based on a return and price model. The asserted that accounting information is value relevance in the Chinese market from either the pooled cross-section and time series regressions or the year by year regression.

Mingyi (2000) compared the value relevance of book value and dividends versus book value and earnings. They justified the modeling price in terms of book value and dividends, using the Modigliani and Miller (1959) argument and they derived a model of price in terms of book value and dividends from basic analytical relationship. They reported that book values and dividends have about the same explanatory power as book value and reported earnings.

Babalyan (2001) focused on the relative explanatory power and earnings responses. Coefficient in regressions of reported accounting numbers on market returns of firms listed in the Swiss stock exchange, but preparing financial statement under different accounting regimes. He proved that earning numbers from International Accounting Standards (IAS) complaint firms are not more value relevant than earnings from firms reporting under Swiss standards.

Gaston Fernandez, Harne and Gadea (2003) employing a sample of 50 local firms listed on national stock markets during the period 1995-1999 in 36 countries, undertook a comparative study of relevance of earning and their components. Their results showed that disaggregation of earning into components parts of income statement provides the investors with incremental information regarding market value of companies.

Bao and Bao (2004) investigated value relevance of operating income versus non-operating income in the Taiwan stock exchange. They performed three types of value relevance analysis, return on equity, price levels analysis, and price changes analysis in this study. Claiming that value can be defined by return on equity, stock price level or stock price changes. The results of their study show that valuation models based on earnings components have a higher explanatory power than those based on earning alone.

Ragab and Omram (2006) examined empirically whether national and international investors in the Egyptian stock market perceives accounting information based on Egyptian Accounting standards to be useful to stock valuation using a sample of all listed firms in Egypt from 1998 to 2002. Evidence of value relevance of accounting information in Egypt was obtain based on both return and price models. They found that stock price in Egypt are less information about the future value of the firm than accounting information.

Ortega (2006) investigated the changes in value relevance of earnings, book values and cash flows in security prices overtime employing data from 1961 to 2005 extracted from compustal primary, Secondary and tertiary full coverage and research among industrial rules. We found that cash flow provides incremental information content beyond earnings and book values in security prices. Secondly that combine values relevance of earnings book value and cash flow has not declined overtime. Thirdly when firms have negative earning and onetime items the value relevance of earnings shift to book value and cash flows.

Aleksanyan (2007) using data obtained from Excel financial company analysis over the period 1988 to 2005, covering firms listed in the London stock Exchange found that firms that trade at a premium to book value relevance of two fundamental financial statements value drivers, earnings and book value are negatively related to the level of sophistication of the firms information environment which is provided by capitalized value of the firm. But for firms trading at a discount to book value, value relevance of the financial statement drivers is not affected by the level of sophistication of the information environment Vishnami and Shah (2008) determined the value relevance of financial reporting in India

The result of this study repeats that value relevance of published financial statement is insignificant.
Klimezak (2009) adopted value relevance methodology to test for the association between accounting earning reported by listed companies and the value of their equity. He claimed that positive result of the test serves as proof of the quality of accounting statements, accounting practice and the local stock market.

Chen, Chen and Su (2001) suggest that earnings are value relevance for firms with positive earnings and that value relevance shift to book value for firms with negative earnings. Besides, both earnings and book values are value-relevance for large and small firms while earnings coefficients are larger than book values coefficient for small firms.

Alali and Foote (2008) investigated the difference in value relevance of accounting information across the industries in the Abu Dhabi security market (ADSM) from 2000–2006 and discovered that there is insignificant association between earnings level and returns in year 2003 and 2004.

Francis and Schipper (1999) found no significant difference in the value relevance of earnings when comparing high-technology and low-technology stocks for the period 1952-1994. Although they found some evidence that balance sheet information explains a higher portion of the variability in price for low-technology firms than for high-technology firms.
Summary of Empirical Review

Table 1: Selected Empirical Work

<table>
<thead>
<tr>
<th>S/N</th>
<th>Author</th>
<th>Year</th>
<th>Title</th>
<th>Data</th>
<th>Method Of Analysis</th>
<th>Results</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Bal and Brown</td>
<td>1968</td>
<td>An empirical evaluation of accounting numbers</td>
<td>Earnings and returns</td>
<td>Regression</td>
<td>Earnings are value relevant</td>
<td></td>
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<td>2.</td>
<td>Brown</td>
<td>1981</td>
<td>Stock price and earning components</td>
<td></td>
<td></td>
<td>Cross sectional valuation model is better than disaggregating earnings</td>
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<td>4.</td>
<td>Babdyan</td>
<td>2001</td>
<td>Relative explanatory power and earnings</td>
<td>Power Responses</td>
<td></td>
<td>Earning numbers from IAS complaint firms are not more value relevant than earnings from firms using SWISS standard</td>
<td>Companies listed in SWISS stock exchange</td>
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<tr>
<td>5.</td>
<td>Mingyi</td>
<td>2000</td>
<td>Comparative Analysis of value relevance of book and dividends versus book value and earnings</td>
<td>Book value dividend earnings</td>
<td>Regressions</td>
<td>Book values and dividend have about the same explanatory power as book value and reported earnings</td>
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Continuation of Summary of Empirical Review

<table>
<thead>
<tr>
<th>S/N</th>
<th>Author</th>
<th>Year</th>
<th>Title</th>
<th>Data</th>
<th>Method Of Analysis</th>
<th>Results</th>
<th>Sample</th>
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<tr>
<td>6.</td>
<td>Gaston, Fernandez, Hearne and Gadea</td>
<td>2003</td>
<td>Comparative study of relevance of earnings and their components</td>
<td>Earnings and their components</td>
<td></td>
<td>Disaggregation of earnings into components parts of income statement provides the investors with incremental information regarding market value of companies</td>
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<tr>
<td>No.</td>
<td>Author(s)</td>
<td>Year</td>
<td>Title</td>
<td>Companies Listed</td>
<td>Analysis</td>
<td>Valuation Models</td>
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<td>7.</td>
<td>Bao and Bao</td>
<td>2004</td>
<td>Value relevance of operating income versus non-operating income in the Taiwan stock exchange</td>
<td>Earnings components and earning</td>
<td>Analysis of return on equity price levels analysis and price changes analysis.</td>
<td>Valuation models based on earnings components have a higher explanatory power than those based on earning alone.</td>
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<tr>
<td>8.</td>
<td>Ragab and Omran</td>
<td>2006</td>
<td>National and international investors in Egyptian stock market procured accounting information based on Egyptian accounting standards to be useful in stock valuation</td>
<td>Returns and price</td>
<td>All listed firms in Egyptian stock market from 1998 to 2002</td>
<td>Stock prices in Egyptian less informative about the future value of the firm than the accounting information</td>
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</tr>
<tr>
<td>10.</td>
<td>Aleksamgan</td>
<td>2007</td>
<td>Book value earnings</td>
<td>Firms listed in the London stock exchange</td>
<td>Firms trading at a premium value relevance is negatively related to level of sophistication of the firms information environment by firms ____ of a discount to book value. Value reliance is not affected by the level of</td>
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<tr>
<td></td>
<td>Author(s)</td>
<td>Year</td>
<td>Title</td>
<td>Sample</td>
<td>Methodology</td>
<td>Findings</td>
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<td>11.</td>
<td>Vishnami and Shah</td>
<td>2008</td>
<td>Value relevance of financial reporting in India</td>
<td>Firms listed in India stock market</td>
<td>Value of relevance of published financial statement is insignificant</td>
<td></td>
<td></td>
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<tr>
<td>12.</td>
<td>Klimezack</td>
<td>2009</td>
<td>The association between accounting earnings reported by listed companies and the value of their equity.</td>
<td>Earning</td>
<td>Regression</td>
<td>Positive results of the test serves as proof of the quality of accounting standards and accounting practice.</td>
<td></td>
</tr>
<tr>
<td>13.</td>
<td>Chan, Chan and Su</td>
<td>2001</td>
<td>Book value earnings</td>
<td>Repressor</td>
<td>Earnings on value reliance for firms with positive earnings and that value reliance shift to book values for firms with negative earnings</td>
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<td>15.</td>
<td>Francis and Schipper</td>
<td>1999</td>
<td>Comparative analysis of value relevance of earnings of high technology and low technology stocks</td>
<td>Earnings</td>
<td>Companies listed in stock exchange 1952-1994</td>
<td>Balance sheet information explains a higher portion of the variability in price for low technology firms therefore high technology firms</td>
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</tbody>
</table>

Continuation of Summary of Empirical Review
Research Gap
From the above empirical review, nearly all evidence in the area of value relevance of accounting information are obtained from the developed stock markets. None of such studies have been conducted on Nigeria stock market. Hence this study on value relevance of accounting information in a Transitional Economy: The case of Nigeria Stock market.

Table 2: Summary of Independent and Dependent Variables.

<table>
<thead>
<tr>
<th>PROXY</th>
<th>DESCRIPTION OF VARIABLES</th>
<th>CODE</th>
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</thead>
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<tr>
<td>Price per share</td>
<td>Dependent</td>
<td>SP</td>
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<tr>
<td>Earnings per share</td>
<td>Independent</td>
<td>EP</td>
</tr>
<tr>
<td>Book value per share</td>
<td>Independent</td>
<td>BV</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>Independent</td>
<td>DP</td>
</tr>
</tbody>
</table>

DATA PRESENTATION AND ANALYSIS

Data Used: The data used is as in table 2 appendix I from which the cross sectional and pooled cross section regression in table 3 and 4 respectively where derived.

Table 3: Result Of Cross Sectional Regression

<table>
<thead>
<tr>
<th>YEAR</th>
<th>ADJUSTED R2</th>
<th>BV</th>
<th>E P</th>
<th>DP</th>
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<tr>
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<td></td>
<td>B1</td>
<td>T</td>
<td>P-VALUE</td>
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<td>5.65</td>
<td>5.05</td>
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<td>0.80</td>
<td>0.59</td>
<td>0.55</td>
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<tr>
<td>2003</td>
<td>0.69</td>
<td>-0.03</td>
<td>-0.07</td>
<td>0.48</td>
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<tr>
<td>2004</td>
<td>0.63</td>
<td>16.09</td>
<td>7.79</td>
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<td>0.53</td>
<td>18.74</td>
<td>3.88</td>
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<td>-0.20</td>
<td>-0.41</td>
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<tr>
<td>2007</td>
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<td>12.19</td>
<td>4.52</td>
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<td>2008</td>
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<td>0.000</td>
<td>0.029</td>
<td>0.997</td>
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<td>2009</td>
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<td>0.021</td>
<td>0.46</td>
<td>0.645</td>
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<td>2010</td>
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<td>1.24</td>
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<tr>
<td>2012</td>
<td>0.16</td>
<td>0.27</td>
<td>0.51</td>
<td>0.606</td>
</tr>
<tr>
<td>2013</td>
<td>-0.02</td>
<td>0.06</td>
<td>0.47</td>
<td>0.641</td>
</tr>
<tr>
<td>2014</td>
<td>0.99</td>
<td>0.2</td>
<td>0.06</td>
<td>0.9541</td>
</tr>
<tr>
<td>2015</td>
<td>0.62</td>
<td>4.93</td>
<td>0.94</td>
<td>0.35</td>
</tr>
</tbody>
</table>

Source: Cross sectional Regression 2016

Data Analysis
In table 3 which shows result of cross sectional regression from 2001 -2015 indicates that there was a remarkable changes in share prices via the independent variable (earning per share, book value per share and dividend per share.
The book value per share does not follow a particular trend and is significant only for the year 2001, 2003, 2004, 2005, 2007, 2009 and 2015. That means it was significant only in 7 years out of the 15 years considered in this studies.

**Test of Hypotheses**
The hypotheses formulated in chapter one are hereby tasted.

**Decision Rule:** A variable is assumed to be significant consequently rejecting the null hypothesis if its p-value is smaller than 5% significant level.

**Data Used:** Data used for test of hypotheses i, ii and iii is result of pooled cross section regression as in Table 4 appendix 1.

**Test of Hypotheses One**
HO: There is no significant relationship between earning per share and share prices of companies listed on Nigerian Stock Exchange market.

<table>
<thead>
<tr>
<th>ADJUSTED R2</th>
<th>EP</th>
<th>BV</th>
<th>DP</th>
</tr>
</thead>
<tbody>
<tr>
<td>B1</td>
<td>T</td>
<td>P-VALUE</td>
<td>B2</td>
</tr>
<tr>
<td>-0.109</td>
<td>1.82</td>
<td>1.06</td>
<td>0.0308</td>
</tr>
</tbody>
</table>

*Source: Cross sectional Regression 2016*

The P-Value of earning per share is 0.0308 which is below 0.05

**Decision:**
Since the P-value of earning per share is 0.0308 which is smaller than 0.05 significant level the null hypothesis which states that there is no significant relationship between earning per share and share price of companies listed on Nigerian Stock Exchange market is hereby rejected and the alternate hypothesis accepted.

**Test of Hypothesis Two**
HO2: Dividend per share does not significantly affect share prices of firms listed on Nigerian Stock Exchange market.

<table>
<thead>
<tr>
<th>ADJUSTED R2</th>
<th>EP</th>
<th>BV</th>
<th>DP</th>
</tr>
</thead>
<tbody>
<tr>
<td>B1</td>
<td>T</td>
<td>P-VALUE</td>
<td>B2</td>
</tr>
<tr>
<td>-0.109</td>
<td>1.82</td>
<td>1.06</td>
<td>0.0308</td>
</tr>
</tbody>
</table>

*Source: Cross sectional Regression 2016*

The p-value of dividend per share is 0.818 which is far above 0.05 level of significance.

**Decision**
Since the p-value of dividend per share is 0.818 which is greater than 0.05 level of significance. The null hypothesis which states that dividend per share does not affect share prices of firms listed on Nigerian Stock Exchange market is accepted and the alternate hypothesis rejected.

**Test of Hypothesis Three**

\[ \text{HO3: Book value per share has no significant relationship with share prices of firms listed on Nigerian Stock Exchange market.} \]

<table>
<thead>
<tr>
<th>Table 4: Result of Pooled Cross Section Regression</th>
</tr>
</thead>
<tbody>
<tr>
<td>LDSP=BO+B1EP+B2BV+B3DP+U</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ADJUSTED R2</th>
<th>EP</th>
<th>BV</th>
<th>DP</th>
</tr>
</thead>
<tbody>
<tr>
<td>B1</td>
<td>T</td>
<td>P-VALUE</td>
<td>B2</td>
</tr>
<tr>
<td>-0.109</td>
<td>1.82</td>
<td>1.06</td>
<td>0.0308</td>
</tr>
</tbody>
</table>

*Source: Cross sectional Regression 2016*

P – Value of book value per share is 0.56 this is far above 0.05 significant levels.

**Decision:**
Since p-value of book value per share is 0.56 which is greater than 0.05 level of significant. We accept the null hypothesis which states that book value has no significant relationship with prices of shares listed on Nigerian Stock Exchange market.

**Discussion of Findings**
From the result of cross sectional regression on table 3, it shows that earning per share was more value relevant than dividend and book value per share.

Considering the yearly coefficient of determination (R^2) between earning per share, book value per share, dividend per share and equity share investment as in table 3, the value relevance of this accounting variable or information shows a decreasing trend from 2002 – 2006. The lowest trend of value relevance was witness between 2008 – 2013. This can be attributed to the Global Economic Financial Meltdown of 2007 and 2008. This led to global stock market crash which Nigeria was not an exception. The effect was felt up to 2013 as a result of colossal lost of investment; many investors were no longer interested in stock investment. 2014 and 2015 with R^2 0.99 and 0.62 shows that value relevance of accounting information was experience by investors in the Nigeria stock market.

Considering the three hypotheses listed above hypothesis one which state that earning per share has no significant relationship with share price was the only one rejected. This invariably means that investors in Nigeria considered and prefer earning per share to book value per share and dividend per share. This finding is consistent with the findings of Chan, Chan and Su (2001) and Francis and Schipper (1995) and inconsistency with that of Alali and Foote (2008).

Hypothesis two and three which were accepted show that book value per share and dividend per share has no significant relationship with share price of companies listed on Nigerian Stock Exchange market reveal that these variables were not value relevant. This might be due to many of the companies were not paying dividend during the study period or that most of the investors could not have access to book value per share of companies listed on Nigerian Stock Exchange because of detailed and confusing accounting information published.

**Conclusion**
This study presents an examination of value relevance of accounting information to stock valuation of firms listed on Nigerian Stock Exchange. We employed commonly used model in the value relevance literature the Ohlson price model using a sample of listed firms on Nigeria stock market. Based on both pooled cross-
section and time series (year by year) regression we conclude from the findings that accounting information are value relevant to stock prices of firms listed on Nigerian Stock Exchange market.

**Recommendations**

Considering the findings of this research work, it becomes obvious that despite the fact that financial information in Nigeria does not follow a particular trend, it is highly value relevant to market values of quoted companies on Nigerian Stock Exchange market. We therefore recommend that:

1. All quoted companies on Nigerian Stock Exchange Market must comply with the preparation of simplified investors, summary accounts (S.SA) with emphases on earnings book value, dividends and cash flows aside the mandatory detailed financial statements. This will remove information over load particularly for non-accountants and non-financial analysts.

2. In more advance market like the united states of American and the United Kingdom, Investors have more competing information sources such as earning forecast, firm research by financial analysts, management conference calls. Such are not prevalent in Nigeria. A potential policy implication is that stock market in Nigeria needs complementary information source other than published accounting reports to become more informational efficient.

3. Since the evidence indicates that accounting information plays a significant role in investment decision making. Then it is important to improve on the quality of accounting information. This is because accountants are in competition with other providers of information and if they do not provide useful, cost – effective information the accounting function would decline overtime (Scot, 2003). This shall have negative impact on the Nigeria economy.

4. In order to increase value relevance of accounting information, a number of factors must interact in the same positive direction. In other words it is not enough to adopt high quality accounting standard - whether domestic or international accounting standard. Unless, control mechanisms are functioning, society is open and able to compete internally. Thus, the Issue for accounting standard setters and professional in a transitional countries should not only be the questions of accounting legislation and harmonization, but perhaps more importantly understanding of the interaction between the institutional factors and their importance for the value relevance of accounting information.

5. Investors should critically and objectively analyze the company’s overall characteristics when making investment decision. This is because accounting information are not the same across industries. Whether book value, earning and dividend, relevance depends on both firms overall characteristics and its performance in the particular period

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