

IFRS Implementation in Nigeria: Book Value, Profitability, and Value Relevance of Pre and Post Financial Information of Banks

Samuel Eniola Agbi

*Department of Accounting and Management, Faculty of Arts and Social Sciences,
Nigerian Defence Academy, Kaduna, Nigeria*

Abstract

The conception of IFRS is one of the most challenging changes in the framework of accounting globally. IFRS has been an issue of discourse and argument among scholars over decades most especially; on historical cost accounting and fair value measurement. This study examined the impact of IFRS adoption on the profitability of Nigeria Banks in pre and post adoption eras. To determine the overall significance, from the analysis, p-value was 0.409 which is greater than 0.05. Additionally, there is an increase in the mean values from 4.86866792 to 6.581167 and SD values from 3.3621178 to 5.8163482 over the period. At a degree of freedom of 2 and at 5% level of significance, BVPS has positive impact on share price and significant at 5% with correlation coefficient of 0.871, z-value of 0.758 and p- value of 0.000. This implies that for a 1% increase in BVPS, there is a consequent 87% increase in share price holding all other variables constant in pre IFRS adoption era. For post IFRS adoption period, the result shows that BVPS has positive impact on share price and significant at 5% with correlation coefficient of 0.592, z-value of 0.350 and p- value of 0.006. This implies that for every 1% increase in BVPS, there is a consequent 59% increase in share price holding all other variables constant. This reveals that IFRS based BVPS has positive but less significant effect on share prices as compared to pre-IFRS adoption therefore, not value relevance. Conclusively, post IFRS financial information has a weak value relevance. However, the elements that made up financial information are not value relevant in post IFRS adoption thereby, giving a low cumulative relationship to share price. Based on the above, the study conclude that, IFRS adoption does not enhance value relevance of financial information in Nigerian banking sector.

Keywords: IFRS, Value Relevant of Financial Information, Nigeria Banks Profitability, Reporting Practices, NGAAP, IAS.

Introduction

The move towards globalization is a concern for many countries particularly developing economies as it

has the potential of having a deep impact on the worldwide economy. The development of a globally

acceptable accounting standard originally commenced in 1973 as a result of the coming together of a group of qualified accounting professionals of major countries to form International Accounting Standard Committee (IASC). These countries are UK, Ireland, United States, Australia, Canada, France, Germany, Japan, Mexico, and Netherlands. They focused on developing a global accounting standard which will replace local standards, harmonize the differences in financial report due to diversities in legal systems, business structures, tax systems et al., foster cross border transactions and enhance comparability of information. Hence, the users of financial information can adequately compare the financial statements of different companies to evaluate their financial performance and position.

In 2001, IASC was reorganized into the International Accounting Standards Board (IASB). The IASB was responsible for developing accounting standards and associated interpretations that are jointly known as International Financial Reporting Standards (IFRS) (Garba, 2013). The adoption of IFRS as a global and uniform standard is gaining ground as more countries are adopting IFRS or have intentions of adopting the standard. The European Union commenced the adoption in 2005 by ensuring that all listed companies in the European Union members

implement IFRS in their financial report (Odia & Ogiedu, 2013).

In Nigeria, the adoption of IFRS was inaugurated in September 2010 by the Honorable Minister responsible for the Ministry of Commerce and Industry; the adoption required that all Public Listed Firms to adopt IFRS for the presentation of their financial statement by January 2012. Other Public interest entities were required to implement IFRS by January 2013 while Small and Medium sized entities (SME's) were expected to adopt IFRS by January 2014. However, before the adoption of IFRS in Nigeria the Generally Accepted Accounting Principles (GAAP) was the National Accounting Standards. In 2006, Price Water House Coopers argued that, the adoption of IFRS will have effect on the banks and capital market's earnings, credit evaluation, communication between market and stakeholders, long term financial planning, capital management, training, performance measurement, product offering and debt covenants (PWHC, 2006). Additionally, in a research carried out by Standard and Poor's (S&P) revealed that companies that adopt IFRS tend to experience a rise in their rating as a result of consistency in their data (Adam, 2009). However, there has been some oppositions to the adoption of IFRS particularly for developing countries like Nigeria. It was argued that Nigeria and many developing countries have weak institutions, unpredictable

economic, and political environments which may undermine the successful implementation of IFRS (Tanko, 2012).

Before the great financial crisis of 2008, Nigerian banks over the years have been observed to exhibit weak disclosures in financial statement, operational inefficiencies, undercapitalization, and a weak corporate governance practice that impedes their performance and makes it difficult to detect problems easily. The quality and standard of financial reporting in Nigeria banking sectors then seems not to match the high standard of reporting in the banking sector of more developed countries (Agbi & Ekundayo, 2016, Garba, 2013).

As a result of this, Nigerian banking industry has undergone numerous reforms. This includes the increase in the minimum paid in capital of banks from N2 billion to N25 billion and consolidation of most banks from eighty nine (89) to twenty five banks (25) in year 2004. Other reforms include the special examination of banks (stress test), the move from different accounting periods for banks to same accounting year (Jan- Dec) to improve transparency and comparability of financial results, and the creation of AMCOM (Asset Management Company) to purchase the non-performing loan from banks (toxic assets) (Adeuja, 2015). In addition the Central bank of Nigeria

issued a circular on the format banks were expected to show in their annual financial statements, the maximum number of years that a CEO could serve was restricted to ten years. Also, the cashless policy was introduced and the convergence to IFRS by the end of 2012 to mention a few (Adeuja, 2015; Agbi & Ekundayo, 2016).

It is widely believed that lack of proper use of accounting standards hinders “transparency” and “comparison” in the financial statements of corporations and banks (Olawale, 2012). As a result of this, financial statements fail to provide useful and accurate information that will be used for good investment decision, on a timely basis. From all this, it is evident that to function in this present world economy and to achieve the maximum gains of international listing, no nation can operate alone in its financial reporting (Garba, 2013). It is therefore, paramount to carry out a research to investigate the impact of implementing a global financial reporting standard in the banking sector and compare the profitability and value relevance of pre and post of its adoption in Nigerian banking sector.

Literature Review

There have been lots of arguments and propositions regarding the adoption of a uniform and globally acceptable standards. Previous studies have researched on IFRS adoption and its impacts in different countries for both firms and banks with various

proxies. In Nigeria, financial statements were formerly reported in accordance to the NGAAP issued by the Nigerian Accounting Standards Board (NASB) until 2010 when the NASB announced its transition to the international Accounting Standards (IAS). The transition was organized such that all entities should have fully adopted IFRS by 2014.

It is significant that these standards (GAAP & IFRS) were developed to guide the preparation and presentation of financial statement but they differ in terms of their applications and guidelines. For instance, NGAAP allows both Last in First out (LIFO) and First in First out (FIFO) as an inventory valuation method whereas IFRS prohibits the use of LIFO. This might be due to the fact that LIFO will permit past information in the statement of financial position (balance sheet). As the last-in inventory is expensed out as cost of sales, the old inventory remains making the reported figure too stale to be relevant for decision making. Additionally, IFRS and NGAAP also differ in their measurement of intangible assets. The Nigerian GAAP assumes all intangible assets have a definite life that do not exceed ten years whereas IFRS assumes that certain intangible assets do not have a definite life that exceeds ten years. Thus, IFRS measures intangible asset using either cost or revalued amount. On the contrary, GAAP measures intangible asset based on cost only (Agrawal, 2008; Ailemen & Akande,

2012). Accordingly, IFRS is a principle based standard while GAAP is rule based. IFRS recognizes the use of judgment in selecting accounting policies, requires valuations, and future forecasts. These factors would have a significant impact on the financial performance of firm and their reported earnings. As a result, banks incur large cost in the adoption process coupled with the complexity and burden of IFRS convergence. Bala (2013) stated that the information disclosed under Nigeria GAAP were insufficient to effectively reduce the information imbalance between companies and users of financial statements. Hence, the adoption of IFRS would enable companies disclose more financial information.

In Okoye and Akenbor (2014) submission, it is expedient for Nigeria to adopt a global standard because many Nigerian companies have securities of foreign companies. Hence, IFRS will result to a better decision about the flow of economic capital. Additionally, numerous researchers have also identified the benefit IFRS is deemed to produce. According to Mary, Okoye and Adediran (2013), the adoption of IFRS in Nigeria will open opportunities for a larger finance transformation for firm and upturn the centralization of economies of scale. Okpala (2012), in his study perceived that IFRS will promote foreign direct investment (FDI) and economic growth in Nigeria. Taiwo and Adejare (2014), claimed

that IFRS will improve financial performance, and quality of accounting records. IFRS adoption will also enhance business efficiency, aid resource allocation and performance planning in companies. The adoption of IFRS in Nigerian banks will assist in harmonizing financial reporting especially for multinational banks. As banks operate in several countries managements are expected to match financial statement of different branches prepared using different local standards. Nevertheless, with uniform standard banks can easily match financial statement and compare performance with other banks (Munirudeen, 2014).

However, Leuz (2013), argues that adopting IFRS alone will not make comparing financial statement so easy because countries are different in their institutional and enforcement mechanism. In another study by Terzungwe (2012), stated that IFRS has a broader choice of accounting policy that may be inconsistent with national legislations of Banks and Other Financial Institutions Act (BOFIA) and Companies and Allied Matters Act (CAMA). He suggested that NGAAP should remain compulsory for individual company's account of listed companies but made voluntary for group account of non-listed companies. This is in line with the adoption of IFRS in Germany.

Furthermore, research done in Africa, Tanko (2012), revealed empirical

studies that showed the adoption of IFRS do not necessarily result in better accounting quality. Matthias (2012), posited that if IFRS is focused on the benefits of investors, countries that do not have stock market will find its adoption unnecessary. For instance, Zambia experienced serious complications in implementing IFRS due to the lack of active capital market where market prices can be channeled in accordance with the fair value accounting rule of IFRS (Terzungwe, 2012).

Considering the benefits associated with the adoption of IFRS, there are quite a number of challenges experienced in IFRS implementation not only in Nigeria but across developing nations. In Siaga (2012), report obtained from Deloitte Touche Tohmatsu and PWHC showed that 66% of African countries are not reporting their financial statement in compliance with IFRS. 80% of countries in the south, east and middle of Africa have taken steps to converge to IFRS; while only 15% of countries in West Africa have fully adopted IFRS. Another report on Nigeria revealed that 22 firms quoted on the Nigerian stock exchange (NSE) requested additional time to the time limit for presenting their financial reports covering the period up to December 31st 2013 (Ocansey & Enahoro, 2014). The question that arises is as to whether or not Nigeria was fully prepared for the adoption of IFRS. Herbert and Tsegba (2013)

studied the economic consequence of IFRS adoption in Nigeria, their findings found that the major setback towards the implementation of IFRS in Nigeria is centered on limited knowledge and the absence of IFRS in accounting and auditing curriculum. They argued that preparers of financial reports lack sufficient experience and understanding with the use of IFRS.

Ocansey and Enahoro (2014), also revealed that despite the benefits of IFRS adoption, Nigeria should be aware of the transitional issues involved. For example, management change, emerging terminologies, frequent standard review, cost versus benefits analysis and the high demand for auditors. According to Saidu and Dauda (2014), the compliance level of Nigerian banks with IFRS structure might be affected by globalization and responsiveness. Jermakowicz (2004), stated that banks and insurance companies would encounter significant challenge towards IFRS adoption as a result of changes in reported value and the change in performance based executive. The timeframe for a successful implementation of IFRS might take longer than envisaged looking at the European Union experience (Okoye & Akenbor 2014). All these reveal that IFRS might not be that easy to fully implement in developing countries (Adam, 2014; Ocansey & Enahoro, 2014).

IFRS Implementation and Banks Profitability Characteristics

In assessing the impact of adoption of IFRS standard on the performance of Nigerian firms. Numerous researches were conducted on the impact of IFRS adoption on the performance of banks in terms of liquidity, profitability, and cost of equity. Iatridis (2010), finds that IFRS implementation has favorably affected the financial performance of firms in the United Kingdom with profitability and Growth as the main ratios tested. Blanchette (2011), also found return on assets and return on equity to improve with IFRS adoption in Canada. Suh (2012), revealed in an empirical study of 90 European Union banks that the cost of equity capital increased after post adoption of IFRS. Nevertheless, countries such as Belgium, Denmark, Germany, and United Kingdom with efficient legal enforcement did not experience a rise in their capital costs.

In 2010, Deloitte, examine the benefit of the adoption of IFRS on the performance of insurance companies and concluded that there is the three building block approaches in the adoption of the standard; the probability weighted estimates for the future cash flow, discount rate risk adjustment, and residual margin for uncertainty (Deloitte, 2013). Gkougkousi and Merten (2010), studied the impact of IFRS adoption on the cost of equity and liquidity of sampled European banks and

insurance companies. On the contrary their study revealed a reduction in cost of equity and an increase in the liquidity of banks. Li (2010), found out that the adoption of IFRS significantly reduce cost of equity. Cormier (2013), show that the convergence from local standards to IFRS has a reasonable positive impact on market liquidity and cost of equity. This is likely due to the reduction in information imbalance between stakeholders and managers following the implementation of IFRS. Furthermore, Lantto, & Sahlström (2009), investigated the impact of IFRS on financial ratios in Finland, by comparing ratios calculated under IFRS and Finnish GAAP for the same time period (year 2004). The authors found that liquidity ratios decrease under IFRS, while leverage and profitability ratios increase. Liquidity ratios decrease primarily due to additional current liabilities that result from lease accounting under IFRS (IAS 17). Leverage ratios increase as more liabilities are recognized under IFRS; these liabilities result from lease accounting (IAS 17), employee benefit obligations (IAS 19) and financial instruments (IAS 32 & 39). Profitability ratios increase because profit was higher under IFRS due primarily to business combinations (IFRS 3) and the combined effects of several other standards. Firoz, Ansari, and Akhtar (2011), studied the impact of IFRS on Indian banking industry, they revealed that IFRS adoption tends to have a significant impact on the banking sector as it will affect the

measurement of their financial performance and financial position. Taiwo and Adejare (2014) showed a positive relationship exists between IFRS adoption and financial performance of Nigeria Banks. They also discovered that IFRS adoption created a higher accounting quality in the post adoption period than pre adoption period.

IFRS Adoption and Value Relevance of Financial Information of Banks

Several studies have sought to empirically establish the relationship between share price and financial information. These researches were conducted in different counties at different times. Alfaraih (2009), using price and return model, examined the effect of IFRS compliance and value relevance of accounting information in emerging market of Kuwait from 2000 to 2008. Alfaraih used a pre-post method and found a significant relationship between stock price and accounting information but there was decrease in value relevance of accounting information in the period. He also found that both price and returns model demonstrate a significant association between IFRS compliance and value relevance of earnings and book value of firm.

Clarkson, Hanna, Richardson and Thompson (2011), investigated the impact of IFRS adoption on value relevance of book value and earnings for equity valuation using 3488 firms

that adopted IFRS in 2005 and had restated their 2004 account to IFRS based from 14 Europeans countries comprising of 3 common law and 12 code law countries. Data were sourced from July 2007 world scope and data stream. Using linear regression, they found significant increase in value relevance for code law countries but no significant value relevance for common law countries after adoption of IFRS. Turel (2009), examined the incremental and relative value relevance of earnings and book value of equity under capital market board accounting standards 2001 to 2002 and under IFRS for Turkey listed firms from 2005 to 2006 and compared the two periods. The study finds that the value relevance of accounting information has significantly increased with the adoption of IFRS. Incremental value relevance of earning increased significantly while book remain static. Furthermore, Kargin (2013), examined the pre and post effect of IFRS adoption on accounting information on Turkish firms listed on Istanbul stock exchange excluding financial sector from 1998 to 2011, using Olhson model 1995 to test value relevance of accounting data for firms with positive earnings and the improvements on value relevance of accounting information in the pre and post IFRS periods. The study documented that, financial information are more value relevant also value relevance of book value has increased with IFRS adoption but earnings have no significant incremental value

relevance. The results of the pooled data showed that the coefficient estimates of both earnings and book value are positive. However, only book value has significant effect on the market value per share or stock prices. The results of multiple linear regressions of stock prices on book value and earnings for firms that reported positive earnings are and the coefficient estimates of both book value and earnings per share have positive and significant effects on stock prices of selected ISE firms. Thus IFRS adoption has improved value relevance of accounting information in Turkey for the selected firms and periods.

Overview and Structure of Nigerian Banking Industry

Before the introduction of IFRS, the banks previously could manipulate their earning and adjust their financial information to suit them not necessarily reflecting the position of the bank and these led investors and other users of financial information into making uninformed decision. It was realized that profit reporting banks were distressed as they could not meet their obligations. To curb this problem globally, IFRS was introduced as one set of accounting information all over the world. Banking industry known for its contribution to economic development are fore runners in the adoption of IFRS in Nigeria and the choice of the banking industry for this research is informed by the fact that the banking sector in Nigeria is the

most organized, highly regulated and well-structured sector in the country that have readily adopted the new standard at the time of this research.

Method of Data Collection and Measurement of Variables

This section focuses on research design and method, population size, sample size and sampling method, source of data, type of data, method of data analysis, data criteria and collection selection. To achieve the objective of finding out the impact of IFRS adoption on the profitability and value relevance of Nigeria banks, descriptive method is chosen based on similar studies such as Blanchette (2011), Cormier (2013), Okoye and Akenbor (2014), Suh (2012), Saidu and Dauda (2014). For the purpose of this study, investigation would be on the effect of IFRS adoption on the profitability and value relevance of banks in Nigeria. The time under consideration would be financial year 2008-2015, financial 2015 is used because it is the latest available annual report for the research in 2016, therefore, the trend for the study shall be a period of 8 years. This study adopted descriptive statistics as it is useful when performing empirical and analytical analysis and based on what previous similar studies used. The population for this study is Nigerian banks comprising of all the fifteen (15) listed DMBs in Nigeria as at 2016, from this, sample were drawn. The reason for choosing Nigerian banks as the domain of this study was based on

the fact that banking industry is viewed as the most organized and regulated sector in Nigeria whose annual report is easily accessible and that, there are few studies on the impact of IFRS adoption on Nigerian banks Profitability and value relevance financial information. First Bank of Nigeria Ltd (FBN Ltd), United Bank for Africa PLC (UBA Plc.), Fidelity Bank PLC, Sterling Bank PLC, and Diamond Bank PLC were selected among the public listed banks that adopt IFRS in 2012 after applying filters. The study takes into consideration four (4) years pre IFRS adoption (2008-2011) and four (4) years post IFRS adoption (2012-2015).

For the purpose of this study, secondary data was employed. Relevant materials were gleaned from textbooks, Journals, Newspaper and other official documents such as annual financial reports and accounts from official website of the five (5) sampled commercial banks in Nigeria were taken into consideration. Additionally, this study will use descriptive and regression analysis as the underling statistical test. A descriptive financial ratio analysis of the data would be conducted to measure, compare, and analyze the profitability and value relevance of financial information of banks in Nigeria under IFRS and GAAP using the main variables such as; return on equity (ROE), return on assets (ROA), Net Interest Margin (NIM), and Book Value per Share (BVPS). In addition to

descriptive and regression analysis, an independent t-test statistics will be computed using profitability ratios of the selected banks to find out if there is any statistical significant difference in the bank's profitability and value relevance in the years pre and post adoption of IFRS in Nigeria.

Results and Discussion

This section deals with presentation, analysis, and interpretation of the data collected from secondary sources (annual reports of selected banks) to show the impact of IFRS adoption on the profitability of banks in Nigeria as well as evaluating the effect of IFRS

adoption on the value relevance of financial information in Nigerian banks. The data for this research were extracted from annual reports of sampled banks. The data includes Return on Asset (ROA), Return on Equity (ROE), Net Interest Margin (NIM), Share Price (SP), and Book Value per Share (BVPS). For each of the banks, data for eight (8) years were collected from 2008 to 2015, considering 2008 to 20011 as pre-IFRS while 2012 to 2015 represents post-IFRS. The general characteristics of the ROA, ROE, NIM, SP, and BVPS of pre-IFRS adoption are as presented in table 1 below.

Table 1: Pre IFRS Descriptive Statistics of Variables

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	20	-3.07	2.76	1.2710	1.35845
ROE	20	-23.98	24.06	7.9310	10.48208
NIM	20	2.89	8.97	5.4040	1.53532
SP	20	1.01	47.24	9.4488	10.83718
BVPS	20	2.10	24.82	8.1050	5.28308
Valid N (listwise)	20				

Source: SPSS output, 2016

Table 1 above shows the descriptive statistics of all variables before IFRS adoption in Nigeria. In particular, the mean and standard deviation (*SD*) of all the variables is provided. In addition, the minimum (*min*) and maximum (*max*) is displayed in order to provide some insight into the range between variable. Analysis revealed that, ROA has an average of 1.27% with *SD* of approximately 1.36%. This means that the ROA can deviate from mean to both sides by 1.36%. The

highest ROA recorded is 2.76% and the *min* ROA recorded is -3.07%. Result shown that, ROE has an average of 7.93% with *SD* of approximately 10.48%. This means that the ROE can deviate from mean to both sides by 10.48%. The highest ROE recorded is 24.06% and the *min* ROE recorded is -23.98%. Similarly, NIM has a *min* of 2.89% and a *max* of 8.97%. The average NIM is 5.40% with *SD* of approximately 1.53%. This means that the net interest margin can

deviate from mean to both sides by 1.53%. Additionally, SP has a mean of ₦9.45 and SD of ₦10.84 while ₦1.01 and ₦47.24 are the *min* and *max* respectively. The SD reveals that the data of SP are far spread across the mean of the data; this simply implies that the SP of banks in Nigeria have difference characteristics. This is further confirmed by the disparity between the *min* and *max* results. Consequently, the price of shares of banks varies a great deal from one bank to the other. Analysis also revealed that, BVPS has a mean of ₦8.11, SD approximately of ₦5.28 with a *min* value of ₦2.10 and *max* of ₦24.82. This result shows that the average is far lower than the *max* value and *min* value implying a wide range of variation in the net asset value of banks in Nigeria. Also, the SD deviation reflects that BVPS values are spread out around the mean because it is a bit large. But, the *min* and *max* values reflect that some firms have very low net assets while the others have very high net assets.

The general characteristics of the ROA, ROE, NIM, SP, and BVPS of post-IFRS adoption in Nigeria are as presented in table 2.

Table 2 shows the descriptive statistics of all variables after IFRS adoption. In particular, the mean and SD of all the variables and the *min* and *max* are as displayed in order to provide some insight into the range between the variables. The result shown that, ROA has an average of 1.53% with SD of approximately 0.72%. This means that the ROA can deviate from mean to both sides by 0.72%. Therefore, the highest ROA recorded is 2.57% and the *min* ROA recorded is 0.00% due to the fact that some banks have less earnings. From the analysis, ROE has an average of 12.94% with SD of approximately 6.36%. This means that the ROE can deviate from mean to both sides by 6.36%. The highest ROE recorded is 21.51% and the *min* ROE recorded is 1%. Furthermore, NIM has a *min* of 2.85% and a *max* of 8.01%. The average NIM is 5.27% with SD of approximately 1.48%.

Table 2: Post-IFRS Descriptive Statistics of Variables

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	20	.00	2.57	1.5340	.72091
ROE	20	.01	21.51	12.9420	6.36288
NIM	20	2.85	8.01	5.2675	1.47725
SP	20	1.50	16.30	5.1980	4.33681
BVPS	20	2.97	14.09	7.9520	3.37590
Valid N (listwise)	20				

Source: SPSS output, 2016

This means that the net interest margin can deviate from mean to both sides by 1.48%. The result also revealed that, SP has a mean of ₦5.20 and a SD approximately of ₦4.34 with a *min* of ₦1.50 and *max* of ₦16.30. The data is relatively spread across the mean of SP meaning that SP of banks differs relatively from one bank to the other. This is further confirmed by the disparity between the *min* and *min* of the two eras. However, compared to pre IFRS data on SP, the share prices reduced a great deal judging from the mean and *max* of the pre IFRS data. For this period, BVPS has an average of ₦7.95 while its SD approximately is

₦3.37 with a *min* value of ₦2.97 and *max* of ₦14.09. Also the *min* is small compared to the *max*, that is, the net assets of some banks are very high while others are very low. Therefore, the values for BVPS decreased after IFRS adoption, this was revealed by the values of mean, SD, *min* and *max* which were lower compare to pre adoption era.

Test of Hypothesis: The results for each hypothesis are presented below
H₀₁ *There is no statistical significant difference in the bank's profitability in the pre and post IFRS adoption periods*

Table 3: T-test statistics
Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	PRE-IFRS MEAN	4.868667	3	3.3621178	1.9411196
	POST-IFRS MEAN	6.581167	3	5.8163482	3.3580702

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
				Std. Error Mean	95% Confidence Interval of the Difference				
					Mean	Std. Deviation			
Pair 1	PREIFRSMEAN - POSTIFRSMEAN	-1.71250	2.8635602	1.6532772	-8.82598	5.4009778	-1.036	2	.409

Source: SPSS output, 2016

To determine the overall significance, table 3 shows that the p-value in the T statistics is 0.409 which is greater than 0.05, suggesting that, there is strong

evidence that H_0 is true on which the study conclude that, there is no significant difference between the pre and post IFRS adoption in banks

profitability in Nigeria. However, there is increase in the mean values from 4.86866792 to 6.581167 and SD values from 3.3621178 to 5.8163482 over the period. At a degree of freedom of 2 (n-1) and at 5% level of significance, the table value is 4.303. Since, the calculated value (-1.036) is less than the tabulated value of 4.303, the null hypothesis is accepted and this concludes that, there is no statistical significant difference in the bank's profitability in the pre and post adoption of IFRS. This result agrees with the findings of Dritsas and Petrakos (2014), their study found no significant differences in the profitability ratios in pre and post IFRS adoption periods.

Restatement of Hypothesis: The results for hypothesis two is as presented below.

H₀₂ *There is no deference in between the value relevance of accounting information of pre and post IFRS adoption in Nigeria banking sector.*

Using regression analysis to test for H₀₂, this study adopts the Incremental value-relevance method through incremental r square as the unit to measure the value relevance of the financial information using least-square regression. The value relevance metric was based on the explanatory power from a regression of the book value per share on the share price.

Table 4: Pre IFRS value relevance (Pre IFRS BVPS and Share Price)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.871(a)	.758	.745	5.47482

a Predictors: (Constant), BVPS, EPS, ROA, ROE or NIM.

ANOVA

Mode l		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1691.921	1	1691.921	56.447	.000(a)
	Residual	539.525	18	29.974		
	Total	2231.446	19			

a Predictors: (Constant), BVPS

b Dependent Variable: SP

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	-5.028	2.283		-2.203	.041
	BVPS	1.786	.238	.871	7.513	.000

a Dependent Variable: SP

Analysis from table 4, results shows that BVPS has positive impact on share price and significant at 5% with correlation coefficient of 0.871, z-value of 0.758 and p-value of 0.000. This implies that for every 1% increase in BVPS, there is a consequent 87% increase in share price holding all other variables constant. The result shows that BVPS has positive significant impact on share prices,

consequently, value relevant. This result confirms the findings of Karunaratne and Rajapakse (2009), Alfaraih and Alanezi (2011), Khanagha (2011), Collins et al. (1996), Al-deehani (2005), Lopes (2010) and Galean and Stenheim (2010) who found that book value per share has positive significant impact on share price.

Table 5: Post IFRS value relevance (Post IFRS BVPS and Share Price)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.592(a)	.350	.314	3.59158

a. Predictors: (Constant), BVPS, EPS, ROA, ROE or NIM.

b.

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	125.160	1	125.160	9.703	.006(a)
	Residual	232.190	18	12.899		
	Total	357.350	19			

a. Predictors: (Constant), BVPS, EPS, ROA, ROE or NIM

b. Dependent Variable: SP

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	-.848	2.100		-.404	.691
	BVPS	.760	.244	.592	3.115	.006

a. Dependent Variable: SP

From the table 5, the result shows that BVPS has positive impact on share price and significant at 5% with correlation coefficient of 0.592, z-value of 0.350 and p-value of 0.006. This implies that for every 1% increase in BVPS, there is a consequent 59% increase in share price holding all other variables constant. The result shows that IFRS based BVPS has positive but less significant effect on share prices as compared to pre-IFRS adoption therefore, not value relevant. Therefore, the null hypothesis which states there is no relationship between the value relevance of financial information of Pre and post IFRS adoption in Nigerian banks is accepted. This result indicates that post IFRS financial information has a weak value relevance. However, the elements that made up financial information are not value relevant in post IFRS adoption thereby, giving a low cumulative relationship to share price. Based on the above, the researcher conclude that, IFRS adoption does not enhance value relevance of financial information in the Nigerian banks. This supports the findings of Clarkson et al. (2011), Psaroulis (2011), Qu and Zhang (2010)

and Khanagha (2011), while the study contradicts the findings of Lee et al. (2013), Kargin (2013), Alfaraih (2009), Galaen & Stenheim (2010), Chalmers (2010), and Palae (2013).

Relative Value Relevance of Pre and Post IFRS financial information

In comparing R-square of Pre IFRS financial information and post IFRS adoption, the study revealed Pre IFRS R-squared to be 76% while post IFRS R-square was 35%. This implies that the book value per share reported under NGAAP explains more about share prices as compared to the amounts being reported under IFRS. Additionally, the value relevance of NGAAP was significantly high compared to the IFRS. Furthermore, the correlation coefficients of book value per share decreased from 87% to 59%. This suggests that the market participants have changed their shares pricing behavior, which make accounting information irrelevant. It was therefore, concluded that, post IFRS financial information does not have relative value relevance over and above pre IFRS financial information. The finding of this study confirms the outcome of Bridges (2009), Khanagha

(2011), and Palea (2013), the study was not in agreement with findings of Agostino (2009), Turel (2009), Kargin (2013), Lee (2013), and Galaen and Stenheim (2010). Based on the foregoing results, the researcher have enough evidence to fail to reject the null hypothesis which states there is no relationship between the value relevance of financial information of Pre and post IFRS adoption in Nigerian banks.

Conclusions and Recommendations

Convincingly, this study examined the impact of IFRS adoption in Nigeria on the profitability of banks covering the pre and post adoption period. The result of the analysis revealed no statistical difference in the banks' profitability due to the IFRS adoption. All the profitability ratios did not differ significantly at 5%. Therefore, the study does not reveal significant difference, the study is consistent with the study of Abdul-Baki et al. (2014), which was conducted on Nigerian firms. The study also concur with the argument that, this might be due to the fact that NGAAP has always been a modification of IAS's which was converted to IFRS. The study is also in line with the study of Dimitrios et al. (2013) on IFRS adoption in Greece. Their result showed no significant difference in the ratios.

Conclusively, value relevance test was conducted on the financial information of the pre and post IFRS adoption. A

high quality accounting was expected to make financial information to reflect changes in stock price, explaining a reasonable part of variation in stock price. A change in accounting and financial reporting should mean an improvement over the previously existing standard. In the light of the finding, the study concludes that pre IFRS financial information is value relevant and post IFRS financial information is also value relevant but the study further concludes that pre IFRS financial information is more value relevant than post IFRS financial information. This finding confirms the result of Agostino (2009) and Qu and Zhang (2010) while it contradicts the general notion that if net asset is close to its realistic value it is value relevant. However, the result for post IFRS is expected to be more value relevant owing to fair value measurement of financial asset which is said to be more realistic as against historical cost accounting. This could be as a result of the economy which is characterized by political instability, weak regulatory framework and lacks sophistication needed to bring out the benefits of IFRS adoption. Nevertheless, the adoption of IFRS in banks enhanced the transparency in the financial statement and comparability of accounts for investors and stakeholders. IFRS provides more disclosure and more explanation of items in the accounts. This is evident from the noticeable difference in financial statement presentation. One major challenge in the adoption of

IFRS is its use of fair values which brings about changes in the reported earnings of banks.

Tellingly, from the finding of this study, the application of fair value changes (IFRS) tends to have an impact on bank's profitability but the analysis revealed no statistical difference due to the IFRS adoption. All the profitability ratios did not differ significantly. Additionally, it is realized that the general notion of improved performance and value relevance with the adoption of IFRS has been confirmed since the Nigerian Banks present value relevant accounting information based on only earnings. Therefore, Post IFRS Book values proved value irrelevant as compared to pre IFRS. Based on the findings, the following recommendations are hereby suggested:

- a) The management of firms, external auditors, and regulators should work together to tighten compliance in the Nigerian Banking sector in order to enhance the impact of IFRS. Enforcement is better than the standard setting itself as rigid regulation and enforcement could bring out the benefit of IFRS adoption.
- b) Nigeria institute of Bankers should provide all necessary resources needed to understand the impact of IFRS in the banking sector and train staff on IFRS and changes in accounting framework as it affect banks.
- c) The Nigeria Financial Reporting Council (FRCN) in conjunction with various professional bodies should place more premium on continuing professional education and training in Nigeria. For accounting information and policies to be relevant and effective communication, it must be timely. The need for effective policies is strengthened because a decision's use of accounting data may change overtime as a result of his changing perception concerning the relevance of the data.
- d) Conclusively, this research recommendation for future studies is to extend the analysis to all the commercial banks and compare the standards for the same time period. Future researchers can extend their study to other sectors in Nigeria. Further research may also identify the specific provisions of IFRS that have impact on profitability measures.

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