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COMPLIANCE WITH IFRS AND VALUE RELEVANCE AT THE NIGERIAN STOCK MARKET

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Abstract

Increasing adoption of International Financial Reporting Standards (IFRS) among developed and developing economies as well as stock markets around the world is probably connected to benefits it offers. Therefore, it is found necessary to examine its influence on value relevance at the Nigerian stock market. Panel data were sourced from sixty-nine Nigerian listed firms for a period of four years of IFRS adoption at the Nigerian stock market (i.e. 2012 – 2015), leading to 276 firm-year observations. Using 503 IFRS/IAS disclosure items, descriptive results revealed 66% and 99.4% minimum and maximum compliance level by the sampled firms with 91% overall compliance. Consistently with prior studies, results of the panel regression model indicate that greater compliance with IFRS mandatory disclosure requirements is positive and significantly value relevant at the Nigerian stock market but more for financial industry category. Thus, the study recommends that stock market regulators and accounting standards setters should engage in issuance of all-inclusive IFRS compliance checklist to measure listed firms' compliance with IFRS periodically. This is expected to serve as a support to IASB relentless efforts on issuance of globally acceptable and reliably relevant accounting standards and also strengthen future IFRS compliance studies.

Keywords: IFRS Adoption, Compliance, Value Relevance, Stock Market, Listed Firms

INTRODUCTION

The main objective of general purpose financial reporting is to provide financial information about a reporting entity that is useful (value relevant) to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity (International Accounting Standards Board [IASB], 2010). Since 1973 that International Accounting Standards (IAS) emerged, it has provided indispensable guidance and reference point for many issuers of local (national) standards, preparers and examiners of financial reports. Fundamental purpose of this is to provide support for efficiency of the capital market (BoliBok, 2014), thereby extenuating the effect of information asymmetry on value relevance.

It is evident that increasing adoption of International Financial Reporting Standards (IFRS) among developed and developing economies of the world is connected to benefits it offers. Some of the identified benefits of adopting IFRS in literature include but not limited to production of high quality financial reports (Barth, 2008), global economic and financial integration (Hope, Jin & Kang, 2006), global capital market integration or cross-border listing (Ball, 2006; Karğin, 2013; Odia & Ogiedu, 2013), accessibility to foreign direct investment (Gordon, Loeb & Zhu, 2012), decision useful financial reports among others. Most importantly to this study, extant empirical finding have documented value relevance of compliance with IFRS (Alfariah, 2009; Alfraih & Alanezi, 2015).

Compliance with IFRS is part of disclosure research that seeks to examine the level or extent of firm's compliance with demands of the accounting standards as disclosed in the financial reports. It is mostly measured with the use of compliance index (Cindex) (Glaum & Street, 2003; Ballas & Tzovas, 2010; Yiadom & Atsunyo, 2014). Hellström (2006) stresses that, it is not only the quality of accounting standards observed in preparation of accounting information that matters, but also the implementation of (drive for compliance with) the standards. Hodgdona, Tondkard, Harlessb and Adhikari (2008) submit that, the level of compliance with IFRS is as important as the standards itself. Thus, adequate compliance with IFRS is expected to drive value relevance (Agyei-Mensah, 2013; Alfaraih, 2009; Alfraih & Alanezi, 2015).

On the other hand, value relevance is the ability of financial statements' information to capture information that is capable of influencing share value in the stock market (Barth, Beaver & Landsman, 2001; Karğin, 2013). This information include extent of compliance with IFRS if greater compliance is valued by investors at the stock markets (Alfaraih, 2009). Al-Hogail (2004) posits that, value relevance theory is all about how much of an entity's market value can be described by accounting information disclosed. According to Barth *et al.* (2001), test of value relevance is one approach to operationalise stated criteria of relevance and reliability (qualitative characteristics of accounting standards) by the standards setters. Therefore, emergence and subsequent mandatory adoption of IFRS in the Nigeria stock market is assumed to be value relevant and also expected to have improved since it was adopted in 2012.

Majority of the sampled EU-listed companies have adopted IFRS at the expense of costly, complex and burdensome processes (Jermakowicz & Gornik-Tomaszewski, 2006). However, Bebburigton and Song (2004) state that, general positive response of EU countries to IFRS adoption was towards attaining a common European market. By taking a look at the extent of compliance with IFRS globally, disparity has been observed. Precisely in Turkey, Demir and Bahadir (2014) record compliance levels ranging from 64% to 92%, with an average of 79%. Tower, Hancock and Taplin (1999), and Glaum and Street (2003) report 94% and 81% compliance with IAS/IFRS in Australia and Germany respectively. Yiadom and Atunso's (2014) finding on level of compliance with IFRS by Ghana listed firms revealed an overall mean compliance of 85.8% while Agyei-Mensah (2013) obtain disclosure compliance mean score of 76.80% (pre-) and 87.09% (post-) IFRS adoption among listed firms in Ghana. Nonetheless, Hodgdona *et al.* (2008) stress that compliance with IFRS disclosure requirement reduces information asymmetry and enhances the ability of financial analysts to provide more accurate forecasts.

As at 2012 when Nigerian stock market regulators directed all listed firms to start preparing its financial reports in compliance with IFRS, there were twenty-nine (29) IASs and thirteen (13) IFRSs (i.e. 42 standards altogether) in issue together with a list of Standard Interpretations Committee (SIC Interpretations – 33) and International Financial Reporting Interpretation Committee (IFRIC Interpretations – 21). Whereas, at the same time, Nigerian SASs were 'starved' with ineffective update of thirty-one (31) standards, some of which were connected to already repealed IASs. According to Umoren and Enang (2015), there were sixteen (16) IFRSs without corresponding SASs, although IAS 17 has been superseded with IFRS 16 which becomes effective from January 2019. A few out of the 16 standards are IFRS 15, IFRS 14, IFRS 13, IFRS 9, IFRS 2, IFRS 1, IAS 41, IAS 29 etc.

In addition, some disclosure demands and contents of erstwhile Nigerian SASs were not in agreement with related IASs/IFRSs. For instance, some dissimilarity in the two GAAPs are not limited to profit and loss accounts, and balance sheet (contents of financial statement) under SAS 2 which have been restructured as statement of comprehensive income (or income statement) and statement of financial position respectively under IFRS 1; statement of changes in equity as contained in IFRS 1 which has no place in SAS; presentation of extra-ordinary items that is now prohibited under IFRS while it was required by Nigerian SAS 6; under IFRS, dividend proposed or declared after financial year-end but before financial statements are authorised for issue is not recognised as liability which was recognised under SAS. However, economic globalisation, effort to attract more foreign investors and enhance investors' protection among others stimulated the need to adopt IFRS in Nigeria.

Specifically, prior to the emergence of IFRS in April 2001, corporate financial reporting system of many countries was subjected to country-based and/or regional-based accounting standards which might have evolved from IAS or United States Financial Accounting Standards (U.S. FAS). As a case, Nigerian listed firms were previously mandated to prepare and present their financial reports in compliance with Nigerian Statement of Accounting Standards (SAS) (which were drawn from IAS) along with other guidelines until September 2010 when federal government of Nigeria issued a roadmap for convergence to IFRS (Edogbanya & Kamardin, 2014). Over time, these (diverse) local accounting standards were characterised with puny update and disclosure demands due to globalisation and increasing complexity of financial reporting requirements (Muhammed & Lode, 2015; Umoren & Enang, 2015). The local Generally Accepted Accounting Principles (GAAPs) were also found of its inability to aid global capital market efficiency in terms of cross-border comparison especially in this era of globalisation. Also, empirical literature have shown low but above average compliance with IFRS (Alfaraih, 2009; Glaum & Street, 2003; Tsalavoutas, 2009) which becomes a concern whether it could be value relevant in the emerging Nigerian Stock Exchange (NSE) or not. These account for the problem that informed this study.

Therefore, the first intent of this study is to examine the extent at which Nigerian listed firms have complied with IFRS mandatory disclosure demands since its adoption in 2012. The study also seeks to investigate influence of extent of compliance with IFRS by Nigerian listed firm on value relevance at the NSE. Thus, the following statistical hypothetical statement was advanced for the study.

H_{01}: There is no significant effect of extent of compliance with IFRS on value relevance of the Nigerian listed firms.

The study is limited to four years period (2012 – 2015) because of the available data as at the time of this study. Also, its scope is limited to examining possible influence of extent of IFRS compliance on value relevance of companies listed on the Main Board of the NSE. The outcome of the study is believed to be immensely beneficial not only to the listed firms to understand the extent of the compliance with IFRS and how value relevant it is, but also to stock market regulatory bodies and national accounting standards setting bodies in their future standards setting functions as well as need to strengthen enforcement.

LITERATURE REVIEW

Theoretical Background

We adopt efficient market hypothesis as well as stakeholder theory to provided theoretical guide for the study.

Efficient Market Hypothesis (EMH)

In order to strengthen discourse on extent of compliance aspect of IFRS adoption, which is revealed through ‘sound’ disclosure to the market by listed firms, EMH is considered relevant to this study. Disputably, greater compliance with IFRS should be desirable to investors if IFRS is more informative than various local GAAPs. Although there are several definitions of efficient security market (Scott, 2009), the term ‘efficient market’ was first defined by Fama (1965) in his land-mark empirical analysis of stock market prices with a conclusion that they follow a random walk. Basis for EMH has long been traced to acceptance of Random Walk Hypothesis (RWH) (Dupernex, 2007) which deals with the question on whether future stock prices can be determined from past prices (Jakata, Hlupo & Gondo, 2013). Thus, Fama (1970) eventually puts efficient market as a market in which prices always fully reflect available information.

To ensure efficiency of a capital market, strong and absolute adherence to regulatory directives at all levels is very germane. That is, for the stock market to be efficient, listed firms would be expected to adopt and implement all efficient-based mandatory demands of any standards introduced by the regulatory bodies. This should be properly communicated via periodic financial reports. In this way, informativeness of the market would be expected to be enhanced. Hence, this theory is found relevant to the study in that, it helps to provide theoretical basis for investigating influence of compliance with IFRS on value relevance at the Nigerian stock market.

Stakeholders’ Theory

The development of stakeholder theory has been widely accredited to Richard Edward Freeman’s (1984) landmark book publication (Donaldson & Preston, 1995; Mitchel, Agle & Wood, 1997). According to Freeman, Wicks and Parmar (2004), stakeholder theory is an expansion of agency theory that stresses that managers have fiducial relationship with stakeholders, while stakeholders are those who have stake in, or claim on the firm. Stakeholder theory was developed to solve some problems such as value creation and trade, ethics of capitalism and managerial mind-set (Freeman, Harrison, Wicks & Parmar, 2010). It seeks to address moral and ethicality in managing corporate entity with due recourse to all stakeholders interests.

This theory is employed therefore to guide in explaining whether management of listed companies put interest of various stakeholders in the stock market at heart by complying with necessary regulatory demands (in this case, IFRS) when preparing periodic accounts of the entities. It also forms theoretical foundation to know whether the extent of compliance with IFRS is capable of driving or explaining any variation in share values due to participants' reactions.

Empirical Literature

Alfraih and Alanezi (2015) explore the association between the level of compliance with IFRS mandatory disclosures and value relevance of accounting information of listed companies in the emerging economy of Kuwait to market participants. The study is structured such that, it first examines the level of compliance with mandatory IFRS disclosures of Kuwait Stock Exchange (KSE) listed firms in 2010 through a disclosure index drawn from IFRS disclosure demands, and later investigates value relevance of level of compliance with IFRS among KSE listed firms as well as other accounting information. The sample consists of 119 non-financial firms. Using self-constructed compliance index for 24 IAS/IFRS to generate 397 mandatory disclosure requirements, the study reported approximately 72% compliance level with minimum and maximum level of 41% and 94% respectively. Assessing the association through explanatory power (R^2) of the regression model, the results show a significant association between greater level of compliance with IFRS and the value relevance to KSE investors. Noting evidence of non-compliance with the standards from review of literature, Alfraih and Alanezi (2015) recommend further study in this direction.

Another related study by Alfaraih (2009) reports similar finding only that 27 IAS/IFRS that led to 418 disclosure items for both financial and non-financial firms was used. Period of the study was 1995 to 2006 while compliance study was limited to year 2005. The study obtained 72.6% compliance level among all the listed companies with the use of self-developed compliance index**.** Results of the two models employed (price and returns models) demonstrate significant association between (higher) extent of compliance with IFRS and value relevance of accounting information used.

Tsalavoutas and Dionysiou (2014) respond to calls for research regarding the valuation implications of mandatory disclosure requirements by examining the extent of compliance with 481 IFRS mandatory disclosure items in 150 Greece listed companies for 2005 financial year. The study also explores whether compliance scores (measured through un-weighted methods) are value relevant and whether the value relevance of accounting figures varies across high- and low-compliance firms. Findings suggest 75% average level of compliance with mandatory disclosures while levels of compliance among industries are also significantly and positively related to market value (i.e. value relevant).

In a relatively restricted scope, Yiadom and Atsunyo (2014) examine the extent to which 31 companies listed on the Ghana Stock Exchange (GSE) complied with IFRS disclosure requirements in 2010. With the aid of a checklist, an index of compliance was self-constructed to quantify the level of compliance with six IFRS (i.e. IAS 1, 7, 12, 16, 18 and IAS 19). The findings reveal overall compliance score of 85.8%. Yiadom and Atsunyo's (2014) submission is relatively similar to several other studies conducted around the world such as 94% compliance level reported by Tower *et al.* (1999) in Australia, 80.7% reported by Omar (2012) in Bahrain, 81% reported by Glaum and Street (2003) in Germany, 80% reported by Tsalavoutas (2009) in Greece. However, all these studies did not establish association (or influence) of extent of IFRS's compliance with value relevance as examined by Alfraih and Alanezi (2015), Alfaraih (2009), and Tsalavoutas and Dionysiou (2014).

Drawing from the above existing literature, it is evident that most of the studies that investigated extent of compliance with IFRS and value relevance have been empirically established outside Africa with scanty record of such study from Africa. Nevertheless, despite the fact that there are several studies that have investigated extent of compliance with IFRS after its adoption world-over (Al-Shammari, Brown & Tarca, 2008; Fekete, Matiş & Lukàcs, 2008; Juhmani, 2012; Amoako & Asante, 2012), based on recommendation and calls from Leuz and Wysocki (2008), Tsalavoutas and Dionysiou (2014), and Kaaya (2015), studies that unearth association between IFRS compliance level among listed firms and value relevance are still very limited.

METHODOLOGY

This study adopts qualitative research design method which is built on interpretive research paradigm. The population of the study consist all listed companies under each of the twelve (12) sectoral groups of the main board in the NSE within 2012 and 2015. Thus, as at the time of this study, there were 186 listed firms at the NSE. The survey started in 2012 because the year marks the first year of compliance with IFRS requirements by the Nigerian listed firms as directed by the NSE regulators. It is also limited to 2015 because of the available data as at the time of this investigation. Nevertheless, the study targets all listed firms with annual financial reporting period dated December 31. Based on this fundamental criterion alone, 128 Nigerian listed firms becomes target population which represent 69% of the entire population. In addition, other criteria used to select sample for the study include, a statement indicating that the firm has issued its annual reports in compliance with IFRS and that 2012 was its first year of compliance with IFRS. Also, share price of the company must be actively in trade on the floor of NSE throughout the period of the investigation.

Panel data of selected firms were drawn from NSE databanks for the four years under survey. Share price of each firm at the end of the last working day in March (third months after the financial year-end) was obtained from NSE archival data which were supplied on application. Published annual reports of the sampled firms as maintained at the NSE library were studied to evaluate extent of the firm's compliance with IFRS mandatory disclosure requirements for each year under study.

Self-developed item-based Cindex was employed to gather information on level of each sampled firm's compliance with IFRS/IAS disclosure requirements as indicated in their annual reports in line with prior studies such as Al-Shammari (2011), Alfaraih (2009), and Al-Shammari *et al* (2008). The Cindex contains thirty-one (31) accounting standards (IASs and IFRSs) which were found applicable to Nigerian corporate financial reporting environment out of thirty-seven (37) standards with effective due date starting from on or before January 2012. Disclosure requirements for each standard were extracted to form the Cindex which was also crossed-examined with similar instruments used by Alfaraih (2009) and Tsalavoutas (2009). Nevertheless, the instrument was constructed to reflect disclosure requirements as relevant to the Nigerian financial reporting environment. This data collection process is in line with prior studies such as Alfraih and Alanezi (2015) and Tsalavoutas and Dionysiou (2014).

Unweighted scoring method was employed to determine level of compliance with IFRS. This method is considered appropriate because the study focused on mandatory disclosure items with target on all users group (Alfaraih, 2009). Appropriately disclosed information was scored 1, zero (0) otherwise, while inapplicable standard/disclosure were reported as 'Not Applicable' (NA) for the concerned company. Thus, in line with prior studies (Alfraih & Alanezi, 2015; Tsalavoutas, 2009), Cindex was measured as the ratio of total item disclosed to maximum possible score applicable to each company and expressed as follows;

Total disclosure (TD) = $\sum_{t-1}^{m} d_i$ where *d* = 1 if item d_i is disclosed; *d* = 0 if item d_i is not disclosed while $m \leq n$.

Maximum Score (M) = $\sum_{t-1}^{n} d_i$ where *d* is the expected disclosure items; *n* is the number of item that the company is required to disclose.

Therefore, *Cindex* = $\dfrac{\sum_{t-1}^{m} d_i}{\sum_{t-1}^{n} d_i}$ OR $\dfrac{TD}{M}$ -------------------------- (1)

Thus, equation 1 was used to measure extent of compliance with IFRS disclosure requirements.

To ensure content validity of instrument adopted to measure extent of compliance (Cindex), it was subjected to separate independent review of senior representative of a reputable local and international audit firms in Nigeria for professional review of items included in the instrument in line with their disclosure checklists. The outcome of their separate independent reviews, comments and suggestions were aggregated together and later reconciled with measures used in prior studies which led to 503-item Cindex that was later used to assess extent of Nigerian listed firms' compliance with IFRS. Related technique has been adopted by Tsalavoutas and Dionysiou (2014), Al-Shammari, (2011) to validate the instrument.

Furthermore, to ensure reliability of the instrument, annual reports of six listed firms (four representing non-financial and two represents financial firms) were made available to two independent scholars to assess. Also, focus of the study as well as relevant guide on how to score the instrument after extensive study of each financial report were discussed with the two independent assessors. Non-parametric Mann-Whitney U test was employed to observe whether the median of the two samples are significantly different from each other. This was also supported with the use of its alternative parametric independent t-Test that allows the use of sample means. The two measures provided bases for testing whether probability that scores from the two independent assessors came from the same population.

Data processing involved the use of both descriptive and inferential statistics. Eviews statistical package was used to process the data. Diagnostics tests were also performed to ensure that the estimate represents best linear unbiased estimation. While mean, median and standard deviation were engaged for descriptive analyses, panel least square regression using model in equation 2 provided guide for the inferential statistical analyses.

$nlSP_{it} = \beta_0 + \beta_1 CindexDum_{it} + \varepsilon_{it}$ ----------------------------- (2)

$nlSP_{it}$ is the natural log of share price of firm *i* at time *t* (March and June-end), β_0 is the constant term, β_1 is the coefficient of the independent variable, $CindexDum_{it}$ is the dummy variable that equals 1 if compliance score of firm *i* in time *t* is above median, zero otherwise, ε_{it} is the error term, *t* is 2012, … 2015.

Both t-Test and F-Statistic were employed to examine significance of the coefficient of CindexDum and the model respectively at 5% level of significance.

RESULTS AND DISCUSSION

Results of Validity and Reliability Tests

The outcomes of Cindex's validity test indicated that 503-item compliance index would be appropriate for this study. Table 1 presents details of how the 503-item Cindex was obtained.

Table 1: Results of Cindex Validity Test

S/N	IAS/IFRS Number	Items identified by the researchers	Items suggested by the two independent auditors (combined)	Final Cindex Items (after Reconciliation with prior studies)
1	IAS 1	75	78	78
2	IAS 2	8	8	8
3	IAS 7	17	18	18
4	IAS 8	16	19	21
5	IAS 10	6	8	7
6	IAS 11	8	8	8
7	IAS 12	17	19	18
8	IAS 16	15	16	15
9	IAS 17	20	20	20
10	IAS 18	7	7	7
11	IAS 19	17	21	20
12	IAS 21	6	6	6
13	IAS 23	3	5	2
14	IAS 24	9	13	9
15	IAS 26	3	3	3
16	IAS 27	15	15	15
17	IAS 28	15	15	15
18	IAS 31	9	9	9
19	IAS 33	10	11	10
20	IAS 36	21	21	21
21	IAS 37	13	13	13
22	IAS 38	14	15	14
23	IAS 40	15	18	21
24	IAS 41	22	22	22
25	IFRS 1	4	6	6
26	IFRS 2	13	15	15
27	IFRS 4	11	11	11
28	IFRS 5	14	15	15
29	IFRS 6	3	4	4
30	IFRS 7	38	52	52
31	IFRS 8	20	20	20
	TOTAL	**464**	**511**	**503**

As shown on Table 1, we generated 464-item self-developed compliance index for the study from 31 standards (i.e. 24 IASs and 7 IFRSs) found relevant to Nigerian listed firms' financial reporting environment. Aggregated suggestions and comments from senior representatives of the two independent audit firms consulted on content validity of the self-developed Cindex indicate appropriateness of 511 items. Therefore, after consultation with another independent academic in the field of corporate reporting and IFRS and in line related prior studies, we arrived at 503-item Cindex which was subsequently used to measure extent of the sampled firms' compliance with IFRS. The results of both Mann-Whitney U test (i.e. p-value = 0.149; Z = -

1.443) and its alternative parametric independent t-Test (i.e. t-Test: p = 0.425) suggest that there is no statistically significant difference in the scores from the two independent assessors with p-value generally far above 0.05 level of significance (2-tailed). This implies that the sample are from the same population since the tests returned statistical insignificant difference between compliance scores from the two independent assessors. Nevertheless, the six companies used for this pilot test were excluded from the main study's sample.

Furthermore, results of the validity test on the compliance index indicate that IAS 23 has the least items (2) while IAS 1 has the highest items of 78 disclosure requirements. This suggest a wide dispersion in the number of disclosure items for each standards used. Nevertheless, each entity was assessed based on relevant accounting standards and its disclosure requirements as applicable to it.

Results of Descriptive Analyses

With regards to sampling procedures adopted, Table 2 presents summary of sampled firms.

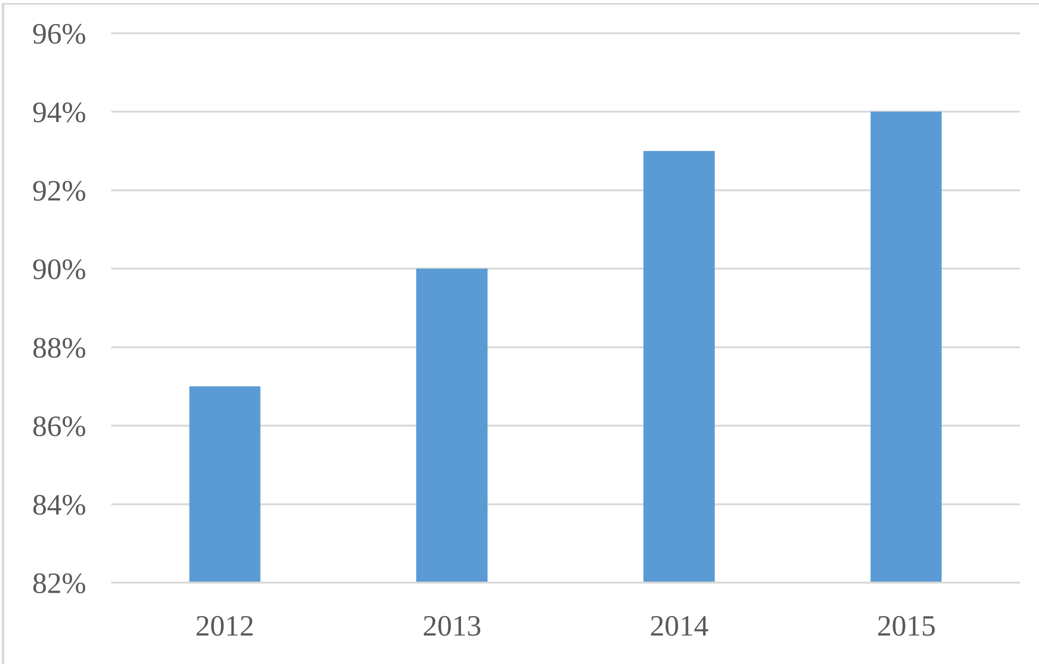
Table 2: Summary of the Sampled Firms and Industry Category

Industry Category	No. of Firms	Percentage
Financial Industry	23	33%
Non-Financial Industry	46	67%
Total	**69**	**100**

This indicate that the sample consist 69 Nigerian listed firms representing 33% financial industry category and 67% non-financial firms. This sample was arrived at after adopting sample selection criteria indicated under the research methods. Apart from utility sector that has no listed firm under it during the period of this study, all other eleven sectors are coincidentally represented in the sample. The result of the sampling process suggests that the remaining 59 firms did not meet all the stated criteria.

Figure 1 presents yearly overall average compliance score of the sampled firm. Using equation 1, yearly overall compliance scores of the listed firms as indicated in Figure 1 based on 31 accounting standards assessed reveal 87%, 90%, 93% and 94% for year 2012, 2013, 2014 and 2015 respectively with total overall 91% (average) compliance score for the entire four-year period. These results indicate persistent improvement in the level of compliance with mandatory disclosure demands of IFRS by the sampled firms. As indicated by overall compliance score of 91%, the result also suggest higher level of compliance with IFRS mandatory disclosure demands from the NSE context relatively to 75% reported by Tsalavoutas and Dionysiou (2014) from Greece stock market, 86% reported by Yiadom and Atunyo (2014) from Ghana stock market, 73% obtained from Kuwait market by Alfaraih (2009) but below 94% reported from Australia by Tower *et al.* (1999).

Figure 1: Yearly Overall Average Compliance Scores



Moreover, results of the compliance test showed that, the highest and lowest total compliance scores among sampled firms were 99.4% and 66% respectively. However, observed yearly improvement in the level of compliance with IFRS disclosure might have been prompted by NSE mandatory requirement for listed entities to comply, possible follow-up by the regulators and firms' improved acquaintance with IFRS dictates through reporting entities' staff training and development.

As presented in Table 3, in 2012, 2013 and 2014, results of compliance assessment of the sampled firms with regards to each accounting standard employed show that, IAS 1 and IAS 18 are well complied with while IAS 23 recorded lowest overall compliance score. But in 2015, IAS 1 was the most observed standard with 99% compliance score followed by IFRS 1, IFRS 2, and IAS 18 with 98% compliance score while IAS 23 remained the least complied standard with improved compliance score of 71%. In overall, IAS 1 and IAS 23 were the highest (98%) and lowest (49%) observed standards respectively. The Table also revealed some level of persistent reduction in the broad variation of the rate at which sampled firms complied with mandatory demands of each of the accounting standard within the period under examination.

Table 3: Yearly Firms Overall Compliance Scores by each Standard

Applicable IAS / IFRS	2012	2013	2014	2015
IAS 1	0.98	0.98	0.98	0.99
IAS 2	0.80	0.86	0.90	0.93
IAS 7	0.86	0.87	0.88	0.91
IAS 8	0.86	0.90	0.94	0.96
IAS 10	0.89	0.92	0.94	0.96
IAS 11	0.94	0.94	0.94	0.94
IAS 12	0.86	0.89	0.91	0.92
IAS 16	0.87	0.92	0.94	0.95
IAS 17	0.86	0.88	0.90	0.90
IAS 18	0.97	0.97	0.98	0.98
IAS 19	0.71	0.78	0.82	0.85
IAS 21	0.71	0.78	0.80	0.86
IAS 23	0.17	0.35	0.68	0.71
IAS 24	0.83	0.87	0.88	0.92
IAS 26	0.71	0.75	0.80	0.83
IAS 27	0.78	0.96	0.95	0.97
IAS 28	0.86	0.89	0.91	0.91
IAS 31	0.84	0.92	0.93	0.96
IAS 33	0.88	0.91	0.92	0.93
IAS 36	0.82	0.87	0.89	0.90
IAS 37	0.89	0.91	0.91	0.93
IAS 38	0.86	0.89	0.91	0.93
IAS 40	0.85	0.87	0.88	0.89
IAS 41	0.68	0.78	0.76	0.76
IFRS 1	0.93	0.96	0.92	0.98
IFRS 2	0.75	0.86	0.90	0.98
IFRS 4	0.86	0.87	0.91	0.97
IFRS 5	0.80	0.87	0.87	0.90
IFRS 6	0.88	0.88	0.87	0.88
IFRS 7	0.81	0.86	0.88	0.90
IFRS 8	0.84	0.87	0.88	0.89

Attempt was made to examine extent of compliance base on industry categories. The results indicated that, non-financial industry category recorded low but progressive compliance scores across the four-year period (i.e. 2012 – 67%; 2013 – 71%, 2014 – 74% and 2015 – 76%). On the other hand, financial services industry category appears to have maintained consistent and progressive higher compliance scores for the same period (i.e. 2012 – 75%; 2013 – 79%; 2014 – 82% and 2015 – 84%). The observed gaps in-between the two industry categories might be due to other regulatory demands expected to be observed by the listed financial companies such as CBN prudential guidelines, Banks and other Financial Institution Act, among others.

In a nut shell, descriptive analysis of extent of compliance with IFRS by the Nigerian listed firms could be documented to have improved within the four years of adopting the standards. Also, observed yearly improvement in the level of compliance still have potentials for better improvement with regards to low compliance scores among non-financial firms relative to level of compliance record by financial industry category. Therefore, these descriptive results have revealed extent of compliance with IFRS at the Nigerian stock market as a way of responding to the first objective of this study.

Influence of the Extent of Compliance with IFRS on Value Relevance

This subsection presents results of inferential statistics (using simple regression analysis) performed on the effect of extent of compliance with IFRS on value relevance in the Nigerian stock market. Based on possible enhanced informative nature of IFRS and its disclosure demands, the second objective of this study was hypothesised as follow.

H_{01}: There is no significant effect of extent of compliance with IFRS on value relevance of the Nigerian listed firms.

The hypothesis is tested by using univariate regression model stated as stated in equation 2. That is,

$$\text{nlSPm}\,it = \beta_0 + \beta_1 \text{CindexDum}_{it} + \varepsilon_{it}$$

To achieve this, a dummy variable (CindexDum) that equals 1 if firm's compliance score is above median score, zero otherwise was created. Subsequently, natural logarithm of share price was regressed on this variable to observe whether higher level of compliance with IFRS disclosure requirements has influence on value relevance. Jarque-Bera normality test results indicates value of 4.273059 with p-value of 0.118064. This result suggests that, null hypothesis of normality cannot be rejected which implies that the sample distribution is not significantly different from the population distribution. Random effect model of panel least square was found suitable because of the Hausman Test Chi-Square (χ^2) statistic value of 2.172505 with p-value of 0.1405 (at one degree of freedom). White cross-section robust coefficient covariance method which aids computation of coefficient standard errors was adopted. Results of the analysis is as presented in Table 4.

Table 4: Regression Output of Level of Compliance with IFRS

Variables	Intercept	CINDEX
Coefficient	2.495861	0.06259
Std. Error	0.049966	0.02330
t-Stat.	49.95081	2.68671
P-value	0.0000	0.0082
R^2	0.127232	
Adj. R^2	0.118130	
F-stat.	7.01840	
P-value	0.0082	
Durbin-Watson	2.0992	

As presented in Table 4, beta coefficient of CindexDum (0.06259) in the model is positive and statistically significant ($p < 0.01$). This indicates that greater compliance with IFRS is capable of expressing increment in share prices of the Nigerian listed firms. The explanatory power of the model indicates approximately 12% adjusted R^2 which is significant at p-value less than 0.05 level (F-Stat. equals 7.018), suggesting the suitability of the model. These findings imply that there is positive effect of higher level of compliance with IFRS on value relevance in the Nigerian stock market. On the flipside, untabulated results of the dummy variable of low compliant firms indicates inverse relationship with share value which is significant at 0.01 level. This implies that participants in the stock market generally react to the degree of compliance with IFRS mandatory disclosure requirements as reported by the listed firms.

We also made further attempt to estimate value relevance of extent of compliance with IFRS based on each industry category (i.e. financial and non-financial). The results showed that greater compliance is positively and significantly value relevant in the two industry categories. Coefficients of financial industry category (i.e. 0.10378) is statistically significant (p-value = 0.0001; t-statistic = 4.1636) while beta of non-financial category indicates 0.062001 which is significant at 0.05 level (p = 0.0257; t-statistic = 2.24976). The regression models for the two industry categories revealed that 16% of variability in share prices of financial industry category is explained by greater compliance with IFRS using adjusted R^2 which is higher than that of non-financial industry with 12.2% adjusted R^2. Nevertheless, both models are significant (F-statistics = 17.32517 for financial category and 5.061438 for non-financial). These results suggest further that, even though greater compliance with IFRS is value relevant at the NSE, beta coefficient and explanatory power of compliance level among listed financial firms explain sensitivity in share values than that of listed non-financial industries. This finding provides inferential support to descriptive results between the two categories of Nigerian listed firms as shown earlier.

Thus, we draw from these findings that investors at Nigerian stock market are generally impressed by greater compliance with IFRS mandatory disclosure demands in making economic investment decision at the stock market. That is, the higher the informative nature of the listed companies' annual reports, the more value relevance in the stock market. These findings concur with Tsalavoutas and Dionysiou (2014) who reported that levels of compliance with mandatory disclosure of IFRS have valuation effect in the Greece stock market, and Alfraih and Alanezi (2015) from Kuwait stock market. Hence, since results of this investigation suggest that extent of compliance with IFRS has significant potential to drive share value in the Nigerian stock market, null hypothesis that there is no significant effect of extent of compliance with IFRS on value relevance in the Nigerian stock market cannot be accepted.

SUMMARY AND CONCLUSION

In response to calls from extant studies for more empirical evidence of value relevance of extent of compliance with IFRS by listed firms, this study focused on firms listed at the Nigerian stock market. It was structured to examine influence of extent of compliance with IFRS on value relevance for the first four years of adoption. Qualitative research design was employed while listed firms on the Main Board of NSE with December 31 as financial year-end formed target population. Panel data were sourced from the sampled firms as compliance index consisting 503 items was used to assess extent of compliance among Nigerian listed firm. The study which captured four years of survey (2012 – 2015) unveil that, greater compliance with IFRS mandatory disclosure requirements is significantly value relevant at the Nigerian stock market but more value relevant for financial industry category. As such, we conclude that extent of compliance is positive and significantly value relevant at the stock market.

Based on these findings, it is submitted that IFRS is becoming more informative in the stock market. Therefore, it is adduced that, Nigerian stock market is gradually becoming more informatively efficient which explains relevance of EMH as suitable conjecture to unearth value relevance. Also, the results could also be interpreted in the light of stakeholder theory in that, the observed improvement in yearly level of compliance with IFRS as well as its significant value relevance are indications that management of Nigerian listed firms consider the needs of various stakeholders important with regards to information disclosed. This revealed appropriateness of stakeholder theory in explaining value relevance of IFRS compliance among listed firms and its improved informativeness towards meeting diverse expectation of numerous users of financial reports.

Policy implication of our findings is that, NSE regulators as well as Financial Reporting Council of Nigeria should gear more efforts to ensure improved compliance with IFRS demands especially among listed non-financial firms. This should involve issuance of all-inclusive IFRS compliance checklist that is specifically relevant to each industry. Through this measure, compliance level of each listed firm could be appraised periodically by the regulators while firms with below required scores should be sanctioned accordingly. Benefits of ensuring improved compliance with IFRS has potential positive drive on foreign direct investment which is capable of enhancing both emerging stock markets and national economy at large.

Nevertheless, since this investigation is limited to listed firms on the main board of NSE and firms with December 31 as financial year-end, we advocate that future investigation should consider other forms of listed firms (Alternative stock market) and/or all the listed firms irrespective of the date of financial year-end. Also, value relevance of the listed firms' compliance may be targeted at a specific industry category for the purpose of establishing common compliance level in such industry. In addition, value relevance of the accounting information of both high and low compliant firms could form area of empirical attention by prospective studies.

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