The value-relevance of accounting information in Nigeria: analysts' perception in the IFRS regime

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Abstract: This study investigates the effect of IFRS adoption on the value-relevance of accounting information in Nigeria. The study builds on the explanation of extant finance theories on the value and timing of information. IFRS was measured with more disclosure of economic events as well as the fair valuation of economic events under IFRS. The opinions of a number of financial analysts with the aid of e-mail questionnaire were sourced. A log-linear test was run to test the interaction of the variables and the significance of such interaction. A significant relationship was found between the each of the independent variables and the dependent variable at 5% level of significance. The study therefore offers explanations regarding the IFRS adoption as a bridge of the gap between accounting and finance measurement of information. Hence, concludes that IFRS adoption has enhanced the value relevance of accounting information in Nigeria. However, recommendation was made that more measures should be put in place to ensure full compliance of IFRS by all affected Nigerian entities.

Keywords: fair value, IFRS, Nigerian GAAP, finance theory, economic disclosure.

1 Introduction

Inherent in the profession of accounting are rules and principles that give room for manipulations and designs by professional accountants. Hence, given the required skill and accounting acumen, two accountants could present two different profit figures from the same records and none would be considered to have erred in so far as he considers some underlying concepts in the preparation of his accounts. Advocates of fair value accounting see the key motivation in reporting all assets in the balance sheet at fair value because it is more current and perhaps more relevant (Cunningham, 2005). However, accounting traditionally measures most assets using historical cost because it is considered reliable. This serves as the basis of annual depreciation of the historic value of an asset as it is justified by its consistent burdening of income of accounting periods with the supposed equivalent contribution of the depreciated asset to the generation of such incomes. This tradition is faulted both in basis and methods. Depreciation methods are numerous and also produce different depreciation figures. This and several other examples dominate the principle and practices of accounting. The exploitation of the loopholes created by the accounting rules to generate undeserved and unwarranted benefits is referred to as designed accounting or creative accounting. Also termed macro-manipulation, income smoothing, earnings management, earnings

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smoothing, financial engineering cosmetic accounting or window dressing (Belkaoui, 2004; Amat, Blake & Dowds, 1999; Zeljana & Klepo 2006), designed accounting is defined as "the opportunistically used discretion over accounting numbers with intention to mislead users of the information" (Zeljana & Klepo 2006, p. 274).

Applied faithfully, the harm caused by the strict adherence to accounting rules could have been restricted to the relevance and reliability of the figures it produces in terms of time value of money. By extension however, the loopholes created by these rules have been exploited by fiendish accountants to perpetrate fraud and this has taken a toll on the profession as it has manifested in an upsurge of accounting scandals across the globe thereby having implications for the public confidence in the profession.

This paper considers the arguments of the proponents of finance theory to evaluate the relevance of accounting data produced out of historical values and the opportunities provided by accounting rules to distort accounting figures. It further explores the recent move towards fair-value approach as introduced by the fast growing IFRS adoption in favour of its currency and perhaps, the likelihood of being more relevant than the figures produced by historical cost valuation.Since the popularization of IFRS, research outputs on the evaluation of the value-relevance of accounitng information in Nigeria is scarce. Notwithstanding, the condemnation of the accounting data by the proposition of the finance's efficiency theory may have been overcome by the adoption of a supposed more reliable method (Fair Value Accounting). Therefore, the value relevance of accounting information is examined by evaluating the analysts' perception in the IFRS era.

2 Literature Review

This section is organized into five (5) subsections to explore literature relating to the value-relevanceof accounting information in the fair-value regime. The next subsection gives the theoretical exposition of the work. The following sections discuss the the conceptual framework and the hypotheses development.

2.1. Theoretical Framework

The theories of corporate finance started with the birth of corporations. At inception, it was "riddled with logical inconsistencies and was almost totally prescriptive, that is, normative oriented" (Jensen & Smith, 1984 p.2). The significance and civilization of finance began to occur in the 1950s when the "analytical methods and techniques traditional to economics began to be applied to problems in finance [which therefore led to the] formulation of major building blocks in modern theory of financial economics" (Jensen & Smith, 1984 p.3). Hence, theories like the Efficient Market Hypothesis, Portfolio Theory, Capital Asset Pricing Theory, Option Pricing Theory and Agency Theory were formulated. Central to the relevance of information in finance is the Efficient Market Hypothesis (EMH) which is adopted herein.

The concept of Efficient Market Hypothesis informs the classification of

information in relation to their sensitivity to stock prices. Basically, information are considered strong when they incorporate all available information, semi strong with the incorporation of all publicly available information and weak when they incorporate only historical information (Hadi 2006; Akintoye 2008; Jain, 2012; Nwaolisa&Kasie 2012). A Strong Form of Efficiency of a market is understood when “every information regarding historical process, earnings, mergers, accounting statements and all publicly and privately traded.....is already incorporated in the process of the stock” (Jain 2012 p. 18). The reflection of information other than just historic information determines the strength of the strong form over the others. Although, it has been argued that the semi-strong form of market hypothesis is relevant for accounting information because it is the primary source of public information through the issue of financial reporting (Hadi, 2006), the relevance of accounting information has been met with scepticism by various scholars(see Cunningham, 2005; Yang, Rohrbach& Chen, 2005;Devalle, Onali&Magarini, 2012).

Cunningham (2005), discussing through the lens of finance theory argues that accounting information, being majorly historic data, “is rapidly impounded into stock price.... and any effort to improve accounting theory or practice is meaningless” (p. 3).He believes that if accounting information had been considered relevant and reliable, “there is no point searching for an optimal form [of market hypothesis]” (p. 3). In numerous contexts, “economic inferences and decisions are based on measures of historical costs” (Rajan & Reichelstein, 2009 p. 824). The relevance of accounting data is further threatened by the economists as they “believe that historic data are sunk and therefore have little economic relevance with regard to current economic conditions (Rajan & Reichelstein, 2009 p. 824).

Accounting data is based on principles which permit the use of differing procedures in different situations and hence report earnings that may be difficult to rely upon for economic decision. However, the “market value of assets is the present value of their cash flow discounted at appropriate risk-adjusted rate” (Akintoye, 2008). Hence, “market price responds to cash flow effects of managerial decision and policy, not to the effect on reported earnings per share” (Cunningham, 2005 p.3) as presented by accounting data on periodic basis.

Accounting data is also faulted due to its reliance on the allocation of economic events to discrete time periods (Cunningham, 2005). This is the crux of accrual concept of accounting. To illustrate this, Rajan & Reichelstein (2009) noted that the depreciation and amortization of assets based on historic values conforms perfectly to accrual accounting. The current income statement reflects depreciation and amortization expenses of past asset acquisitions. This could hamper the reliability of the income values produced from such accounting statement and hence decisions thereupon.

2.2. Conceptual Issues

2.2.1 Macro-Manipulation and Designed Accounting: Implications for the relevance of accounting information

The opportunity to present a picture that sends a signal that shapes peoples' perceptions of managerial performance and mislead information users is presented by designed accounting. It takes different dimensions such as income smoothing, creative accounting, earnings management etc. (Belkaoui 2004). Although these dimensions share similar basis, they are applied in different situations to different objectives. While Earnings Management is done by "structuring transaction to alter financial reports to either mislead some stakeholders....or to influence contractual outcomes that depend on reported accounting numbers" (Kepsu, 2012 p. 25), income smoothing involves "deliberate choice and timing of transactions that can affect cash flows and control underlying events" (Belkaoui, 2004 p. 56). It is basically done to moderate yearly fluctuations in income by shifting earnings from peak years to less successful periods (Copeland, 1968) hence aligning reports of wide variations among periods to bridge the gap of a sharp decrease in earnings reported by during those periods. Creativity in accounting takes a dimension of exploiting the loopholes and flexibilities in accounting rules. It implies a "liberal interpretation of accounting rules allowing choices that may result in a depiction of financial situations that are more optimistic than the real situations" (Belkaoui, 2004 p.57) perhaps to make some financial gains or deceive users of accounting data. Copeland (1986) cited in Amat & Gowthrope (2002) considers that

> *"it involves the repetitive selection of accounting measurement or reporting rules in a particular pattern, the effect of which is to report a stream of income with a smaller variation from trend than would otherwise have appeared" (p.5)*

Regardless of whatever form it takes however, the effect of designed accounting is felt more by the output it produces for users to rely upon. It has though been argued that designed accounting is sometimes done for positive intension such as: to ensure the reporting of stable earnings, to avoid payment of tax or to increase the confidence of shareholder in the performance of the enterprise (see Niskanen & Keloharju, 2000; Herrmann & Inoue, 1996; Amat&Gowthrope2002), the bottom line still remains that designed accounting dampens the values of accounting data.

The case of fraud in Enron is one of the most widely reported cases with major inputs from designed accounting. "Enron took full advantage of accounting limitations in managing its earnings and balance sheet to portray a rosy picture of its performance" (Healy & Pelepu, 2003 p.10). The scheme was perfectly orchestrated so as to recognize, in present terms, forecast of prices and interest well into the future. Special Purpose Entities (SPEs) were also set up to disguise arms-length transactions as related party's transactions. The Entity concept of accounting was abused to make this a reality. It took the forms of "failure to consolidate entities, selective use of the equity method of accounting for entities, and failure to eliminate the

effect of transactions among the entities" (Cunningham & Harris, 2006 p.41). More so, "Mark-to-market accounting" was aggressively implemented in Enron. Mark-to-market accounting is operated to report derivatives at fair market values instead of historical costs (Cunningham & Harris, 2006). This happened in Enron with ease because active markets did not exist for contracts that sometimes had terms as long as 20 years as Cunningham & Harris (2006) succinctly elucidate:

> *"How did mark-to-market accounting work in Enron? Assume Enron had two option contracts matched over the same time period for the same amount of commodity; one contract was to buy the commodity and the other contract was to sell the commodity. Enron would look into the future, assume both contracts were exercised and net the results. After allowing for delivery costs and for reserves for other unforeseen costs, the net income(loss) was estimated over the life of the matched contracts. Then this estimated net income (loss) was discounted for the time value of money, to its present value and recorded as a gain (loss). The method required that each year the estimated future earning be re-estimated and marked up or down" (p.40)*

Given these antecedents, the value-relevance of accounting data is threatened as widely supported in the finance and economics literatures. Avenues have been created for critics overtly and covertly to castigate the data produced by the traditional accounting methods. Wai (2008) considered that "accounting information constitutes a noisy representation of economic reality due to the spectrum of accounting alternatives available to meet a diversity of information needs" (p.179). Illustrating the "noise" in accounting information, Wai (2008) explained that:

> *"two key accounting summaries of a firm's economic reality, net income and net assets, have been called noisy signals of wealth due to the sheer number of options available in constructing accounting numbers – e.g. LIFO versus FIFO in inventory evaluation, straight line depreciation versus reducing balance depreciation – to meet a diversity of information needs" (p.180)*

The argument that: "accounting information of firms and their competitors aid managers and investors in identifying and evaluating investment opportunities" (Bushman & Smith, 2003 p.67) cannot be completely discountenanced as the "noise" in accounting information, according to Mattessich (2005) does not nullify the usefulness of accounting information as long as decision makers are conscious and wary of the noise within the information. It nonetheless, dashes a skeptic view at the reliability and relevance of accounting data in making informed decisions. Plethora of accounting fraud has been reported both prior and subsequent to the event of Enron. The causes of the eventualities, which are mostly not unconnected with cosmetic accounting, are made known to public which in turn hamper the confidence they have in the output of the profession thus having implications for public confidence in accounting profession.Figure I below

succintly describes the transformation of raw data into accounting information before the adoption of IFRS.

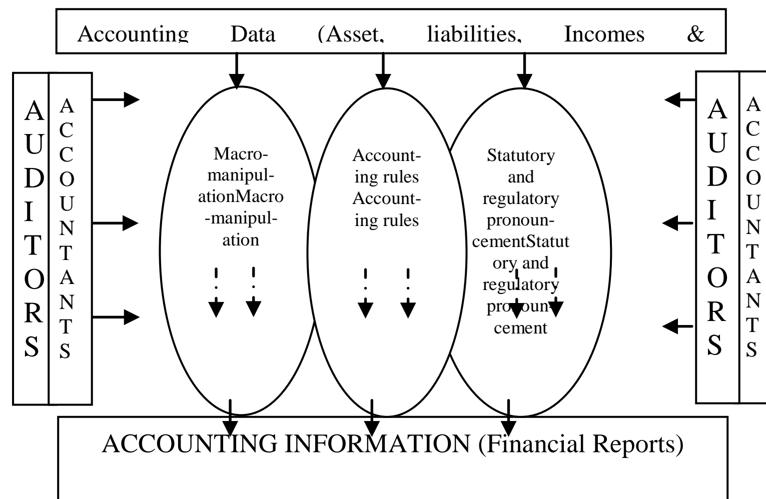

Fig. 1 accounting data processing prior to Fair Value Accounting adoption and the Enactment of Financial Reporting Council Act in Nigeria

Source: *Adapted from* Kettunen(2011)

Figure 1 above depicts the flow and processing of accounting data. Given that accountants and auditors are the experts and major players in the conversion of accounting data into information through the preparation, presentation and auditing of financial reports, accounting data passes through the thorough scrutiny of accounting rules. Both accounting manipulation and regulatory and statutory pronouncements serve as either positive or negative influence on the accounting rules which are applied on the data input before transformation into accounting information. Accounting manipulation is considered a "liberal interpretation of accounting rules allowing choices that may result in a depiction of financial situations that are more optimistic than the real situations" (Belkaoui, 2004 p.57). Enron's case is a clear testimony to this as Healy & Pelepu(2003) observed that "Enron took full advantage of accounting limitations in managing its earnings and balance sheet to portray a rosy picture of its performance" (p. 10).

More so, the regulatory and professional pronouncements cannot be considered absolutely infallible in the way they influence the transformation of accounting data into financial reports. Company and Allied Matters Act (CAMA) (1999 as amended) of Nigeria has its equivalent in almost all the countries of the world as enacted by concerned government bodies to enact laws that reshape financial accounting rules. The tendency is to set rules that satisfy government needs such as computing income taxes or demonstrating

compliance with national government policies and macroeconomic plans (Ali & Hwang, 1999). This in many instances has run in conflict with accounting practices that are determined primarily by accountants, whose objective is more likely to be the integration of emerging accounting ideas into the existing structure of standards (Wyatt, 1997). Such is the case when the Nigeria's CAMA requires the preparation of separate financial statements in respect of two companies within a group of companies but have dissimilar activities as against the requirement of the international Accounting Standard where it is explicitly stated that "A subsidiary is not excluded from consolidation because its business activities are dissimilar from those of the other entities within the group" (IAS 27 p.A615). Accounts prepared in compliance with either would not be considered incorrect when in actual fact may have produced conflicting profit figures.

2.2.2. The Enactment of FRCN Act[1], IFRS adoption and Financial Reporting in Nigeria

In an effort to place accounting and financial reporting practices in Nigeria on the same footing as that of the world's best practices, the "FRCN Act" was enacted. In the presentation of a paper in 2012 at a retreat with accounting lecturers in Nigerian Universities, the Director of the council, Jim Obazee Osaynade noted that the "council will require management assessment of internal controls, including Information Systems Controls with independent attestation" (p. 25). He stated further that as part of the FRC oversight of professionals, "the FRC requires a good code of ethics for financial officers and certification of financial statements by chief executive officers and chief financial officers" (Osayande, 2012 p. 23) of reporting entities. More so, the council will reinvigorate efforts in restoring public confidence in financial reporting as it "issues code of corporate governance and guidelines, and develop a mechanism for periodic assessment of the codes and the guidelines" (Osayande, 2012 p. 23). Arguing further for the enactment of the FRCN act, Anao (2012) "considers that the development is timely as "it expands the scope of financial regulation beyond traditional spheres of accounting and financial reporting and also spans auditing and corporate governance" (p. 5). The increased involvement of government in financial reporting presents a picture that is ardently passionate about the public interest. Perhaps, because of the plethora of bank fraud exposures recorded in recent times in Nigeria and the urgent need to align with international best practices.

2.2.3. IFRS adoption and the value-relevance of Accounting Information

Fair Value Accounting has shifted the paradigm of Accounting since "a major feature of IFRS qua standards is the extent to which they are imbued with fair value accounting" (Ball, 2005 p.19).In history, Fair value

[1] Financial Reporting Council of Nigeria Act was enacted on 7th June 2011 to repeal the Nigerian Accounting Standard Board Act, No.22 of 2003 hence, charged with the responsibility for, among other things, developing and publishing Accounting and Financial Reporting Standards to be observed in the preparation of financial statement of public entities in Nigeria; and for related matters. (FRCN Act,2011 p.A59

accounting "has played an important role in U.S. generally accepted accounting principles (GAAP) for more than 50 years" (Ryan, 2008 p.4). It has been described as "the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction" (IFRS 3), apparently, it departs from historical cost accounting"(Jensen 2007. p.307).Although it shares similar features with liquidation valuation, it is considered as a concurrent exit value because it does not take cognizance of the accompanying cost of liquidating underlying assets as in the case of liquidation values. Accounting literature is replete with arguments against fair valuation. It has mostly been criticized on the ground that it brings about "adjustment that cause enormous fluctuations in earnings, assets and liabilities that are washed out over time and never realized" (Jensen 2007. p.308). However, testimonies of its radicalism in improving the scope for market discipline, accounting information and corrective actions are countless. "It is increasingly acknowledged in both the academic literature and the supervisory debate that the discipline exercised by informed and uninsured investors is an essential complement of supervisory control" (European Central Bank, 2004 p.9) created by the fair value accounting. It has also been practically proven that fair value accounting aligns positively both during upturns and downturns. Barth, Gomez-Biscarri& Lopez-Epinosa (2012) observe:

> *"It leads to stronger cyclicality of accounting variable: in the upturns of the economy fair value would allow for revaluation of assets......... and in downturns only fair value accounting would recognize bad news when fair value is above the cost" (p.1).*

Hitz's (2005) dual theoretical backdrop of the fair value paradigm is notable at this juncture. First, he considers fair-value-based accounting information as a complete embodiment of all the informational needs of a hypothetical market price thereby elevating accounting information to a strong form of market hypothesis. This is a counter current to the proposition of Cunningham (2005) who derogated accounting data as being "impounded into stock price" (p.3). Hitz (2005) presents fair value accounting to salvage the situation as he posits that "fair value paradigm presents market prices that aggregate in an efficient and virtually unbiased manner the consensus expectations of investors in the market concerning the cash flow pattern of the security" (p.8). Second, he argues that "investors can extract implicit consensus information from market prices in order to revise and improve their own projections" (p.8) thereby enabling users of accounting information to make accurate forecast and informed economic decision as paraded by the finance theory.

2.2.4. Empirical Framework

Extant research outputs are replete with empirical evidences that suggest the significance of IFRS to the value relevance of accounting information. A study conducted by Kim, Tsui & Cheong (2007) revealed that a sample of non-US borrowers who voluntarily switched to IFRS experienced lower borrowing costs in periods subsequent to the adoption. Christensen, Lee and

Walker (2008) made similar points with respect to the effect of voluntary adoption of IFRS and earnings management. They also discovered that timely loss recognition increases after voluntary IFRS adoption. More so, a survey of 10,017 firms in china comparing the pre and post IFRS adoption era by Lee, Walker&Zeng (2013) revealed that IFRS convergence had generally beneficial effects on value relevance of accounting information. Although the findings of Barth, Landsman & Lang (2008) is considered on international Accounting Standards and Accounting quality, their conclusion is consistent with the result of Lee, Walker & Zeng (2013) as they are also of the conclusion that firms applying IFRS exhibit less earnings smoothing, less managing of earnings towards a target, more timely recognition of losses, and a higher association of accounting amounts with share prices and returns.

According to Tarca (2008), the aim of adopting IFRS in australia was to improve the international comparability of australian companies financial reporting. Empirical findings have proven this as the conclusion of Brochet, Jagolinzer and Riedl (2011) shows that mandatory IFRS adoption reflects benefits attributable to improved comparability. Notable however is the submission of a contrary view as revealed by the work of Callao, Jarne & La´ınez (2007) who found that the main causes of the significant variation in current assets were the application of fair value to financial instruments, the reclassification of accounts, and changes in the scope of consolidation notwithstanding however that their own findings (Callao et al, 2007) is based on the comparability of IFRS and local SAS after adaptation to IFRS in the years of adoption. More so, the results of Wu and Zhang (2011) suggest that with greater globalization and accounting convergence firms likely increasingly turn to foreign peers as benchmarks for evaluating managers. “Comparability in financial statements is vital for investors to draw reasonable conclusions about the relative performance of entities” (Deloitte, 2012), perfect comparability may not be practicable but putting the preparation of reports on equal footing will enhace a more meaningful comparability and hence assist in cross-border decision making.A conceptual model from these assertions is presented below:

Learning from the framework presented in figure 1, the above figure captures how the enactment of Financial Reporting Council Act of Nigeria and the adoption of fair value accounting serve as a sieve that sieves out relevant and reliable accounting information from the accounting data input into the accounting system.

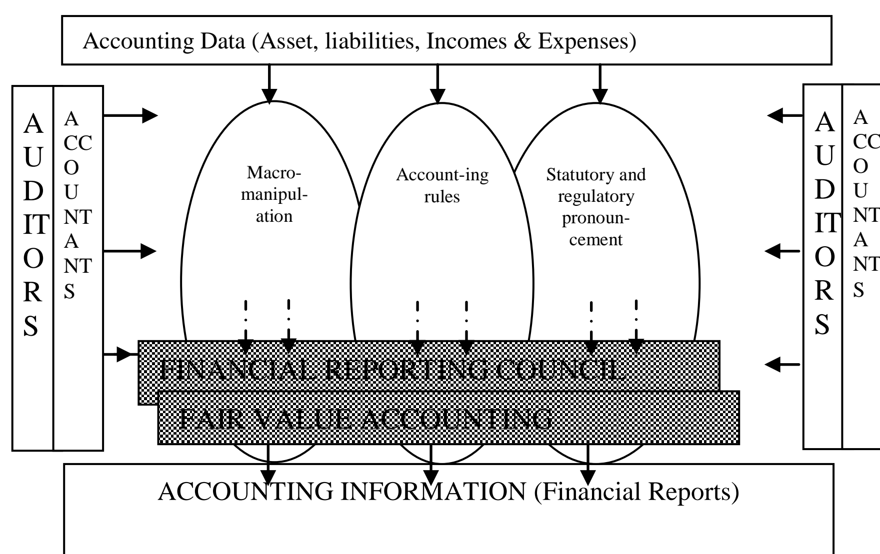

Figure 2: The effects of Fair Value Accounting and Financial Reporting Council in the processing of accounting data.

Source: adapted from Kettunen, (2011)

2.2.5 The Research Hypotheses

To empirically test the views about the effect of the adoption of IFRS on financial accounting information, the following hypotheses are tested:

Ho_1: More disclosure of economic events under IFRS than GAAP has not enhanced the relevance of Accounting Information.

Ho_2: The adoption of fair value accounting for measuring economic events under IFRS has not enhanced the relevance of Accounting Information.

3 Methodology, Data Analysis and Interpretation of Results

The study adopts a survey design approach. Specifically, financial analysts form the population of the study. The Institute of Chartered Accountants of Nigeria (ICAN) online professional forum which consists of 3,100 professional members (when the questionnaire was sent) was adopted as the sampling frame for the distribution of the questionnaire. Specifically, questionnaire items were structured to be completed by chartered accountants practicing as financial analysts in the Nigerian Stock Exchange. The questionnaire was designed to elicit information on their perceived change in the value-relevance of accounting information since the adoption of IFRS in Nigeria. The items were categorical with'1' representing "Yes" and '0'representing "No". The items were couched to provide direct and unambiguous responses.

The questionnaire was posted to the forum consecutively for ten weeks through the Google mail questionnaire facility- Google drive. It was preceded by a covering letter, soliciting for objective opinion and avoidance of multiple responses. At the end of the ten weeks, a total response of 140 was received out of which 5 were unusable for the analysis of the study because of incomplete responses. Thus, 135 responses were processed for the analysis. Descriptive statistics and log-linear analysis were used for data analysis with the aid of SPSS 17.

3.1 Descriptive Analysis

Table 1 below indicates the distribution of the respondents' profile. 44.4 percent of the respondents have experience of 10 years and above working as financial analysts while only less than 6 percent of the entire respondents have less than 3 years' experience. Above 99 percent of the respondents have a professional certification as financial analysts while 88.9 percent of these are adequately qualified as they are associate members of their respective professional bodies. Hence, the respondents' exposure, experience and qualification fit reasonably to provide needed response.

Table I: Respondents' Profile

Description	Frequency	Percentage
Experience (Years)		
1-3	8	5.9
4-6	34	25.2
7-9	33	24.4
10 and above	60	44.4
Total	**135**	**100.0**
Academic Qualification		
B.sc/HND	69	51.1
M.SC/MBA	66	48.9
Total	**135**	**100.0**
Professional Qualification as Financial Analyst		
Yes	134	99.3
No	1	.7
Total	**135**	**100.0**
Membership Status		
Student Member	3	2.2
Associate Member	120	88.9
Fellow Member	12	8.9
Total	**135**	**100.0**

Table II below shows the Cross-tabulation of the interaction between the three variables of interest and depicts the number of cases that fall into each combination of categories. In total, 82 (91.1% of total) of the respondents that believe that there were more disclosure of economic event under IFRS

subscribe to the proposition that such disclosure has enhanced the value-relevance of accounting information. However, 9 (8.9% of the total) of the respondents opine otherwise. However, 27 (65.9 percent) of the respondents that believe fair value model has been adopted in measuring economic events agree to the proposition that fair value adoption has enhanced the value-relevance of accounting information in Nigeria. 14 (34.1 percent of total) believe otherwise. Meanwhile, the assumption required of a set of data to qualify for analysis with the use of log-linear test is that; none of the expected counts must be less than 1 while expected counts less than five must be less than 20 percent of all (Field, 2005). The smallest expected count provided in the cross tabulation shown in table II below is 3.1. More so, it is the only count that falls below 5 which is 10 percent of the entire expected counts (i.e. below 20 percent). Therefore the assumption of log-linear analysis has been met.

Table II: Cross-tabulation of value – relevance* fair value measurement*more disclosures under IFRS

Enhancement of the Value-Relevance of Accounting Information				Fair value model in measuring Economic Events		Total
				No	Yes	
No	More disclosure of Economic Events under IFRS	No	Count	6	3	9
			Expected Count	3.1	5.9	9.0
			% More disclosure of Economic Events under IFRS	66.7	33.3	100.0
			% Fair value model in measuring Economic Events	42.9	11.1	22.0
			% of Total	14.6	7.3	22.0
		Yes	Count	8	24	32
			Expected Count	10.9	21.1	32.0
			% More disclosure of Economic Events under IFRS	25.0	75.0	100.0
			% Fair value model in measuring Economic Events	57.1	88.9	78.0
			% of Total	19.5	58.5	78.0
	Total		Count	14	27	41
			Expected Count	14.0	27.0	41.0
			% More disclosure of Economic Events under IFRS	34.1	65.9	100.0
			% Fair value model in measuring Economic Events	100.0	100.0	100.0
			% of Total	34.1	65.9	100.0
Yes	More	Yes	Count	8	82	90

disclosure of Economic Events under IFRS	Expected Count	8.0	82.0	90.0
	% More disclosure of Economic Events under IFRS	8.9	91.1	100.0
	% Fair value model in measuring Economic Events	100.0	100.0	100.0
	% of Total	8.9	91.1	100.0
Total	Count	8	82	90
	Expected Count	8.0	82.0	90.0
	% More disclosure of Economic Events under IFRS	8.9	91.1	100.0
	% Fair value model in measuring Economic Events	100.0	100.0	100.0
	% of Total	8.9	91.1	100.0

Furthermore, a goodness-of-fit test was run to test the hypothesis that the expected frequencies are significantly different from the actual frequency. The expected result for a good fit is that our model is not significantly different from our data. Thence, we expect this statistics to be non-significant. Our result as shown in Table III below indicates that both the statistics (Likelihood ratio and Pearson) are 0 and yield a probability value, p, of '.' Which according to Field (2005) indicate that the model perfectly predicts the data.

Table III: Goodness-of-Fit Tests

	Chi-Square	Df	Sig.
Likelihood Ratio	.000	0	.
Pearson	.000	0	.

Consistent with the satisfaction of these assumptions, the model of the study is given thus:

$$\ln(RAI_{ij})=(\lambda_o+\lambda_1 MD i+\lambda_2 FV j+\lambda_3 MDFV ij)+\ln(\varepsilon_{ij})$$

Where:

λ= Intercept of the equation

ε = Error term

RAI = Relevance of Accounting Information

MD = More disclosure of economic events under IFRS

FV = Adoption of fair value accounting for measuring economic events.

3.2. Log-linear Analysis

Given that Log-linear analysis is done hierarchically, the highest order interaction (i.e. the 3 way interaction) in hierarchy takes the lead. The likelihood ratio and Pearson chi-square statistics indicate that the highest order effect (the 3 way interaction) testing the significance of the interaction between the 3 variables is not significant thereby suggesting its removal from the model. Meanwhile, it is not represented in the model of this study as the objective of the study precludes the interaction between the 3 variables. Hence its removal from the model does not significantly affect how well the model fits the data. However, k = 1 & 2 tells us, at 99 percent confidence interval, that removing the main effects of RAI, MD and FV (one-way effect) and the interaction between RAI & MD, RAI & FV and MD &FV (2 way interaction) would have a significant detrimental effect on our model. Hence their retention in the model is paramount pre-requisite for further analysis as suggested by the statistics.

Table IV K-Way and Higher-Order Effects

	K	df	Likelihood Ratio		Pearson		Number of Iterations
			Chi-Square	Sig.	Chi-Square	Sig.	
K-way and Higher Order Effects[a]	1	7	237.395	.000	325.366	.000	0
	2	4	39.557	.000	78.013	.000	2
	3	1	.000	.996	.000	.996	4
K-way Effects[b]	1	3	197.838	.000	247.353	.000	0
	2	3	39.557	.000	78.013	.000	0
	3	1	.000	.996	.000	.996	0

a. Tests that k-way and higher order effects are zero.

b. Tests that k-way effects are zero.

Interesting as they appear, the K-way and higher order effects only indicate whether removing a higher order effect would significantly affect the model. It does not specifically identify the 2 way interaction that is having the significant effect. Table V depicts the Pearson chi-square test to test for the significance of the effect of each of the interaction. It depicts that at 99 percent and 95 percent confidence intervals, the interaction between RAI and MD as well as between RAI and FV have significant effects.

TableV: Partial Associations

Effect	Df	Partial Chi-Square	Sig.	Number of Iterations
RAI*MD	1	15.297	.000	2
RAI*FV	1	4.827	.028	2
MD*FV	1	5.197	.023	2
RAI	1	18.782	.000	2
MD	1	116.034	.000	2
FV	1	63.023	.000	2

However, Table VI shows the individual estimates using the$z$-score rather than the chi-square so as to harness useful comparison between the effects. From the estimates, the most important effect is the effect of MD (z=-4.67) followed by the MD*RAI interaction (z=2.633) and then FV*RAI (z=0.843).

Table VI: Parameter Estimates

Effect	Parameter	Estimate	Std. Error	Z	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
RAI*MD*FV	1	-.074	.272	-.274	.784	-.607	.458
RAI*MD	1	.716	.272	2.633	.008	.183	1.248
RAI*FV	1	.229	.272	.843	.399	-.304	.762
MD*FV	1	.494	.272	1.817	.069	-.039	1.027
RAI	1	.412	.272	1.516	.129	-.121	.945
MD	1	-1.269	.272	-4.670	.000	-1.802	-.736
FV	1	-.339	.272	-1.247	.212	-.872	.194

In summary, the 2-way log-linear analysis produced a final model that retains all effects. The likelihood ratio of this model was X2 (0)=0, p=1. This indicated that the 2-way interaction (more disclosure and relevance of accounting information; fair value adoption and value relevance of accounting information and; more IFRS disclosures and Fair Value adoption) was significant, X2 (4)=39.56, p=<0.001. to break down this effects, the partial association indicates that there is a significant association between "more disclosure of economic event under IFRS" and whether or not the value relevance of accounting information is enhanced, X2 (1)=4.827, p=<0.05; this also indicates an important relationship given the z-score (z=2.633). The partial association further depicts that there is a significant association between fair value adoption and whether or not the value-relevance of accounting information is enhanced. However, this interaction is less important as it depicts a lesser z-score (z=0.843). Therefore, the analysis seems to reveals a fundamental effect of IFRS adoption on the value relevance of accounting information between the need to disclose more information under IFRS and the need to adopt fair value measure in denominating economic events. Hence, more disclosure is more likely to enhance value relevance of accounting information than the need to adopt fair value model. Nevertheless, both have significant effects.

4 Summary and Conclusion

The adoption of IFRS has been one of most recent major challenges of the accounting profession. Notwithstanding the provision of the erstwhile GAAP attached to the fidelity of accounting profession in Nigeria, the Nigerian lawmakers passed the FRCN act to ensure, amongst others, a practicable roadmap to the adoption of IFRS in Nigeria. Needless to say, the adoption of IFRS will either attenuate the relevance of accounting information or enhance it. The spuriousness of the designed accounting data made easy by the loopholes created by the erstwhile GAAP is the lens through which this paper view the impact of IFRS adoption on the value-

relevance of accounting. To empirically test if the adoption of IFRS has improved the value-relevance of accounting information, this study assesses two major traits often claimed as the advantages of IFRS adoption over most GAAPs for the purpose of analysis – more disclosure under IFRS and the adoption of fair valuation measurement. Survey method was adopted to gather data for the analysis and a log-linear test was run. The study submits that IFRS adoption plays a significant role is enhancing the value-relevance of accounting information in Nigeria. However, the effect is impacted more by more disclosures required under IFRS than GAAP while fair value adoption has a lower influence. Nonetheless, the respondents significantly perceived that there is improvement in the value-relevance of accounting information since IFRS adoption. More so, an improvement by the government and relevant regulatory bodies to ensure wide adoption of IFRS will most likely improve its impact on the value relevance of accounting information. Hence, more measures should be put in place to ensure wider adoption of IFRS by affected entities.

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