

PDF - VALUE RELEVANCE OF ACCOUNTING INFORMATION OF LISTED INDUSTRIAL GOODS FIRMS IN NIGERIA - researchcub.infoAbstract

Activities in the Nigerian Stock Exchange (NSE) in the past years show that the Nigerian Industrial Goods firms is one of the sectors that contributed to the drop in the Nigerian Stock Exchange Turnover Ratio from 21.86% in 2008 to 13.26% in 2009, attributing to the decline in stock prices. Therefore, this study examined the extent to which share price of the Listed Industrial Goods firms in Nigeria are associated with fundamental accounting variables (that is, earnings per share, Book value per share and dividends per share). The thesis investigates the value relevance of accounting information in Listed Industrial Goods firms in Nigeria using data obtained from the Nigerian Stock Exchange (NSE) fact book 2011, annual report of the firms for the period 2007-2013, and daily price list on the Cash Craft website. The study is based on the semi-strong form of Efficient Market Hypothesis applying the Ohlson (1995) valuation model. Initially, Ordinary Least Square (OLS), Fixed Effects (FE) and Random Effects (RE) models were employed as tools of analysis but after conducting relevant tests, REM is used in testing the hypotheses of the study. The population of the study consisted of all the twenty-five (25) firms that are listed on the Nigerian stock exchange under industrial goods sector of the economy. After applying filtering method, 16 firms were selected as sample of the study. The result revealed that all the explanatory variables statistically and significantly influence the explained variable. This implies that accounting information published by listed industrial goods firms in Nigeria have high value relevance to the investors in making their investment decision on the firms. Specifically, earnings per share are the most value relevant accounting information followed by dividend per share, then book value per share. It is therefore recommended that the management of Nigerian industrial goods firms should maintain stability and consistency in their earnings by maintaining uniform accounting policy and diversification of operations, which will go a long way in increasing market value of the firms. The accounting standards setters should also enhance the quality of the financial reporting in order to increase the value relevance of financial statements.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Accounting is regarded as the language of business used by corporate firms in communicating their financial positions to their users through the publication of annual financial statements containing the required financial accounting information. Financial accounting information is the product of corporate accounting and external reporting systems that measures and publicly discloses audited, quantitative data concerning the financial position and performance of publicly held firms. These financial statements, according to the Generally Accepted Accounting Principles (GAAP), have certain qualitative characteristics that should be met in order for it to succeed in its purpose. The statement should disclose reliable, relevant, comparable, timely and understandable information (ICAN, 2014).

For any accounting information to meet up with the above qualitative characteristics, it must be prepared and made public for the consumption of its target users. These users need different information at different times and as such, it is mandatory for preparers of these financial statements to prepare and present reliable information to assist them in their decision making (ICAN, 2014). Reliability has to do with the quality of information which assures that information is reasonably free from error and bias and faithfully represents what it is intended to represent.

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