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Original Research Article

Earnings Predictability and Adoption of International Financial Reporting Standard in the Nigerian Deposit Money Banks

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Abstract
The idea of International Financial Reporting Standards (IFRS) is to make financial information uniform, transparent and comparable in order to increase the quality of information and reduce discrepancies in international accounting principles and reporting practices. However, financial information quality in Nigeria remains weak compared to many advanced jurisdictions. This resulted in the hampering of the growth of efficient equity markets. Therefore, the study investigates the effect of earnings predictability on the IFRS adoption in the Nigerian deposit money banks. The population of the study was all the 14 listed Nigerian deposit money banks as at 31st December 2016 out of which ten banks were drawn as sample. The multivariate technique of data analysis was employed using a multiple regression model, structured using longitudinal balanced panel data. The findings of the study revealed that earnings under IFRS adoption predict and influences the share price of listed Nigerian deposit money banks than before adopting the IFRS. Based on the findings of the study, it is therefore recommended that regulatory agencies of the sector, especially Central Bank of Nigeria (CBN) should intensify effort of monitoring the adoption and compliance by all the banks and other financial institutions in the country, as this will go a long way in improving the quality of the reported earnings and level of patronage of investments of the listed deposit money banks in Nigeria.

Keywords: International Financial Reporting Standard (IFRS), Earnings, Change in Earnings and Book Value.

JEL Classification Codes: M41, M48

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1. INTRODUCTION

The international standard-setting process began several decades ago as an effort by developed countries to create a uniform accounting standard that could apply to developing nations who were unable to develop their local standard or whose level of development suffered some deficiencies. Moreso, globalisation made all the stakeholders such as financial analysts, regulators, investors, competitors, and many more, realise the benefits of having a uniform accounting standard in all aspects of financial reporting. However, financial statements prepared according to a nation's local accounting standard may hardly meet the needs of stakeholders who are not conversant with local standards.

International Accounting Standards Committee (IASC) was founded in 1973 by a group of professional accounting practitioners with the purpose to formulate a uniform and global accounting policies aimed at reducing the discrepancies in international accounting principles and reporting practices created by various local standards. In other words, the main aim of the committee is to harmonise the entire various local accounting standards into a single and uniform standard that will be applicable globally. This is to ease international comparison and global decision making by all the users of the financial statement. The International Accounting Standard (IAS) was proposed, which has actively been championing the uniformity and standardisation of accounting principles over two decades now (Carlson, 1997). The International Accounting Standard Board (IASB) was formed in 2001 and charged to take over the responsibilities of IASC with effect from 1st April 2001. The IASB now issues the International Financial Reporting Standards (IFRS) in place of IAS.

The idea of International Financial Reporting Standards (IFRS) is to make financial information uniform, transparent and comparable, increase the quality of information and to make it as close to the true and fair presentation of company status as possible and also make the capital movement across the countries easier and less costly. In addition, International Financial Reporting Standards has gained global acceptance in recent years, especially following European Union mandatory adoption in 2005. Currently, over 150 countries have either fully adopted IFRS for financial reporting purposes or partial adoption or decided to adopt soon (www.iasplus.com).

It will be in the interest of the Nigerian economy for listed companies to adopt globally accepted, high-quality accounting standards, by fully converging Nigerian National Accounting Standards (NAS) with International Financial Reporting Standards (IFRS) over the earliest possible transition period, given the increasing globalisation of capital markets (IFRS Adoption Roadmap Committee, 2010). On 28 July, 2010, the Nigerian Federal Executive Council approved January 1, 2012 as the effective date for the convergence of Nigerian Statement of Accounting Standards (SAS) or Nigerian GAAP (NG-AAP) with International Financial Reporting Standards (IFRS). The adoption was organised such that all stakeholders use IFRS by January, 2014. According to the IFRS adoption Roadmap Committee (2010), Public Listed Entities and Significant Public Interest Entities are expected to adopt the IFRS by January, 2012. All Other Public Interest Entities are expected to mandatorily adopt the IFRS for statutory purposes by January, 2013, and Small and Medium-sized Entities (SMEs) shall mandatorily adopt IFRS by January, 2014. Nigerian listed entities were required to prepare their closing balances as at December 31, 2010, according to IFRS. The closing figures of December 31, 2010 will become the opening balances as at January 1, 2011 for IFRS based financial statements as at December 31, 2011. The opening balances for January 1, 2012 will be the first IFRS full financial statements prepared under the provision of IFRS as at December 31, 2012.

International Financial Reporting Standard (IFRS) became mandatory for financial reporting purposes on 1st January 2012 for all Quoted companies in Nigeria. However, financial institutions, especially the banking sector, have voluntarily adopted IFRS earlier before the deadline for mandatory adoption. The voluntary adoption by banks raised uestions of what were the motivations behind this decision for voluntary adoption of IFRS by these firms. For example, are the IFRS based financial statements more informative than the local SAS based financial statements?

Moreover, in Nigeria, the information disclosure requirements in the financial statements under SAS were grossly inadequate to effectively bridge the information asymmetry between companies and the users of the financial statements. However, reporting under the IFRS regime requires companies to make more disclosures regarding their key variables necessary for investment decision, and to meet the objective of financial statements, which is to show a true and fair view of the activities of a company (Shehu 2015). It is therefore envisaged that the companies will disclose more of their financial information with the transition from the local SAS to IFRS.

Financial information quality in Nigeria remains weak compared to many advanced jurisdictions. This resulted in the hampering of the growth of efficient equity markets. A common complaint among investors in Nigeria is that financial information on company performance is either unavailable or, if provided, lacks reliability (Shehu, 2011). Analysts following in the Nigerian market are far fewer than in the developed ones. Also, the Nigerian settings in terms of accounting standards, institutional structure, and corporate governance are expected to be different from those in the developed countries in terms of advancement and compliance. Given all these presumptions, it is not clear whether the evidence from

Nigerian firms, especially deposit money banks, in respect of the predictive ability of financial statements is better than those in the developed or other developing nations (Shehu & Abubakar, 2011).

There are several studies analysing the effect of IFRS adoption (e.g. Daske et al. 2008; Leuz and Verrecchia, 2000; Barth et al., 2005; Cuijpers and Buijink, 2005; Daske, 2006 and Shehu 2015). However, these researches were conducted in the developed economies except for Shehu (2015). The results from these studies were mixed and inconclusive, which necessitates a comprehensive study anchoring firm's predictive variables before and after the adoption of IFRS and share price of Nigerian deposit money banks, which will be of interest to investors, financial analysts and regulators. Besides, Nigeria is the largest market in Africa by virtue of its size. It also plays significant and dominant roles in the economies and politics of the region, both in the ECOWAS and the African Union. The importance is more clearly highlighted in the case of internationalisation of standards and the impact of accounting standard differences on the predictive ability of the information in the financial statements for different users.

In sum, there are studies suggesting that firms reporting under IFRS enjoy substantial benefits. The evidence, however, is far from conclusive and in many cases, mixed. Furthermore, it is not clear that the documented benefits can be attributed to the adoption of IFRS, i.e., to the standards themselves. For instance, the benefits could stem from broader commitments to more transparency by firms. Moreover, the studies generally focus on the average effects of IFRS adoption and do not examine the cross-sectional differences in adoption quality and compliance as well as restoring present and prospective investor confidence. Hence, this study is to fill the obvious gap by examining the impact of earnings predictability using EBO model of 1995 under IFRS adoption in the Nigerian deposit money banks.

One common ground from the arguments presented earlier is that differences in quality of accounting standards, fundamentally, play a role in differences in earnings quality and value relevance of accounting numbers. Quality of accounting standards is expected to influence the users' perception of quality of financial information and motivate them towards investments. High-quality accounting standards reduce earnings management and information asymmetry between managers, owners and other users of financial reports and enhance the predictability and reliability of financial information (Onalo, Lizam and Kaseri, 2014). This study will be of interest to investors since the level of the pervasiveness of earnings management and associated IFRS adoption using earnings predictability can help investors assess the overall quality of earnings. Rational investors make investment decisions that are primarily based on the expectation of firms' future performance and quality of earnings. Managers manage earnings, and, in effect, manage the expectation of future earnings prospects, regardless of whether earnings management is beneficial or harmful to investors (Shehu, 2015). The main objective of this paper is to examine the impact of book value, earnings and change in earnings under IFRS adoption on share price of listed deposit money banks in Nigeria. It is therefore hypothesised that earnings predictability (book value, earnings and change in earnings) under the adoption of

International Financial Reporting Standards has no significant impact on the share price of listed deposit money banks in Nigeria.

The remaining part of the paper is structured as follows: Section two provides a literature review and theoretical framework. Section three presents the methodology and empirical models used in analysing the data. Section four presents the data and discusses the findings of the study, and finally, Section five concludes and offers recommendations.

2. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Several studies related to the adoption of IFRS have been published in recent years; Shehu (2015) examine the effect of IFRS on the quality of earnings of listed deposit money banks in Nigeria, using two different regression models representing pre and post period. The findings of the study revealthat reported earnings after the IFRS adoption are more qualitative and informative than the pre-IFRS adoption. However, Shehu (2015) stopped in 2013 and used earnings quality rather than the predictive ability of earnings. Bartov (2005) Hung and Subramanyam (2007) study the value relevance of IAS accounting numbers under the local GAAP or U.S. GAAP numbers, and mixed evidence was found relative to either benchmark. Barth et al. (2005, 2006) compute a broad set of earnings quality metrics for firms using IAS and compare them to those for firms using local GAAP and U.S. GAAP, respectively. The study suggests that IAS reports are of higher quality than local GAAP reports but of lower quality than U.S. GAAP numbers. Using a set of German firms only, Van Tendeloo and Vanstraelen (2005) and Goncharov and Zimmermann (2006) found little evidence that IAS curb the level of earnings management relative to German GAAP, whereas the evidence in Gassen and Sellhorn (2006) suggests that IFRS numbers are of higher quality. Daske and Gebhardt (2006) use annual report quality scores assigned by accounting experts to assess changes in reporting quality and find that IFRS reporting is associated with higher perceived quality as reflected in higher quality scores.

However, a set of related studies examines how firms comply with IFRS. Using IASC's list of IAS adopters, Cairns (1999, 2000) investigates firms' adoption approaches (e.g., full adoption, dual reporting, and reconciliations) and their compliance with IAS. Leuz and Verrecchia (2000) examine information asymmetry and market liquidity proxies for German firms adopting IAS and U.S. GAAP. They find that IAS and U.S. GAAP firms exhibit lower bid-ask spreads and higher turnover than German GAAP firms as well as a decrease in spread and turnover around IAS or U.S. GAAP adoption. Examining firms in Germany's New Market, Leuz (2003) finds that the differences in spread, turnover, and Initial Public Offer (IPO) underpricing are statistically and economically insignificant across IAS and U.S. GAAP firms, suggesting that both sets of firms are characterised by similar information asymmetries.

More so, some studies focus on the cost of capital effect of IFRS reporting and produce mixed evidence. Barth et al. (2005) document a decrease in the cost of capital around IFRS adoption using expected returns from the Fama-French three-factor model. Using implied cost of capital estimates, Cuijpers and Buijink (2005) do not find significant differences across local GAAP and IFRS firms in the EU. Daske

(2006) presents evidence that German IFRS firms have a higher cost of equity capital than local GAAP firms. Covrig et al. (2007) document that foreign mutual fund ownership is significantly higher for IFRS adopters compared to local GAAP firms and that the difference in mutual fund holdings increases for firms in poor information environments and with low visibility, suggesting that IFRS reporting can help firms attract foreign institutional investment.

Some studies gather evidence about changes in market liquidity and firms' cost of capital, as a way of measuring the impact of IFRS. In one of the first large scale studies of firms adopting IFRS in a mandatory setting, Daske et al. (2008) conclude that market liquidity increases following the introduction of IFRS. They also find evidence of a decrease in firms' cost of capital and an increase in equity value occurring before the official adoption date. In a related study, the authors find benefits such as improved liquidity and lower cost of capital are more likely for firms that are 'serious' adopters of IFRS (defined as firms with a commitment to transparency) (Daske et al., 2011).

IFRS mandatory adopters benefit through reduced cost of capital in the immediate mandatory adoption period, reflecting increased disclosure and enhanced information comparability (Li 2010). However, the reduction occurs only in countries with strong legal enforcement. Palea (2007) looked at the cost of capital effects for financial institutions. It was reported that lower cost of capital for EU financial firms using IFRS compared to others following national standards and the Fourth and Seventh Directives, a result that is consistent with IFRS adoption objectives of the European Commission (EC1606/1202).

Researchers have long used share prices to reveal information about the usefulness of financial data (Ball and Brown; 1968 and Beaver, 1968). In this tradition, Beuselinck et al. (2009) investigate stock return synchronicity for mandatory IFRS adopters in the EU. They conclude that IFRS adoption reveals new firm-specific information and subsequently reduces the surprise in future disclosures. Landsman et al. (2011) consider the impact of the use of IFRS on share prices and trading (abnormal return volatility and trading volume). They conclude that the information content of earnings announcements has improved for IFRS reporters by reducing reporting lag, increasing analyst following and increasing foreign investment. They also find that the IFRS effect depends on the level of enforcement in a country.

Other studies explore the impact of IFRS on market participants. In relation to investors, studies provide evidence of various benefits that can be linked to firms' use of high quality, comparable standards. Brüggemann et al. (2009) consider the investments in foreign firms made by individual investors on the Open Market at the Frankfurt Stock Exchange (4,869 firms from 31 countries). They report an increase in trading activity following the adoption of IFRS. Thus, the authors conclude that IFRS has the potential to promote more foreign equity investments by individual investors.

DeFond, Hu, Hung and Li (2011) investigated the relationship between IFRS and cross border investment. They find US mutual fund ownership increases for mandatory adopters, but only when adoption is seen as 'credible'. Thus, like Daske et al.

(2009), they point to benefits from IFRS arising from improvements in comparability, but caution that the way the standards are implemented (that is, the manner in which they are used by firms) is of crucial importance for realising benefits from IFRS. Shima and Gordon (2011) show that both legal standards and enforcementsare necessary to increase foreign investment.

Yu (2010) examined mutual fund holdings. She concludes that the adoption of IFRS increases cross border holdings by reducing the information processing costs of foreign investors, through improving comparability of financial information and indirectly by lowering other barriers such as geographic distance. Her evidence also suggests that harmonisation across accounting reporting regimes is a more effective way to attract foreign capital than improvements in individual country's reporting regimes. Francis et al. (2012) report a higher volume of Merger and Acquisition (M&A) activity and higher takeover premiums when countries have more similar GAAP. They also find more M&A activity in countries adopting IFRS in 2005, a trend more pronounced in countries with low similarity of GAAP and IFRS pre-adoption. The authors conclude that similar GAAP reduces information costs, thus increasing competition among bidders and permitting greater gains for target shareholders.

Flourou and Pope (2011) explored the question of whether mandatory IFRS lead to an increase in institutional ownership of equity. Considering the year of adoption and one subsequent year, they report increases in ownership and consequently show that IFRS affect allocation decisions of institutional investors. The IFRS-related ownership changes are higher for value and growth investors, who are more likely to make use of financial statements in their investment decision processes. An important caveat in their study is that the positive IFRS ownership effects are found only in countries with strict legal enforcement and low levels of corruption. I return to this point later in this paper.

Many studies investigate the effects of mandatory IFRS for security market analysts because they are important users of financial statement information. The IFRS studies build on pre-existing literature that suggests high-quality financial statement information assists analysts (Lang and Lundholm, 1996; Hope, 2003). Consequently, analysts are expected to benefit if IFRS improves the relevance, transparency and comparability of information. A study by Barth et al. (2008) of analysts following foreign firms suggests that they benefit when accounting standards are more similar. Specifically, when a country's GAAP is closer to international standards (IAS in their study), foreign analysts are more likely to follow and provide more accurate forecasts for firms from that country.

Several theoretical explanations have been advocated in the literature to establish the relationship between earnings quality and firm attributes. Bowen, Rajagopal and Venkatachalam (2008) find that the efficient contracting theory associates managers in exercising accounting discretion in an efficient manner such that in the long-run firm value is maximised. The opportunist theory assumes that managers have a short-term self- interest as an incentive to form poor firm structure to manage earnings for their benefit (Klein (2002), while the agency theory advocates that the nature of ownership has a positive association with good earnings quality. The efficient contracting theory suggests a positive association between accounting discretion and long term firm performance and quality of financial information. Therefore, in this study, agency theory is adopted to link bank earnings predictability and share price before and after the adoption of International Financial Reporting Standards in the Nigerian banking sector, as a theoretical framework.

3. METHODOLOGYAND MODEL SPECIFICATION

For this study, the correlational research design is used to describe the statistical association between two or more variables. It is, therefore, most appropriate for this study, because it allows for testing of expected relationships between and among variables and the making of predictions regarding these relationships. The population of the study comprises of all 14 listed deposit money banks in the Nigerian Stock Exchange as at 31st December 2016, and out of which 10 banks were drawn as sample using census sampling technique with only banks that were not involved in merger or acquisition within the period of the study. The period of the study covers ten years of 2007 to 2016 and divided into 2 equal years representing pre and post, respectively. The source of data for the study is secondary only, extracted from the audited financial reports of the sampled banks. The study used longitudinal balanced panel data to account for individual heterogeneity of the sampled banks. The results of robustness tests (MULTICOLINEARITY, normality, heteroskedasticity and cross-sectional dependence) were conducted in order to improve the validity of all statistical inferences.

To determine the impact of earnings predictability under IFRS of Nigerian deposit money banks, the following model was developed:

$$SPit = a0 + \beta 1BV_{it} + \beta 2EAR_{it} + \beta 3\Delta EAR_{it} + \mathcal{E}_{it}$$

Where:
SP= Share price at 31st March, each year
α0 = constant intercept
BV = Equity book value per share
EAR = firm earnings
ΔEAR = change in firm earnings
Ɛ = stochastic term error
β1- β3 = coefficients of explanatory variables
it = firm and time

The consequence is based on the explanatory power from a regression of share prices on earnings predictability. Two regressions will be estimated for both IFRS and SAS financial statements for 2015.

4. RESULTS AND DISCUSSION

This section presents the Descriptive Statistics, describing the trends of the variables within the period covered by the study, followed by the correlation matrix which analyses the association between dependent and each independent variable, individually and cumulatively. Furthermore, the regression result examines the model that capture the dependent variable (SP) and all the independent variables of the study (Book Value, Earnings and Change in Earnings).

Table 1 Descriptive Statistics

Statistics	SP	BV	EARN	Δ in EARN
Mean	54.9134	.1753684	.1912721	.6950545
Std. Deviation	26.83213	.1728297	.3497877	.1689
Minimum	11.21559	.13448	.0070531	.4285714
Maximum	109.393	.9855222	2.33218	.9
Skewness	.4165352	2.38873	4.876865	-.1746235
Kurtosis	1.888528	10.87497	29.4375	2.67896

Source: STATA Output 2016

Table 1 shows that the measure of Share Price (SP) of the listed Nigerian deposit money banks has a Mean value of 54.9134 with Standard Deviation of 26.83213, with minimum and maximum values of 11.21559 and 109.393, respectively. This implies that the average efficiency listed deposit money banks are from 54.9134 to 109.393, and the deviation from both sides of the mean is 26.83213. This suggests a wide dispersion of the data from the mean because the standard deviation is quite high. The Table also indicates a minimum share price of N11.22. The peak of the data is indicated by the kurtosis value of 1.888528, suggesting that most of the values are higher than mean, hence the data did not meet a normal distribution assumption. The coefficient of Skewness of 0.4165352 implies that the data is positively skewed (that is, most of the data are on the right side of the normal curve). Thus, the data does not meet the symmetrical distribution assumption.

The Table 1 indicates that the average book value is 17.54% with a standard deviation of 17.28%, and minimum and maximum of 13.4% and 98%, respectively. This suggests a wide dispersion of the data from the mean because the standard deviation is close to the mean value. The peak of the book value data is indicated by the kurtosis value of 10.87497, suggesting that most of the values are higher than mean, and the data did not meet a normal distribution assumption. The coefficient of Skewness of 2.38873 implies that the data is positively skewed (that is, most of the data are on the right side of the standard curve), implying that the data does not meet the symmetrical distribution assumption. The Table also indicates an average earning of 19% with a standard deviation of 34.98%, the minimum and maximum percentage of 00.7% and 2.3% respectively. This also suggests a wide dispersion of the data from the mean because the standard deviation is far away from the mean value. The peak of the EARN data is indicated by the kurtosis value of 29.4375, suggesting that most of the values are higher than mean, and the data did not meet a normal distribution assumption. The coefficient of Skewness of 4.876865 implies that the data is positively skewed (that is, most of the data are on the right side of the normal curve), implying that the data does not meet the symmetrical distribution assumption.

Moreover, Table 1 shows an average ΔEARN of 69% with a standard deviation of 16.89%, and minimum and maximum of 42.86% and 90% respectively. This suggests a wide dispersion of the data from the mean. The kurtosis value of 2.67896 suggest that most of the values are higher than mean, and the data did not meet a normal distribution assumption; the Skewness value of -0.1746235 implies that the data is negatively skewed (that is, most of the data are on the left side of the normal curve).

Therefore, having analysed the descriptive statistics, the inferential statistics of the data collected from which the hypotheses of the study are tested are presented and interpreted in the following section:

Table 3 Correlation Matrix

	SP	BV	EARN	**Δ in EARN**
SP	1.0000			
BV	(0.0855)	1.0000		
EARN	0.3375	(0.2194)	1.0000	
Δ in EARN	0.0662	(0.2104)	(0.2656)	1.0000

Source: STATA Output 2016

Table 3 contained correlation matrix showing the relationship between all pairs of variables in the regression model. The result reveals a positive correlation between all the independent variables and the dependent variables share price, except for book value with a negative correlation with SP. However, the positive correlation is not very strong. Hence, the behaviour between the endogenous variables and themselves are mostly in the opposite. More so, to further check for collinearity, another robustness check was conducted. The test for multicollinearity using the Variance Inflation Factor (VIF) and Tolerance Value (TV) reveals the absence of multicollinearity as all factors are below 10 and tolerance values are below 1.0 (see appendix 1).

Table 5 Summary of regression result ($SP_{it} = \alpha_0 + \beta_1 BV_{it} + \beta 2EARNit + \beta_3 \Delta\ EARN_{it} + €_{it}$)

Variables	**Beta (Pre IFRS)**	**Beta (Post IFRS)**	**t-values (Pre IFRS)**	**t-values (Post IFRS)**	**Sig (Pre IFRS)**	**Sig (Post IFRS)**
BV	0.3311684	0.1809069	0.26	2.79	0.794	0.008
EARN	1.676839	-0.1420945	2.65	-2.79	0.011	0.008
Δ in EARN	2.495168	0.9193274	1.21	5.13	0.233	0.000
Constant	1.47615	0.0229246	0.94	2.33	0.353	0.024
R^2					**0.1413**	**0.4984**
Adj. R^2					**0.0853**	**0.4656**
F-Statistc					**2.52**	**15.23**
F-Sig					**0.0693**	**0.0000**
Hettest					**0.8730**	**0.7843**

Source: STATA Output 2016

The result in respect of book value and the share price of pre-IFRS adoption shows a coefficient value of 0.3311684 and a t-value of 0.26 which is insignificant, while for post-IFRS recorded a coefficient value of 0.1809069 and a t-value of 2.79, which is statistically significant at all levels of significance. This shows that book value has a significant influence on the share price for post-IFRS adoption listed banks while for pre-IFRS, it recorded an insignificant influence. The insignificance in relationship recorded by BV under the pre-IFRS implies that not every change in the proportion of BV may not necessarily affect the share price of deposit money banks of Nigeria. In addition, the statistical significance influence given by BV, it implies that for the post international financial reporting standard adoption implies that for every change in the proportion of BV will have a positive and statistical influence on the share price of listed deposit money banks in Nigeria. However, it is essential to note that if the book value of the post-period is improved upon, it may influence the share price positively and significantly, as such fund can be used to support long term growth for the firm so it can earn a profit.Also, the regression result reveals that the earnings of banks before the adoption of IFRS has a coefficient of 1.676839 with a t-value of 2.65, which was found to be significant at 5% level of significance, but the coefficient of the post period of IFRS was -0.1420945 and a t-value of -2.79 which was statistically significant at 1% level. These two different results show that earnings has a significant influence on the share price of listed deposit money banks in Nigeria of 5% and 1% respectively. However, the pre international financial reporting standard adoption has a positive influence on the share price of deposit money banks. The implication of this is that any increase in the earnings of listed deposit money banks will have a positive influence on the share price. Besides the negative relationship that exists between earnings and share price of post-IFRS adoption signifies that any increase in the earnings of listed deposit money banks will affect the share price of this banks in the opposite direction. This result is surprising, but it may be because, sometimes, the managers of these banks may try to benefit from the earnings privately, rather than reporting the same for the overall benefit of the firms. In addition, it may also be as a result of the fact that the financial statement that was prepared before the adoption of IFRS was based on historical cost, while with the adoption of IFRS, financial statement preparation is based on fair value accounting. It will be interesting to note that the coefficient value of the post-period is lower than the coefficient of the pre period.

Furthermore, change in earnings was found to have a coefficient value of 2.495168 and a t-value of 1.21, while the change in earnings for post period, recorded a coefficient value of 0.9193274 and a t-value of 5.13. Looking at the relationship between change in earnings and the share price, a positive relation emerged for pre-period, and this has not been supported statistically at any level of significance. The post-period as regards to the change in earnings recorded a positive and statistically significant impact on the share price. This insignificant relation for the pre-period of IFRS shows that change in earnings of the bank has no strong influence on share price and thus implying that if there was an increase in the change in earnings before the adoption of IFRS, the share price of the listed banks might not necessarily improve. However, for the post period of IFRS, the result signifies that increase in change in earnings of banks has a positive and significant impact on share price of Banks, implying that, when there is an increase in the change in earnings after the adoption of IFRS, the share price of the listed deposit money banks of Nigeria will increase tremendously.

The cumulative correlation between the dependent variable and all the independent variables for pre-period of IFRS was 0.1413(see table 3) indicating that the relationship between share price and earnings predictability used in this study is 14%, which is positively weak. This implies that for any changes in firm earnings predictability of listed deposit money banks in Nigeria, their share prices may not be much directly affected. Hence, it signifies 8% of the total variation in the share price of listed deposit money banks in Nigeria and is caused by their level of predictability of book value earnings and change in earnings. The cumulative correlation between the dependent variable and all the independent variables for post-period of IFRS recorded 0.4984 indicating that the relationship between share value earnings predictability used in this study is 49%, which is positively, strongly and statistically significant. This implies that for any changes in firm earnings predictability of listed deposit money banks in Nigeria after the adoption of IFRS, their share price will be directly affected.

The findings have several theoretical, practical and regulatory implications. These implications represent the contributions of the study which are expected to benefit the existing body of knowledge within the accounting research, regulators and providers of accounting services. Our findings have important policy implications since they suggest the need to encourage applying IFRS principles by banks and other institutions to provide effective monitoring of earnings management and improve share price of listed deposit money banks in Nigeria. This research will assist the regulators in appreciating the benefits of IFRS and therefore making it mandatory for other sectors of the economy other than banks to adopt IFRS.

5. CONCLUSION AND RECOMMENDATIONS

Conclusively, the study has provided both empirical evidence on the utility of firm's earnings predictability proxies (BV, EARN and ΔEARN) in explaining and predicting share price of listed deposit money banks in Nigeria after the adoption of IFRS better than before the adoption. This paper concluded that adoption of IFRS hadcontributed tremendously in the Nigerian Banking Sector. What is left to be done therefore is for the regulatory agencies of the sector, especially Central Bank of Nigeria, to intensify the effort of monitoring the adoption and compliance by all the banks and other financial institutions in the country, as this will go a long way in improving the reported earnings and share price of the listed deposit money banks in Nigeria.

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Appendix

$$SP_{it}=\alpha_0 + \beta_1 BV_{it} + \beta_2 EAR_{it} + \beta_3 \Delta EAR_{it} + \varepsilon_{it}$$

```
. sum sp bv ear cear
```

Variable	Obs	Mean	Std. Dev.	Min	Max
sp	50	54.09134	26.83213	11.21559	109.3093
bv	50	.1753684	.1728297	.0134048	.9855222
ear	50	.1912721	.3497877	.0070531	2.330218
cear	50	.6950545	.106809	.4285714	.9

```
. sum sp bv ear cear,detail
```

SP

	Percentiles	Smallest		
1%	11.21559	11.21559		
5%	22.05803	15.42538		
10%	23.06215	22.05803	Obs	50
25%	32.64508	22.12509	Sum of Wgt.	50
50%	46.83045		Mean	54.09134
		Largest	Std. Dev.	26.83213
75%	80.57426	93.67725		
90%	93.66354	95.39541	Variance	719.9634
95%	95.39541	100.4968	Skewness	.4165352
99%	109.3093	109.3093	Kurtosis	1.888528

BV

	Percentiles	Smallest		
1%	.0134048	.0134048		
5%	.0157005	.0140449		
10%	.0244025	.0157005	Obs	50
25%	.0736258	.0204822	Sum of Wgt.	50
50%	.1181182		Mean	.1753684
		Largest	Std. Dev.	.1728297
75%	.2388937	.4192308		
90%	.408657	.4196532	Variance	.0298701
95%	.4196532	.5173077	Skewness	2.388873
99%	.9855222	.9855222	Kurtosis	10.87497

EAR

	Percentiles	Smallest		
1%	.0070531	.0070531		
5%	.0141426	.0136076		
10%	.0217141	.0141426	Obs	50
25%	.0472309	.0161493	Sum of Wgt.	50
50%	.0918099		Mean	.1912721
		Largest	Std. Dev.	.3497877
75%	.1879543	.59375		
90%	.3713074	.7323077	Variance	.1223514
95%	.7323077	.7571885	Skewness	4.876865
99%	2.330218	2.330218	Kurtosis	29.4375

CEAR

	Percentiles	Smallest		
1%	.4285714	.4285714		
5%	.5	.5		
10%	.5714286	.5	Obs	50
25%	.625	.5454546	Sum of Wgt.	50
50%	.6666667		Mean	.6950545
		Largest	Std. Dev.	.106809
75%	.8	.8181818		
90%	.8090909	.9	Variance	.0114082
95%	.9	.9	Skewness	-.1746235
99%	.9	.9	Kurtosis	2.67896

```
. swilk sp bv ear cear

                   Shapiro-Wilk W test for normal data

    Variable |    Obs       W           V         z       Prob>z
-------------+--------------------------------------------------
          sp |     50    0.92863      3.356     2.582    0.00491
          bv |     50    0.76540     11.033     5.120    0.00000
         ear |     50    0.44519     26.092     6.956    0.00000
        cear |     50    0.99057      0.443    -1.734    0.95856

. correlate sp bv ear cear
(obs=50)

             |       sp       bv      ear     cear
-------------+------------------------------------
          sp |   1.0000
          bv |  -0.0855   1.0000
         ear |   0.3375  -0.2194   1.0000
        cear |   0.0662  -0.2104  -0.2656   1.0000

. reg sp bv ear cear

      Source |       SS       df       MS              Number of obs =      50
-------------+------------------------------           F(  3,    46) =    2.52
       Model |  15.3937889     3  5.13126297           Prob > F      =  0.0693
    Residual |  93.5320927    46  2.03330636           R-squared     =  0.1413
-------------+------------------------------           Adj R-squared =  0.0853
       Total |  108.925882    49  2.22297717           Root MSE      =  1.4259

------------------------------------------------------------------------------
          sp |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
          bv |   .3311684    1.26057     0.26   0.794    -2.206228    2.868565
         ear |   1.676839   .6315884     2.65   0.011     .4055171     2.94816
        cear |   2.495168   2.064182     1.21   0.233    -1.659815    6.650151
       _cons |    1.47615   1.572441     0.94   0.353     -1.68901    4.641311
------------------------------------------------------------------------------

. vif

    Variable |       VIF       1/VIF
-------------+----------------------
         ear |      1.18    0.850216
        cear |      1.17    0.853680
          bv |      1.14    0.874250
-------------+----------------------
    Mean VIF |      1.16
. hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: fitted values of sp

         chi2(1)      =     0.03
         Prob > chi2  =   0.8730

. correlate sp bv earn cearn
(obs=50)

             |       sp       bv     earn    cearn
-------------+------------------------------------
          sp |   1.0000
          bv |   0.4472   1.0000
        earn |   0.3935   0.9520   1.0000
       cearn |   0.6403   0.6264   0.6823   1.0000
```

```
. reg sp bv earn cearn

      Source |       SS       df       MS              Number of obs =      50
-------------+------------------------------           F(  3,    46) =   15.23
       Model |  .017826049     3  .005942016           Prob > F      =  0.0000
    Residual |  .017943592    46  .000390078           R-squared     =  0.4984
-------------+------------------------------           Adj R-squared =  0.4656
       Total |   .03576964    49  .000729993           Root MSE      =  .01975

------------------------------------------------------------------------------
          sp |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
          bv |   .1809069   .0648313     2.79   0.008     .0504081    .3114056
        earn |  -.1420945   .0509163    -2.79   0.008    -.2445837   -.0396053
       cearn |   .9193274   .1791077     5.13   0.000     .5588023    1.279853
       _cons |   .0229246   .0098179     2.33   0.024     .0031622     .042687
. hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: fitted values of sp

         chi2(1)      =     0.07
         Prob > chi2  =   0.7843
```