



# **Gusau Journal of Accounting and Finance (GUJAF)**

**Vol. 2 Issue 3, April, 2021 ISSN: 2756-665X**

A Publication of  
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Faculty of Management and Social Sciences,  
Federal University Gusau, Zamfara State –Nigeria

## **MODERATING ROLE OF AUDIT QUALITY ON THE VALUE RELEVANCE OF ACCOUNTING INFORMATION OF LISTED FIRMS IN NIGERIA**

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### **Abstract**

*This study empirically examined as to whether earnings per share (EPS), book value per share (BVP), cash flow per share (CFPS), and dividend per share (DPS), as well as the interaction of audit quality with EPS, BVPS, CFPS, and DPS, have a significant impact on the share price of publicly traded companies in Nigeria. As of December 2019, there were a total of 161 listed companies. One hundred and fifty-four firms were utilized as the adjusted population after a filter was applied. Only quantitative data were retrieved from the sampled firms' annual reports and accounts, and the study adheres to the positivist paradigm. Using STATA and multiple regression techniques, the study discovered that audit quality and its relationship with EPS have a considerable significant impact on the share price of listed companies in Nigeria. Interactions of Audit Quality with BVP, EPS, CFPS, and DPS, on the other hand, have a strong negative impact on share price. Thus, the study suggests that regulatory bodies such as the CBN and SEC ensure that enterprises in Nigeria utilize the services of Big4 Audit Firms, as this improves the quality of accounting information and hence improves the link between accounting information and share price.*

**Keywords:** Accounting Information, Audit Quality, Share Price, Nigeria Listed Firms, Signaling Theory, Nigeria

### **1. Introduction**

Organizations are primarily responsible for financial statement preparation and must ensure that the statements accurately reflect their financial status. The basic goal of accounting data is to help investors make more accurate and lucrative investment decisions. As a result, a financial statement outlines corporate transactions and other operations as they affect an organization's bottom line. Value relevance is determined by the ability to summarize accounting data (Francis & Schipper, 1999). For financial reports to be meaningful, the information content must be relevant in terms of investment (Beaver, 1968). As a result, only information relevant to an investor's investment decisions is considered useful by the investor (Omokhudu & Ibadin, 2015). The concept of value relevance is founded on the pillars of relevance and reliability. It has to do

with the ability of accounting figures to summarize the fundamentals that support stock values. It's "the link between financial information and stock prices," according to Levitt (1998). Financial statements are one of the key mechanisms by which publicly traded firms communicate financial information to their shareholders and the broader public (Kaushalya and Kehelwalatenna 2020). Accounting information is considered value relevant when it influences the users' decision to create an opinion (Uwuigbe, Uwuigbe, Jafaru, Igbinoba, & Oladipo) (2016). It ensures that a company's credibility with investors and shareholders is preserved. Value relevance must be assessed in order to assess the usefulness of financial information to investors (Hejazi, Jafari & Karimi, 2011). The stock market valuation is one of the most important variables in determining a company's worth. As a result, most companies' primary goal in improving their reputation and efficiency in the eyes of investors is to raise the stock price.

As a consequence, the market's perception of a company's output determines its value. Academics and practitioners have recently become interested in existing studies on the value relevance of accounting data, particularly during the global economic catastrophe of 2007-2009. (Bolibok, 2014). Prior empirical information from scholarly studies demonstrates that the stock market's value cannot be overestimated, as it serves as a growth and development engine for any economy. The value relevance of accounting figures over time has been studied in the literature. However, there are conflicting perspectives or conclusions regarding how the value relevance shift will proceed. Francis and Schipper (1999) found an increasing trend in the value relevance of accounting numbers in a related report. The value relevance of accounting figures has deteriorated, according to Yen and Sari (2016), Balakrishnan (2016), Lev and Zarowin (1999) in a linked report. Several studies on the value relevance of accounting information have been conducted, some of which found a positive impact of EPS and book value per share on share price (Mamman, 2013; Trabelsi & Trabelsi, 2014; Ijeoma, 2015; Bengi, Ahmet, & Irene, 2020), while others found no impact of accounting information variables on share price (Mamman, 2013; Trabelsi & Trabelsi, 2014).

Other studies, such as Olugbenga (2016), Umoren and Enang (2015), and Suadiye (2012), look at it from the standpoint of value relevance of accounting information before and after IFRS introduction. There are contradictions in previously published research, where some studies claim to have found a strong impact of accounting information on share price while others, such as Balakrishnan (2016), argue that accounting figures have no effect on share price. At the same time, several researches have discovered a neutral relationship between accounting figures and stock prices.

The outcomes of the previous studies on the value relevance of accounting numbers were diverse and inconsistent. As a result, in order to address the aforementioned inconsistencies, the study believes it is appropriate to use audit quality as a moderator in order to see how it might moderate or improve the relationship between accounting information variable and share price. This is because the purpose of audit quality assurance is to assure the quality of publicly available financial reports created and presented by businesses. The term Audit Quality (AQ) was established as the market-based joint chance of a certain auditor discovering a violation in a client's accounting system. In previously published evidences, audit quality was used as a moderator (Miettinen, 2008; Lee and Lee, 2013; Okolie & Izedonmi, 2014; Dabor & Benjamine, 2017; Binti-Nono & Khomsatun, 2018; Yaseen, Alsmairat, Yusoff, Fairuz, Salleh & Basnan, 2018). These studies, on the other hand, could only look at how it could moderate the relationship between various accounting variables in the area of accounting study, which are

primarily from foreign economies. To what extent does audit quality moderate the relationship between accounting information and share price, based on the foregoing?

This gap in the literature, combined with a series of major corporate failures and financial scandals in the United States, Europe, and Africa, serves as a foundation for this research from a developing market like Nigeria, which is currently experiencing economic turmoil and persistent share price oscillations. Thus, the main crux of this paper is to empirically study the moderating effect of audit quality on the value relevance of accounting information among Nigeria's publicly traded firms.

## **1.2 Objectives of the Study**

In line with the above background, the specific objectives of the study are as follows:

- i. To examine the impact of earning per share on share price of listed firms in Nigeria
- ii. To investigate the influence of book value per share on the share price of listed firms in Nigeria
- iii. To evaluate the effect of cash flow per share on share price of listed firms in Nigeria.
- iv. To investigate the influence of dividend per share has no significant influence on share price of listed firms in Nigeria
- v. To determine the impact of audit quality on share price of listed firms in Nigeria.
- vi. To examine the moderating effect of audit quality on the relationship between earnings per share and share price of listed firms in Nigeria.
- vii. To examine the moderating effect of audit quality on the relationship between book value per share and share price of listed firms in Nigeria.
- viii. To examine the moderating effect of audit quality on the relationship between cash flow per share and share price of listed firms in Nigeria.
- ix. To evaluate whether audit quality moderates the relationship between dividend per share and share price of listed firms in Nigeria.

Based on the foregoing objective, the study hypothesizes in null form as follows:

- H0<sub>1</sub>: earning per share has no significant impact on share price of listed firms in Nigeria.  
H0<sub>2</sub>: book value per share has no significant impact on share price of listed firms in Nigeria.  
H0<sub>3</sub>: cash flow per share has no significant impact on share price of listed firms in Nigeria.  
H0<sub>4</sub>: dividend per share has no significant impact on share price of listed firms in Nigeria.  
H0<sub>5</sub>: audit quality has no significant influence on share price of listed firms in Nigeria  
H0<sub>6</sub>: audit quality does not significantly moderate the relationship between earnings per share and share price of listed firms in Nigeria.  
H0<sub>7</sub>: audit quality does not significantly moderate the relationship between book value per share and share price of listed firms in Nigeria.  
H0<sub>8</sub>: Audit quality does not significantly moderate the relationship between cash flow per share and share price of listed firms in Nigeria.  
H0<sub>9</sub>: there is no significant moderating effect of audit quality on the relationship between dividend per share and share of listed firms in Nigeria.

The study looks at all of Nigeria's publicly traded companies from 2014 to 2019. Policymakers, investors (current and prospective), management, practitioners, and academics will benefit from as it will supplement existing empirical knowledge.

The remaining parts of the paper covers section two which entails the literature review and theoretical framework, section three constitutes the research methods, section four contains the result presentation and discussion, and section five contains the conclusion and recommendations.

## **2. Literature review and theoretical framework**

For the period 2017 to 2019, Hossain (2021) evaluated the value relevance of accounting information (VRAI) on the stock prices of publicly traded pharmaceutical businesses on the Dhaka Stock Exchange (DSE) in Bangladesh which stressed the impact of various accounting data on a stock's market price. The purpose of this research is to determine the VARI on pharmaceutical company share prices on the Dhaka Stock Exchange (DSE) in Bangladesh. As a result, data from numerous pharmaceutical businesses listed on the DSE from 2017 to 2019 was compiled. The relationship between financial accounting data such as earnings per share (EPS), net operating cash flow per share (NOCFPS), and net asset value per share was investigated using correlation, ANOVA, and regression analysis (NAVPS). According to the data, NOCFPS, NAVPS, and MVPS show a statistically significant positive association. The findings also confirmed a statistically significant negative relationship between EPS and MVPS. According to the data, CDPS and SDPS have no significant but positive relationship with MVPS. Finally, the study discovered that accounting system data is relevant and crucial in decision-making. The study is deficient in the sense that it failed to consider the moderating effect of audit quality on the value relevance of accounting numbers.

Kaushalya and Kehelwalatenna (2020) investigated the impact of IFRS implementation on the value relevance of accounting numbers in an emerging economy, Sri Lanka. For the years 2008 to 2018, data was gathered from audited accounts of the companies under investigation from the Colombo stock market. Following the implementation of the international financial reporting standard in 2012, the findings demonstrated an increase in value relevance based on the pricing model among Sri Lankan enterprises, whereas there was a drop in value relevance based on the return model. It also showed an increase in the value relevance of equity book value while the value relevance of cash flow remained unchanged, as well as a decrease in the value relevance of earnings in the period prior to the implementation of the international financial reporting standard in Sri Lanka. The study may not be replicated in Nigeria considering the disparity in terms of environment and prevailing business policies.

Prihatni, Subroto, Saraswati, and Purnomosidi (2018) conducted an Indonesian study from 2008 to 2014 that compared the value relevance of accounting information in the manufacturing and financial services industries using IFRS. Accounting earnings, book value, and cash flow were all investigated quantitatively in the study. The outcomes of study are analyzed using linear regression. The findings revealed that the value relevance of accounting information like earnings, book value, and cash flow varies depending on the adoption and implementation process of IFRS, but that the value relevance of earnings, book value, and cash flow has been increasing during the implementation phase. The study used smaller sample, which could make the finding of the study somewhat spurious.

Yaseen, Alsmairat, Yusoff, Fairuz, Salleh, and Basnan (2018) explored the moderating influence of audit quality on the relationship between international diversification and firm value of public companies listed on Jordan's Amman Stock Exchange in 2016. Diversification was tested against firm value as an independent variable, as well as three control factors (dividend yield, return on

asset, total asset, and leverage). The findings contributed to the phenomenon of diversification and company value amplification by comparing financial and non-financial industries using cross-sectional data from 46 publicly traded companies in Jordan.

Also, Yen and Sari (2016) used two models pre and post IFRS 2010-2011 PRE, THEN to evaluate the value relevance of accounting information of listed Indonesian enterprises over the years 2010-2013. The study looked into the value relevance of earnings per share and book value per share in a sample of 247 Indonesian publicly traded companies. The analysis discovered a considerable increase in the value relevance of earnings in the years leading up to the implementation of IFRS. On the other hand, the study indicated that accounting information had a lower value relevance in the time leading up to the implementation of IFRS. The study didn't mention the criterion.

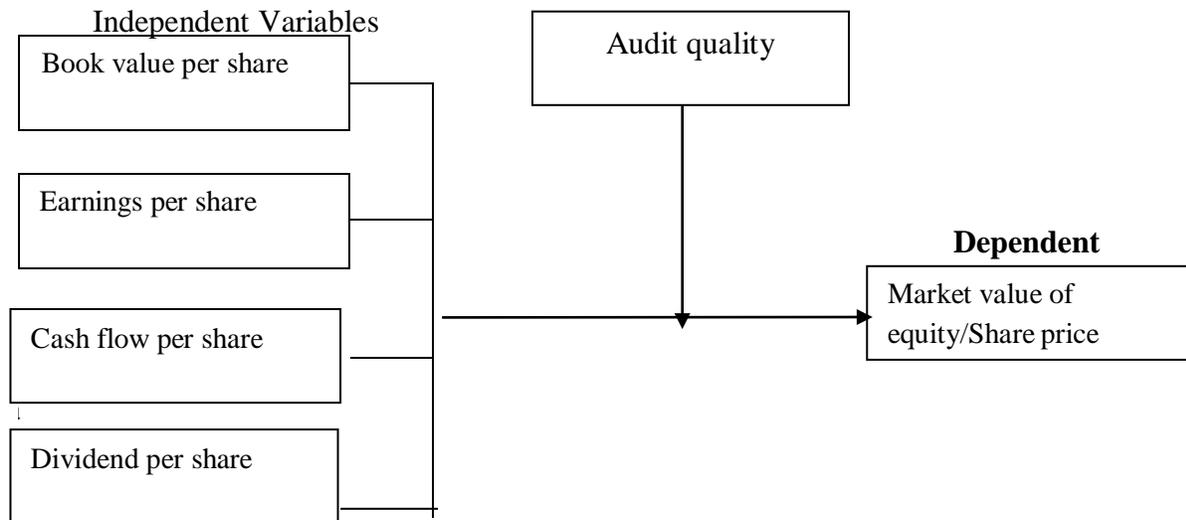
Balakrishnan (2016) explored the impact of profits per share, dividend per share, and price earnings ratio on the behavior of market prices of some sampled pharmaceutical enterprises in an Indian empirical study. Over the period of 2010-2015, data was retrieved from the stock exchange, as well as the websites and publications of five sampled corporations listed on the floor of India's National Stock Exchange (NSE). The data was evaluated using a multiple regression methodology, and the results show that earnings per share and dividend per share have little impact on the share price of the majority of the companies studied. The impact of cash flow on the market value of stock was not taken into account in this study.

Sullubawa (2015) evaluated the impact of IFRS on the value relevance of accounting information of enterprises listed on the Nigerian Stock Exchange in a Nigerian study. The study examined a sample of 68 publicly traded companies from 2009 to 2014. The analysis covered the pre-IFRS period from 2009 to 2011, as well as the post-IFRS era from 2012 to 2014. The data was collected from Thompson Reuters' online data stream and analyzed using a pooled OLS model. Using the Ohlson model, it was discovered that book value of equity and earnings are both positively and significantly connected to market value of equity of listed enterprises in Nigeria. Furthermore, the study found that with the application of IFRS, the value relevance of both earnings and book value of equity of the analyzed companies improved. Instead of using modified least square regression analysis, the researchers used conventional least square regression analysis, which may allow for more robust and reliable inferences to be drawn from the findings.

Ijeoma (2015) empirically investigated the value relevance of accounting information for a population of 200 enterprises in Nigeria in a related study. For the study, 113 publicly traded companies were chosen from 2001 to 2013. The sample size was also established using the Yamane sample size calculation, which was based on stratified random sampling. The sample size was lowered to one hundred and twenty (120) enterprises due to the unavailability of data for certain of the selected firms. Accounting data, such as book value per share, earnings per share, and return on equity, as well as share prices (last day share price), were retrieved from the Nigerian stock market. OLS regression techniques were used with the SPSS software to determine the relationship between earnings per share, book value per share, return on equity, and share price. Earnings per share, book value per share, and return on equity are all favorably and considerably affected by share prices, according to the findings. Despite the fact that the study clearly demonstrated a link between accounting information and share price, it failed to examine the potential signaling effect of cash flow.

The research framework which presents the pictorial association between the dependent and independent variables of the study is presented as follows:

### **Moderating Variable**



Signaling theory is appropriate and useful in this situation since it helps to characterize behavior when two parties (individuals or firms) have differing knowledge. In most cases, one party, the sender, has the freedom to select whether and how to transmit (or signal) that information, while the other party, the receiver, has the freedom to interpret the signal. The signaling theory is based on the concept that financial statement elements send signals to an entity's stakeholders. Simply put, these signals are the messages that financial statements provide to stakeholders.

Furthermore, this knowledge has the potential to influence investors' investment decisions in a certain firm or area of the economy. As a result, it is reasonable to conclude that the share price in a company's financial statement is a critical variable that provides information to securities market investors. This information is useful if it helps investors decide whether to invest or sell based on whether the firm's market value is sending a positive or negative signal.

### 3. Research Methods and Models

The design of this study is correlational as it involves investigating the statistical association between and amongst dependent and independent variables of the study. The study covers all the 161 publicly traded firms in Nigeria from 2014 to 2019. However, the study is based on adjusted population with the aid of a filter reducing the firms to 154 listed firms. Only quantitative data were sourced from the annual accounts of the selected firms, and analysis was made based on multiple regression model with the aid of STATA package, and the study is in line with positivist paradigm.

In order to empirically examine the moderating role of audit quality on the value relevance of accounting information, multiple linear regression models will be adopted. The first model is to capture the impacts of earnings per share, book value per share, cash flow per share, dividend per share on market value per share based on annual financial statement of the listed deposit money banks in Nigeria. However, the second model will incorporate audit quality to moderate the impact of accounting information on the share price. The models are as follows:

$$SP_{it} = \alpha_{it} + \beta_1 EPS_{it} + \beta_2 BVPS_{it} + \beta_3 CFPS_{it} + \beta_4 DPS + \beta_5 FS + \varepsilon_{it} \text{-----(I)}$$

$$SP_{it} = \alpha_{it} + \beta_1 EPS_{it} + \beta_2 BVPS_{it} + \beta_3 CFPS_{it} + \beta_4 DPS + \beta_5 FS + \beta_6 AQ + \beta_7 EPS_{it} \times AQ + \beta_8 BVPS_{it} \times AQ + \beta_9 CFPS_{it} \times AQ + \beta_{10} DPS \times AQ + \varepsilon_{it} \text{-----(II)}$$

Note:

$\alpha$ : constant

$\beta_1 - \beta_{10}$  are the coefficients of the parameter estimates.

it: panel data

$\varepsilon$ : the error term

**Table 1: Variables Measurement**

Variable Acronym	Variable Name	Variable Measurement	Source (s)
SP	Market value per share	Share price as at the end of each accounting year	(Zulu, De Klerk, & Oberholster, 2017).
BVPS	Book value per share	Equity divided by no. of equity shares outstanding	(Uwuigbe et al., 2016))
EPS	Earnings per share	Earnings divided by no. of shares outstanding	(Sullubawa, 2015)
CFPS	Cash flow per share	Total cash flow divided by no. of outstanding shares	(Tahat, 2017)
DPS	Dividend per share	Total dividend paid divided by no. of outstanding equity shares	(Irsath, Haleem & Ahamed, 2015)
AQ	Audit Quality	Big4=1, otherwise=0	(Okolie & Izedonmi, 2014)

Source: Computed by Author based on literature

For ensuring the reliability and validity of the statistical inferences to be drawn for the study, various levels of robustness tests have been conducted. The test includes multicollinearity and serial correlation test, heteroscedasticity, fixed and random effects tests, hausman specification test, lagrangian test, chow test and Cramer-Z test and any other test as may be deemed necessary in order to substantiate and corroborate the validity and reliability of result of the study.

**4. Presentation and Discussion of Result**

This section presents and discusses the descriptive statistics table, correlation matrix, robustness tests, and summary of regression result.

**Table 2: Descriptive Statistics**

VARIABLES	Min	Max	Mean	Std. Dev
SP	0	315	12.25128	33.89045
EPS	-5.1643	496.4771	1.7517	25.8348
BVPS	0.1949	3747.5	25.4820	196.9125
CFPS	-26.0823	505.9803	2.2037	26.5971
DPS	0	7.9999	0.1998	0.8095
AQ	0	1	0.5	0.5002
AQEPS	-5.1643	496.4747	0.6870	16.1991
AQBVP	0	3747.5	9.9934	123.9234
AQCFPS	-26.0823	505.9803	0.8642	16.6773
AQDPS	0	7.9999	0.0783	0.5158

**Source: STATA OUTPUT, 2021**

From the table 2, share price has minimum value of 0.000, maximum value of N313 and value of 12.251 and standard deviation value of 38.890. The minimum value of 0.000 may mean that for some years we could not access the share price of the studied firms. The maximum value represents the highest price the share of the studied firms was selling for the period of the study. The standard deviation of share price from mean of N 33.89 suggests a high degree of dispersion since it is higher than the mean.

Earnings per share, EPS has an average value of N 1.75, minimum value of N -5.16, maximum value of N 496.47 and standard deviation value of N 25.83. The minimum value of N-5.16 means that firms were experiencing loss and the maximum value of N496.47 kobo means the maximum profit per share made by the firms is not more than the said amount. Also, the standard deviation value of 25.8348 means that there is high degree of variation since it is far higher than the average value of N1.75 kobo.

Book value per share, BVP has a minimum value of N 0.19 kobo, maximum value of N 3,747.5 kobo, mean value of N25.4820 and standard deviation N196.912. The minimum book value of N 19 kobo means some firms have book value per share that is less than the minimum market price. The average value implies that listed firm in Nigeria has a book value of equity per share of N 25.83 kobo which measures the safety level of each share after all accumulated debts are settled. The standard deviation also indicate some degree of dispersion from the mean by about N 196.912 signifying a wide range of dispersion from the average value since the standard deviation is higher than average value. This large variation might be owing to the differences in the size of the studied firms, age of sampled firms, associates , level of activities to mention a few.

Cash flow per share has a minimum value of N-26.08 kobo, maximum value of N 505.9803, standard deviation of N 2.20 kobo and the mean value of N 26.59 kobo. CFPS serves as a measure of a firm's financial strength. On average a listed firm has N 26.59 kobo per equity. Also, the lowest amount a listed firm may have is N-26.08 kobo while the greatest value of cash flow per share a firm can have is N 505.98 kobo. The standard deviation indicates a relatively low dispersion from the mean. The large figure as the maximum value might be due to differences amongst the listed firms in terms of size, age, volume of activities, customer patronage, amongst others.

Dividend per share, DPS has a mean of 0.199 kobo, standard deviation of 0.81 kobo, minimum value of 0.000 kobo and maximum value of 7.9999. the standard deviation indicates a relatively wide dispersion as some firms under study appeared not have paid dividend in some years or throughout the period of the study whereas a maximum of N 0.199 kobo was paid as dividend. Some of the firms that could not pay dividend might be those that have suffered losses and possibly those with negative book values per share during the study period. Non-payment of dividend might deter some investors from the firms, particularly those that are interest in quick returns from their investments in form of dividend. This, therefore may hinder the profit prospects, cripple cash flow and growth in book value of the studied firms.

Interaction of audit Quality with earnings per share, AQEPS shows a minimum value of -5.16, maximum value of N496.47 kobo, mean value of N 0.6870 kobo and standard deviation value of N16.199 kobo. The standard deviation of N16.199 indicates that there is relatively large dispersion from the mean as the standard deviation value is far larger than the mean value. The minimum value of N-5.16 kobo signifies that some of the listed firms incurred losses during the period of the study. This could explain why some firms' book value is lower than 1 kobo. The maximum value of N496.47 kobo is relatively large; this can be explained by the differences in the firms in terms of age, size, level of activity, branches, amongst others.

Interaction of audit Quality with book value per share indicates the minimum value of N 0.000 kobo, maximum value of N3,747.5kobo and mean value of N9.99 kobo and standard deviation of N123.92 which is relatively large indicate wide variation from the mean as the standard deviation value is high. The mean value means that on average the AQBVP of all the firms is N9.99kobo. The maximum value of value of N3747.5kobo which is also large, this might be due to the difference in the size amongst the studied listed firms in Nigeria. The minimum value simple means least value a firm has after the interaction of book value with audit quality is N0.000 kobo.

Interaction of Audit Quality with cash flow has a mean value of N0.86kobo standard deviation value of N16.67, minimum value of N-26.08 kobo and N505.89kobo as the maximum value. The minimum value indicates that at least some of the firms suffered shortage of N-26.08 kobo during the study period. After the moderation it appears that the mean value has reduced probably indicating that some figures were overstated before. The standard deviation figure of N16.67kobo signifies somewhat wide variation from the mean as the standard deviation value is high.

Audit quality interaction with dividend per share, AQDPS has a minimum value of N0.000 kobo, maximum value of N 7.999kobo, mean value of N0.078 and standard deviation N0.512kobo. After the interaction the standard deviation value appears relatively high as it is higher than the

mean value signifying wide dispersion. The mean value of N0.078 indicates that on average a firm within the same firms pays N0.07kobo as dividend. The minimum value of N0.000k0bo signifies that in some years of the study period some of the listed firms did not pay dividend. This could be due to low profit made by the firms, and the maximum value of N7.99kobo signifies that after moderation with audit Quality that was the highest amount paid by the listed firms as dividend.

The association has also been established between the dependent variable and independent as well as association has also been established between the independent variables themselves. Also, all the independent variables are positively associated amongst themselves except for the audit quality which is negatively associated with earnings per share, though not significant all levels (see appendix).

**4.1 Summary of Regression Results**

This subsection presents and discusses the regression results, tests the various hypotheses developed for the study and making of inferences based on the results.

**Table 3: summary of OLS Regression and diagnostic tests**

	<b>Model 1</b>			<b>Model 2</b>		
	<b>Co-efficient</b>	<b>t-Stat</b>	<b>Prob</b>	<b>Coefficient</b>	<b>t-stat</b>	<b>Prob</b>
Constant	8.3636	7.33	0.000	2.5626	1.63	0.104
EPS	2.9286	4.02	0.000	1.6810	1.68	0.094
BVP	-0.0553	-1.33	0.184	0.0624	1.09	0.276
CFPS	-0.1491	-0.58	0.562	0.0631	0.18	0.858
DPS	17.9057	8.24	0.000	22.8905	7.66	0.000
AQ				11.5512	5.21	0.000
AQEPS				2.4920	1.76	0.079
AQBVP				-0.2352	-2.91	0.004
AQCFP				-0.4228	-0.85	0.398
AQDPS				-9.9581	-2.36	0.019
<b>Adj R2</b>				0.30		0.34
<b>F(4, 716)</b>				81.28		43.47
<b>F- Prob</b>				0.000		0.000
<b>M/ VIF</b>				2.19		4.10
<b>HET</b>				306.58***		427.9**

**Source: STATA OUTPUT, 2021**

From table 3 above, the Adjusted R Squared Values for model one and model two are 30% and 34% respectively. The values explain the extent to which variation in share price is explained by accounting information in both models one and two. However, there is 4% (34% model 2 – 30% model 1) increase in the explanatory power of the accounting information variables. The increase in the adjusted R squared by 4% can be explained by the inclusion of a moderating variable into the second model of the study. This further signifies relevance of inclusion of Audit Quality in improving the quality of the relationship between accounting information and share price, hence the improvement in the R-squared value in model two. F-statistic values for both model 1 and

model 2 are 81.28 and 43.47, each of which is significant at one percent level of significance. This, therefore, signifies that the two models are well fitted for the study.

An important axiom considered expedient for OLS regression results not to be biased and consistent is that the variance of the error term have to be constant (homoscedastic). To ascertain this, therefore, the Breusch-Pagan / Cook-Weisberg test for heteroscedasticity was carried out for the model 1 and model 2. Under the null hypothesis that presumes constant variance of the error term, having conducted the test, the results indicate a Chi-square value of 306.58 and 427.92 for models one and two respectively which are both significant at one percent suggesting that the null hypothesis of non-constant variance be rejected for the alternate hypothesis of non-constant variance (homoscedastic).

Additionally, other diagnostic tests have been carried out on both the models 1 and 2 such as multicollinearity. Hairet *al* (2010) as cited in Nuhu (2014) posited that multicollinearity is said to exist where two or more of the explanatory variables in a model indicate a high degree of correlation. Whereas the existence of multi-collinearity may not automatically hinder OLS estimates from being best linear unbiased estimators, high amounts may lead the OLS estimators to generate relatively huge variances and covariances, thereby rendering the precise estimation ostensibly difficult (Gujarati & Porter, 2009: 327) as cited in Nuhu (2017). To further ascertain the absence or otherwise of harmful multicollinearity, the Variance Inflation Factor (VIF) test and corresponding tolerance values (1/VIF) tests were conducted. The rule of thumb is that VIF should be less than 10 and the tolerance values of less than one indicate that a co-variate (X<sub>ij</sub>) is not significantly correlated with the other co-variates (Gujarati & Porter, 2009) as cited in Nuhu (2017). To corroborate the absence of harmful multicollinearity, table 4.3 provides the mean VIF for both Model 1 and Model 2. The Mean VIF for Model 1 is 2.19, a value which is within the acceptable range while that of Model 2 is 4.10, a value which also within the acceptable range since it is less than ten. As for the individual variable VIF and Tolerance values, they are consistently in line with the established rule of thumb (i.e less than ten and one respectively), and are provided in the appendix.

**Table 4: Summary of Random Effect Regression Result**

	<b>Coefficient</b>	<b>St Err</b>	<b>Z-Stat</b>	<b>Z-Val</b>
Constant	2.6262	2.4454	1.07	0.283
EPS	0.2231	0.8836	0.25	0.801
BVP	0.1209	0.0759	1.59	0.111
CFPS	0.0209	0.2732	0.08	0.939
DPS	22.5880	2.5107	9.00	0.000
AQ	9.9243	3.4563	2.87	0.004
AQEPS	2.4809	1.2496	1.99	0.047
AQBVP	-0.1803	0.1074	-1.68	0.092
AQCFP	-0.2580	0.3863	-0.67	0.504
AQDPS	-9.5810	3.5506	-2.70	0.007

<b>R2</b>	0.202			0.667
<b>WALD CHI2</b>	8.53			253.65
	0.000			0.000
	2.19			4.10
	306.58***			427.92***

**Source: STATA OUTPUT, 2021**

From the Random Effect model presented in table 4 above, it can be clearly seen that Wald Chi2 indicates a value of 253.6 and a probability value of 0.000 which is significant one percent level of significance, signifying that the model is well fitted. The R-Squared between of 66.70% means that accounting information (EPS, BVP, CFPS, DPS, AQ, AQEPS, AQBVP, AQCFPS and AQDPS) are responsible for changes in share price to the tune of 66.7% while other factors not captured in the model explain 24.3% of changes in share price.

#### **4.3 Discussion of findings**

Earnings per share, EPS has a coefficient value of 0.2231, z-statistic of 0.25 and a z-value of 0.801 which is not significant at all levels. This indicates that EPS is positively associated with share price. This signifies that increase EPS will amount to increase in share price since they move in the same direction. The result is in line with the signaling theory and decision usefulness theories that accounting information sends signals to investor which guides them to make useful and informed decisions as regards their investments. The finding is in line with those of The findings is in line with Abayadeera (2010), Trabelsi and Trabelsi (2014) Ijeoma (2015), Mulenga (2015), Prihatni, Subroto and Purnomosidi (2016) and disagrees with those of Modi and Pathak (2014) and Khanna (2014) and Ahmadi and Price (2017). Based on the findings above, the study fails to reject null hypothesis one of the study that EPS has no significant effect on share price of listed firms in Nigeria.

Book value per share, BVP has a positive coefficient of 0.1209 z-statistic of 1.59 and z-value of 0.111 which is not significant at all levels. This indicates that BVP is positively associated with share although the relationship is not significant at level of significance. This implies that increase in BVP would lead increase share price. The result is not surprising as positive earnings information should serve a motivator to investors that would make them to invest more in a certain firm that reports profits inform of earnings per share. The findings supports Chandrapala (2013), Blessing (2015) and Sullubawa (2015), and disagrees to the studies of Vijitha and Nimalathan (2014), Chaudry and Sam (2014). This, therefore, provides a basis for failure to reject null hypothesis two of the study which states that book value per share has no significant influence on share price of listed firms in Nigeria. Thus, Hypothesis two is rejected.

Cash flow per share has a coefficient value of 0.2732, z-statistic of 0.08, and z-value of 0.939. This indicates that there exists positive but insignificant association between cash flow per share and share price of listed firms in Nigeria. This signifies that there no significant impact of CFPS on share price of listed firms in Nigeria. This implies that increase in cash flow per share may lead to corresponding increase in share price since they move in the same direction. The result is not surprising as it is in line with propositions of signalling and decision usefulness theories of the study that accounting information provides signals that guide existing and prospective investors make informed and cogent decision with respect to their investments. This corroborates

the studies of Omokhutu and Ibadin (2015) and Anjula and Senami (2015) contradicts the findings of and Hejari, Jafari and Karimi (2011), Morali Valipour and Dowran (2012), Jabbari, Sadeghi and Askari (2013). Based on the above finding, the study fails to reject null hypothesis three of the study which states that cash flow per share has no significant influence on share price of listed firms in Nigeria.

Dividend per share, DPS has a positive coefficient of 22.5880, z-statistic of 9.00 and z-value of 0.000. This indicates that there exists a positive relationship between DPS and share price of listed firms in Nigeria. This signifies that DPS significantly impacts on share price at one percent level of significance. This further implies that for every one percent increase in DPS, there will be a corresponding increase in share price by about N 22.58 kobo. This is not surprising due to its conformity with practical and theoretical assumption of the study. The study is in line with those of Busari 2018. Guided by the findings above, the study rejects null hypothesis four of the study which states that dividend per share has no significant impact on share price of listed firms in Nigeria. Thus, hypothesis4 is rejected.

Audit Quality has a beta value of 9.9243, z-statistic of 2.87 and z-value of 0.004. This indicates that Audit Quality is positively and significantly associated with share price at one percent level of significance. This implies that for every five percent increase in the quality of the audit services received by firm the share value will increase by N 9.92. This is however not surprising as the more the quality of audit services the more the quality of the accounting information, and by extension the more the investors would have confidence in the financial reports released by the firm. This would attract more investment into the firm. This is consistent with the studies of ... and contradicts the findings of ... this therefore provides the evidence for the rejection of hypothesis five of the study which states that Audit Quality has no significant impact on share price of listed firms in Nigeria. Hence, hypothesis five is rejected.

The interaction of Audit Quality with earnings per share, AQEPS portrays a positive coefficient of 2.4809, z-statistic of 1.99 and z-value of 0.047. This indicates that interaction of Audit Quality with Earnings per share is positively related with share price. This signifies it is positively and significantly impacting on the share price at 5% level of significance. This implies that for every 5% increase in AQEPS share price increases by about N 2.48 kobo. This is not surprising as it is in line a priori expectation of the study that the interaction of Audit quality with earnings per share should be able to have synergic impact on share price. This therefore provides evidence to reject null hypothesis one of the study. Thus, hypothesis 6 is rejected.

The interaction of Audit Quality with book value per share, AQBVP shows a coefficient of -0.1803, z-statistic of -1.68, z-value of 0.092. This indicates that interaction of Audit Quality with book value per share is significantly related with share price of listed firms in Nigeria at 10%. This further implies that for every 10% decrease in AQBVP, share price will increase by about 18 kobo. The result is a bit surprising because it contradicts a priori expectation of the study. This provides a substantive evidence to reject the null hypothesis 7 of the study. Hence, hypothesis 7 is rejected.

Audit Quality interaction with cash flow per share, AQCFPS has coefficient value of -0.2580, z-statistic of -0.67 and z-value of 0.504. This indicates the presence of negative but insignificant relationship between AQCFPS and share price. This implies increase in AQCFPS has a decreasing effect on share price of the studied firms. However, the result is surprising as it contradicts a priori expectation of the study. This supports the findings of ... and contradicts

those of ... Based on the findings above the study fails to reject null hypothesis 8 of the study which states that interaction of Audit Quality with cash flow per share does not significantly impact on the share price of the listed firms in Nigeria. Thus, the study fails to reject null hypothesis 8.

Interaction of Audit Quality with dividend per share, AQDPS has a negative coefficient of -9.581, z-statistic of -2.7 and z-value of 0.007. This indicates that Audit Quality and dividend per share cumulatively impact on share price and it is significant at 1% level of significance. The implication of this is that as the AQDPS increase by 1% share price decreases proportionally by about N 9.58 kobo. Consequently, the study rejects null hypothesis nine of the study which states that Interaction of Audit Quality with dividend per share does not significantly influence the share price of listed firms in Nigeria.

## **5. Conclusion and Recommendations**

Based on the findings, the study concludes that accounting information proxied by Audit quality and interaction of Audit Quality with earnings per share have positive and significant impact on share price of listed firms in Nigeria. On the other hand, Audit Quality has negative and significant moderating effect on the relationship between book value per share and share price and, dividend per share and share price of listed firms in Nigeria. Therefore, the study recommends amongst others that regulatory authorities such as CBN, SEC, should ensure that firms in Nigeria engage the services of Big4 audit firms as this serves to improve the quality of accounting information thereby enhancing the relationship between accounting information share price.

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