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Relevance of Accounting Information and Market Price of Nigerian Insurance Companies

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Abstract

The study examined the effect of relevance of accounting information on market price in Nigerian insurance companies. *Ex-Post Facto* research design was adopted for the purpose of this research. The study covered nine years annual reports and accounts of these insurance companies from 2012 to 2020. Data were extracted from annual reports and accounts of the sampled insurance companies in Nigeria. The data collected for the study were analyzed using financial ratios and the formulated hypotheses were tested with regression analysis with the aid of statistical package for social sciences (SPSS) 20.0. The study revealed that cash flow of operation and earnings per share have market price has a positive and significant effect on quoted insurance companies in Nigeria.

Keywords: Accounting information, Market price, Cash flow and EPS

INTRODUCTION

The fact that listed companies utilize financial statements as one of their primary means of communication with their shareholders and the general public motivates value relevance research. Markets typically rely on financial reports issued by such organizations' management (Khanna, 2014). According to Barth, Cram, and Nelson (2001), information presented in financial reports should be relevant and credible in order for financial reporting to be effective. Information is considered relevant when it influences users' decisions to make predictions or aids in the confirmation or correction of previous evaluations, whereas it is considered reliable when it can be relied upon to faithfully represent the transactions or events that it aims to represent without undue error or bias (FASB, 1978). Bello (2009), believes that accounting is an information infrastructure used by economic units to achieve various economic decisions.

Hess and Lüders (2001) stated that residual income valuation derives the fair value of stocks in terms of accounting information, more especially the income adjusted for the cost of capital. This technique is based on the assumption which the Clean Surplus Relation (CSR) valuation model holds. This accounting information states that the change in book value of equity is caused solely by stated earnings and dividends (Ohlson, 2000).

However, the Discounted Cash Flow (DCF) model is popularly a technique of equity valuation, which is used to estimate the attractiveness of an investment opportunity. However, all approaches of equity valuation are significantly affected by the investor's required rate of return on the common stock because this rate becomes the discount rate or to be a main component of the discount rate. That is possible to derive prosperously the intrinsic value above or below current market prices on the estimated discount rate and the measurement of cash flows or dividends (Phansawadhi, 2013).

Risk plays a fundamental but not yet well understood role in the clean-surplus valuation model. However, it is not clear exactly how one should incorporate risk into empirical tests or practical applications of the clean-surplus valuation model. Consequently, empirical researchers have used different procedures for examining the impact of risk in empirical applications of the clean surplus valuation model (Spilioti & Karathanassis, 2010). Ohlson (1995) therefore suggests replacing the risk-free with a risk-adjusted interest rate that can be used as a firm's cost-of-equity capital in order to calculate the charge for the use of capital.

It is not exactly clear how one could incorporate risk into empirical tests or practical applications of the clean-surplus valuation model. Consequently, researchers, Beisland, Hamberg and Navak, (2010) have used different procedures for examining the impact of risk in empirical applications of the clean surplus valuation model.

Few studies had tested the validity of clean-surplus valuation model on information provided by financial statement such as book value of equity, dividend per share, cash flow, earnings per share in determining the stock price directly. As a matter of fact, most of these studies were carried out in developed countries such like; (Collins, Maydew and Weiss, 1997; Lev and Zarowin, 1999; Francis and Schipper, 1999; Ben Naceur, and Nachi's, 2007; Beisland, Hamberg and Navak, 2010), carried out in UK, united State, Tunisian, Colombo. Among all, studies that have explored the subject of clean-surplus valuation model of accounting information in Nigeria context are very few. In addition, study of this nature has not been carried out on Nigerian insurance companies. This however, has made this study significant. However, this study focused on examining the effect of clean surplus model on Accounting

Information in listed Nigerian Insurance Companies. The study examined the effect of accounting information on market price in Nigerian insurance companies.

Review of Related Literature

Relevance of Accounting Information

Relevance of accounting information is defined as the ability of accounting numbers contained in the financial statements to explain the stock market measures (Beisland, 2009). In other words, value relevance is being defined as the ability of information disclosed by financial statements to capture and summarize firm value. Value relevance can be measured through the statistical relations between information presented by financial statements and stock market values (returns). A business enterprise specifically a company is a conscious, deliberate and purposeful creation for satisfying the domain of aspiration of the society at large. It is an independent and a separate legal entity (Tharmila & Nimalathasan, 2013). Vishnani and Shah, (2008) value relevance" implies ability of the financial information contained in the financial statements to explain the stock market measures. A value relevant variable is that data or amount in the financial statement that guide investors in their pricing of shares. Investment decision, therefore, centres on the association between stock returns or share price and accounting related information such as earnings, cash flows, book value of equity, firm's size.

Value relevance refers to the capacity of information to influence the decision making process of users. The users should be in a position to make predictions about the future with the available information. Information in order to be relevant should be made available to the user before it loses its capacity to influence decisions and therefore it should be apt and well-timed. Not only this, information should also be reliable that is free from bias and error (Swati, 2015). The value relevance research provides evidence as to whether accounting numbers relate to corporate value in a predicted manner (Beaver, 2002). The value relevance literature explains how well accounting amounts reflect information used by equity investors, and provides insights into questions of interest to standard setters.

The concept of value relevance refers to the strength of relationship between accounting variables and market value of equity of a firm. This is indicated from regression analysis and the earnings response coefficient of each accounting variable in the equation. The regression result can be used to measure another important concept of financial information, its timeliness.

A value relevance study is evaluation of the relationship between accounting information and capital market values (market values). Beaver (2002) indicated that the theoretical groundwork of value relevance studies adopting a measurement approach is a combination of valuation theory plus contextual accounting and financial reporting arguments (accounting theory) that allows the researcher to predict how accounting variables and other information relating to market value will behave. Holthausen and Watts (2001) suggest that value relevance studies use two different theories of accounting and standard setting to draw inferences: (i) "direct valuation" theory and (ii) "inputs-to equity-valuation" theory. Direct valuation theory proposes a link between accounting earnings and stock market value. In direct valuation theory, accounting earnings is intended to either measure or be combined with the equity market value changes or levels.

Market Price Per Share

The share price of public traded company which is determined by the forces of market supply and demand is highly volatile due to its dependent on the expectations of the buyers and sellers (Menaje, 2012). O' Hara, Lazdowski, Moldovean and Samuelson (2000) found that earnings as well as dividend declared by firm is related to market prices of share, Chin & Hong (2008) posit that dividend yield is a good predictor of stock return. Irrespective of these accounting numbers that can be adopted to predict the market price, if those numbers contain some new information, reaction will always be expected in the market over the market price of share; this reaction evidence in share price is found to continually drift in the same direction as that of the initial information**.** The market price per share and the current price at which the stock is being traded are not necessarily the same. The market price per share is also called the intrinsic value of a share of stock or the actual value based on the actual variables taken from the company's financial statements. The current trading price is based on investor buying and selling behavior. If investors are paying more than the intrinsic value, then the stock is overvalued. If investors are paying less than the intrinsic, then the stock is undervalued and is a good buy.

Cash flows

Cash flow is the money that is moving (flowing) in and out of your business in a month. Although it does seem sometimes that cash flow only goes one way - out of the business - it does flow both ways. Cash is coming in from customers or clients who are buying your products or services. If customers do not pay at the time of purchase, some of your cash flow is coming from collections of accounts receivable.

Cash is going out of your business in the form of payments for expenses, like rent or a mortgage, in monthly loan payments, and in payments for taxes and other accounts payable. The reported operating cash flow in the operating cash flow indicates the company's capability to make the cash flow. The financial analyzers believe that the cash flow from the operating activities in addition to the investment opportunities in the fixed assets and using the investment opportunities should be spent on the distribution of the profits among the shareholders and increase their satisfaction (Bandia, 2012).

Studies of analysts' cash flows forecast have increased recently. Defond and Hung (2003) showed that analysts' propensity to produce cash flows forecast increases with the magnitude of accruals, heterogeneity of accounting method, earnings volatility, capital intensity, and financial distress. In addition to firm characteristics, country-specific investor protection also affects the trend of cash flows forecast. Analysts are more likely to issue cash flows forecast in countries where investor protection is poor and earnings are of a lower quality (Defond and Hung, 2007). Besides the above factors, analysts who

provide cash flows forecast have special features. Ertimur and Stubben (2005) found that analysts from bigger brokerage houses, who have less accurate prior earnings forecast, are more likely to provide cash flows forecast.

In accounting, cash flow is the difference in amount of cash available at the beginning of a period (opening balance) and the amount at the end of that period (closing balance). It is called positive if the closing balance is higher than the opening balance, otherwise called negative. Cash flow is increased by (1) selling more goods or services, (2) selling an asset, (3) reducing costs, (4) increasing the selling price, (5) collecting faster, (6) paying slower, (7) bringing in more equity, or (8) taking a loan.

Earnings Per Share

Earning is a fundamental and prominent accounting variable when it comes to the investigation of the value relevance of accounting information. This is due to its superiority over cash flow in this regard. However, the market will look out for both cash flow and net book value if the earnings numbers are perceived to be inadequate (Abiodun, 2012). The earnings per share which is a parameter that can be used to measure the earnings ability of firms is required to be disclosed by companies quoted or about to be quoted in the public security market (Valix & Peralta, 2009). The non-public enterprises to the extent that it would enhance their financial report comparability, are encouraged to present their EPS on the face of their income statements (Menaje, 2012). Contrary to the past practices of presenting information on the earnings per share in the form of primary and fully diluted EPS, the Financial Accounting Standard Board (FASB) now requires the disclosure of both the basic and fully diluted EPS (FASB, 1997). This new practice of EPS disclosure is being motivated by the need to conform the calculation of EPS to the international standard and to assist the investors to better assess the effect of potential dilution than that achieved under the primary EPS (Livant & Segal, 2000).

Most of the studies done on examine value relevance of earnings per share on share price, results reported to be significant and positive related with share price, this supported by the results found by Pathirawasam, (2010) in Sri-Lanka observed earnings per share to have positive value relevance on the market share price of 129 companies selected from 6 major sectors listed at Colombo stock exchange and other study done by different researchers including Tharmila and Nimalathasan (2013) and Vijitha, and Namalathan (2014) in Sri-Lanka, by Ragab (2006) in Egyptian market, Adaramola & Oyerinde, (2014) in Nigeria reported the same results. Earnings per share were sourced from profit and loss statement of the company by dividing the profit after tax by the number of outstanding shares for the respective. Also, Apete, Udeh and Ezekwesili (2022) found that earnings per share has a significant positive relationship with Share Price of the manufacturing firms listed on NSE period.

Empirical Review

Collins, (2015) established the relationship between earning per share and dividend per share of companies listed at the Nigeria Stock Exchange. Secondary data of 38 firms listed on the Nigeria Stock Exchange drawn out of the population of 64 firms listed on the exchange as at December 31, 2014 was used in the study. The study covered a period of 10 years from 2005 to 2014. Data analysis of the study was carried out with the use of descriptive statistics, correlation analysis and multiple regression model. After the regression of the independent variables upon the dependent variable, it was found that, earnings per share had a positive and significant relationship with dividends per share. Leverage, Liquidity and retained earnings on the other hand were found to have negative but insignificant effects on dividend per share. The study concluded from the findings that the dividend policy of a listed firm in Kenya is strongly influenced by earnings per share, the higher the earnings per share, the higher the dividend per share. Dividend is not influenced by leverage, liquidity or retained earnings. Musa, (2015) investigated the value relevance of accounting information in listed Industrial Goods firms in Nigeria using data obtained from the Nigerian Stock Exchange fact book for annual reports of the firms and the daily price list on the Cash Craft website from 2007-2013. The study was anchored on the semi-strong form of Efficient Market Hypothesis and applied the Ohlson's (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 were listed on the Nigerian stock exchange under industrial goods sector of the economy but a sample of 16 firms were selected as sample for the study after filtering sampling method was used. The study results revealed that all the explanatory variables statistically and significantly influence the explained variable. Okuns and Peter, (2015) uses the basic Ohlson's (1995) model and the modification of the model that includes cash flow from operation, and dividends, to ascertain the value relevance of accounting information in Nigeria. The study employs a pooled and panel data in the regression of share price and returns on accounting numbers. The ordinary least square (OLS) estimation and dynamic model estimation, with the Random and Fixed effects variants were used to regress the dependent variable- Share price with the independent variables(Earning per share, Book value, Cash flow and Dividend . The study make use of a random sample of forty-seven (47) firms in all industries excluding firms in the financial industry listed on the Nigeria stock exchange with secondary accounting data collected from the financial statements of the sample firms, Nigerian Stock Exchange Fact books and Nigeria Stock Exchange daily price quotations for 20 years period from 1994 to 2013. The result of their study indicates that earnings, cash flow and dividends were statistically significantly associated with firm value but book value was related but not statistically significant. Olubukola, Uwalomwa, Jimoh, Ebeguki and Olufemi, (2016) examined the value relevance of financial statements on share price of firms in Nigeria by examining the relationship between earnings and share prices of the firms. To achieve the research objective, secondary data sourced from the Nigerian Stock Exchange fact books and published audited financial statement of listed banks between the period of 2010 to 2014 was used for the study. The study sample was made up of 15 banks listed on Nigerian stock exchange within the period covered by the study, that were purposively sampled. The Fixed Effects Panel technique was utilized for analyzing the secondary data collected for the study. Findings from the study showed that a significant positive relationship exist between earnings per share (EPS) and share price. Webster, (2016) focused at determining the relationship between the level of free cash flows and stock price. of non-financial firms listed at the Nairobi securities exchange. The population of the study was made up of the forty- two non-financial firms listed on the Nairobi Stock Exchange, the study covers 5 years period from the year 2011 to 2015. The study made use of secondary data extracted from the published annual financial statements the firms and publications and reports of the Nairobi Stock Exchange. Data collected for the study was statistically

analyzed with multiple linear regression. The result from the statistical regression indicated that the relationship between free cash flow level and share prices of the firms. Free cash flow was found to have positive influence on stock prices. Samuel and Pradeep, (2016) sought to found out the firms' factors that determine their share market prices. Based on the objective of their study, fourteen (14) companies listed on the Johannesburg stock exchange from period of 2009-2013 was selected for the study. multiple regression analysis statistical tool was use to analyzed the secondary data collected on the firms., the independent variables for the study were dividend per share, earnings per share, and price-earnings ratio and the dependent variable was the share prices. The study found that dividend per share, earnings per share, and price-earnings ratio account for about 57.8% of share prices changes in the market. The independent variables ratios were found have positive and significant correlation with share prices the dependent variable. Philip and John, (2016) assessed the value-relevance of accounting information on share prices, by determining whether accounting information of banks listed on Nigerian Stock Exchange have the ability to influence the demand and prices of their prices in the Nigeria Sock Market. Twelve (12) banks of the banks listed on the Nigeria Stock Exchange were selected for the purpose of the study. The study made use of secondary data sourced from published financial statements and other publication of the Nigeria Stock Exchange. Correlation and panel data regression analysis statistic, along with Random Effect Model was used to test the hypothesis developed for the study. The results of the study indicated that book value per share, dividend per share and earnings per influenced the market prices use significantly. Shares prices of banks listed on the Nigeria Stock Exchange were found to have significant positive relationship dividend per Share (DPS), so was earnings (EPS). The study recommended that banks in Nigeria should provide quality and reliable accounting information in their financial statements. This will assist existing and prospective investors in taking informed investment decisions. Marek, Rafał, Monika and Aleksander, (2016) modeled the relationship between financial reports of companies listed on the Warsaw Stock Exchange and market valuation of their shares. The study focused on overview of the contemporary issues that arise in the value relevance studies with reference to the methodology and econometrics issues, the outcome of the study on value relevance of annual report vis-a- viz- quarterly reports, the results of the study by Bilicz on the association between earning to price (E/P) ratio and quarterly accounting data, and the findings by Pernach on the relationship between ROIC or revenue and the market value. The theoretical findings show that there exist various connections between financial statements and valuation companies, depending on the approach used in the study. Apete, Udeh, and Ezekwesili (2022) investigate the connection between the share price of listed manufacturing companies in Nigeria and value relevance accounting information. This study employs an Ex-Post Facto research design for its research. The study's population consisted of 21 consumer goods manufacturing companies listed on the Nigerian Stock Exchange. The researcher used the entire population size for the study because the population is small. The publications, annual reports, and accounts of the listed companies served as sources for the data. In order to arrive at a final conclusion, this study used Ordinary Least Square (OLS) estimates with panel data covering a nine-year period from 2012 to 2020.According to the findings, manufacturing companies that are listed on the NSE have a significant negative relationship between their share prices and their Book Value of Equity per Share. While the NSE-listed manufacturing companies' share prices are strongly correlated with earnings per share. Ezejiofor (2018) claimed that the implementation of International Financial Reporting Standards (IFRS) has improved the value relevance of financial information in Nigerian manufacturing businesses. An ex-post facto research design was used in the study. A random sample of 54 manufacturing businesses was selected from those listed on the Nigerian Stock Exchange between 2008 and 2015.The annual reports and accounts of the sampled businesses served as the source of the study's data. For two distinct time periods, the value relevance of accounting data was determined using a modified price model. Regression analysis and the Chow test were used to validate the data with the assistance of SPSS version 20.0.The findings of the study have been enhanced by the implementation of IFRS. Rahmana and Liua (2021) investigated the connection between stock price fluctuations and the release of financial accounting data. The information came from 1,272 companies that were listed on the Shenzhen Stock Exchange and the Shanghai A-share market. From 2008 to 2018, selected companies' annual reports and closing share prices were used to compile the data. A stepwise regression model was used to select variables with significant influence to investigate the connection between the new variables and stock price. Accounting number value relevance, profitability, liquidity, and operational efficiency were all found to be positively correlated with stock price reaction by the researchers. Earnings per share, the current ratio, the quick ratio, and the debt to equity ratio are other accounting variables that have a greater impact on market share.

METHODOLOGY

Ex-Post Facto research design which is the aspect of statistic that involves the various techniques of describing data collections was adopted for the purpose of this research. This is appropriate because the study aims at measuring the relationship between one variable and another, using annual reports and accounts of the sampled companies. The population of this study consist twenty nine (29) insurance companies quoted on the Nigerian Stock Exchange. The study covered nine years annual reports and accounts of these companies from 2012 to 2020, the years after the financial crisis in Nigeria. In determining the sample size of the study, those firms whose data are adequate and made their financial statements available consistently from 2009 to 2017 were chosen for the study. In the light of the above consideration, a random sample of twenty two (22) insurance companies was obtained.

Source of Data Collection

To obtain reliable information that will help the researcher to ensure the effectiveness of the study in question, data were collected from only secondary sources. This data were obtained from annual reports and accounts of the insurance companies in Nigeria from 2012 to 2020. The data extracted include; total number of common shares, shareholder's equity, net income and earnings per share. The variables (Market Value per Share (MVPS), Earnings per Share (EPS) and cash flow from operating activities for the study were extracted from financial statements using financial ratios.

Model Specification

By the Ohlson (1995) Model:

$MKTP_{jt} = \beta 0 + \beta 1\ BVSH_{jt} + \beta 2\ EPS_{jt} + e_{jt}$

Where: MKTPjt = the market price per share (SP) of firm j at time t

BVSHjt = Book value per share of firm j at time t

EPSjt = Earnings before extraordinary items per share of firm j at time t

$\beta 0$ = Constant or intercept.

$\beta 1\text{-}3$ = Coefficients of explanatory variables.

εjt = Error term.

The study modified the Ohlson (1995), concerning the standard clean-surplus valuation model. The estimated model takes the following form:

$MP_{it} = a_0 + \mu_i + \beta_1 CSF_{it+} \sum_{it}$ i

$MP_{it} = a_0 + \mu_i + \beta_3 EPS_{it+} \sum_{it}$ ii

Where:

The independent variable: market price (M*P*) and

The dependent variables:

CSF= Cash flow

EPS = Earnings per share

a_0 = slope of the model

β_I, = coefficient of parameters.

i for the financial year ending at year *t*.

μ = Mean of population

Method of Data Analysis

The data collected for the study were analyzed to obtain financial ratios and the formulated hypotheses were tested with simple regression analysis with the aid of statistical package for social sciences (SPSS) 20.

Decision Rule

The decision for the hypotheses is to accept the alternative hypotheses if the f-value of the test statistic is greater than the sig-value and to reject the alternative hypotheses if the f-value of the test statistic is less than the sig-value. The hypotheses were tested at 5% significance level.

DATA ANALYSIS

Table 1: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
MP	176	.16	8.63	2.6639	1.86016
CSFW	176	6.20	11.44	9.6565	1.23840
EPS	176	.09	10.53	1.8716	1.59449
Valid N (listwise)	176				

From the descriptive statistics of the variables as shown that the mean MP is 2.66 maximum and minimum values of 8.63 and 0.16 respectively. The standard deviation stood at 1.86. The mean value for cash flow is 9.96 with maximum and minimum values of 11.44 and 6.20 respectively while the standard deviation is 1.24. The mean value for EPS is 1.87 with maximum and minimum values of 10.53 and 0.09 respectively while the standard deviation is 1.59.

Test of Hypotheses

Hypothesis One

Ho: Cash flow does not significantly affect market price of quoted insurance companies in Nigeria.

H_I: Cash flow significantly affects market prices of quoted insurance companies in Nigeria.

ANOVA [a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4714.317	1	4714.317	19.360	.003[b]
	Residual	1704.560	7	243.509		
	Total	6418.876	8			

a. Dependent Variable: MKP

b. Predictors: (Constant),CSFLW

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	92.759	26.367		3.518	.010
	MP	1.817	.413	.857	4.400	.003

a. Dependent Variable: MKP

From the analysis, there is a positive relationship between market price and cash flow from operation; hence, coefficient value shows 0.413 with t-value of 4.400. However, the p-value indicate a significant effect between market price and cash flow (0.003<0.05). Since p-value is less than 0.05 at 95% confidence interval (0.003 <.005). We therefore reject null hypothesis and accept the alternative hypothesis which says that cash flow from operation has significant effect on market price of quoted insurance companies in Nigeria.

Hypothesis Two

Ho: Earnings per share does not significantly affect market price of insurance companies in Nigeria.

H_I: Earnings per share significantly affect market prices of insurance companies in Nigeria.

ANOVA [a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	853.262	1	853.262	12.213	.010[b]
	Residual	489.040	7	69.863		
	Total	1342.302	8			

a. Dependent Variable: MKP

b. Predictors: (Constant), EPS

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-9.691	14.123		-.686	.515
	MP	.773	.221	.797	3.495	.010

a. Dependent Variable: MKP

From the analysis, there is a positive relationship between market price and earnings per share; hence, coefficient value shows 0.221 with t-value of 3.495. However, the p-value indicate a significant effect between market price and cash flow (0.010<0.05). Since p-value is less than 0.05 at 95% confidence interval (0.010 <.005). We therefore reject null hypothesis and accept the alternative hypothesis which says that earnings per share has significant effect on market price of quoted insurance companies in Nigeria.

CONCLUSION AND RECOMMENDATIONS

The accounting relevance differs from sector to sector because of the difference in macroeconomic environment, tax structure, accounting body, accounting standards etc. Value relevance of information largely depends on the quality of reported financial information. From the result shows that earnings per share and cash flow have that significant effect on market price of insurance companies in Nigeria. However, earnings per share are the most widely used accounting information for investment decisions in Nigeria, followed by equity value per share. Therefore, the manipulated earnings (of which dividends are sub-sets) have large effects on share prices. The results were t in line with Oloidi and Bolade (2015) who revealed that the prior year share price significantly and positively influenced equity share price at α=0.000, earnings per share was positively significant at α=0.05 and dividends

per shares had positive and significant influence on the equity share price at α=0.014. Musa, (2015) revealed that all the explanatory variables statistically and significantly influence the explained variable. Olubukola, Uwalomwa, Jimoh, Ebeguki and Olufemi, (2016) showed that a significant positive relationship exist between earnings per share (EPS) and share price. Philip and John, (2016) results of the study indicated that book value per share, dividend per share and earnings per share influenced the market prices significantly. Share prices of banks listed on the Nigeria Stock Exchange were found to have significant positive relationship with dividend per Share (DPS), so was earnings (EPS).

Recommendations

Following the study findings, these recommendations are presented which may be of use to preparers of accounting information, Nigerian Stock Exchange Regulators, investors and other emerging stock markets.

1. National accounting standard setters and preparers of accounting information should gear effort toward improving the quality of earnings information which is the most widely used accounting numbers in Nigeria for investment decision. This could be done by properly defining and reducing earnings management.
2. Investors should critically and objectively analyze the company's overall characteristics when making investment decisions. This is because accounting information are not the same across the industries. Whether book value or earnings or cash flow is value relevant depends on both the firms (and industry's) overall characteristics and its performance in the particular period.

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