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CONTENTS

VALUE RELEVANCE OF INTERNATIONAL FINANCIAL REPORTING STANDARD FOUR OF LISTED NIGERIAN INSURANCE FIRMS

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Abstract

There is growing concern among regulators and investors over the depreciation in the value of listed insurance firms in Nigeria. The study examines the value relevance of the information content of IFRS 4: Insurance Contracts disclosure of listed insurance firms in Nigeria for the period 2012 to 2020. It further compares value relevance of accounting numbers, with high IFRS 4 disclosures and those with lower disclosures. The study adopted correlational research design. The population for the study consisted of all the 26 insurance firms listed on the Nigerian Stock Exchange as at 31st December 2020, with a sample size of 15 firms. The Ohlson Price Model was adopted for the study. Using robust ordinary least square regression, the study found IFRS 4 disclosures to be value relevant. Also, EPS of Insurance firms with high compliance with IFRS 4 is not more value relevant than that of firms with low compliance with IFRS 4, BVPS of Insurance firms with high compliance with IFRS 4 is more value relevant than that of firms with low compliance with IFRS 4. Overall, findings from the study strengthen the position that IFRS improves the quality of accounting information in annual reports. Furthermore, the study recommends among others that management of insurance firms should work towards improved compliance with IFRS 4 as this would boost investor confidence thereby improving their performance in the stock market.

Keywords: *Accounting Information, IFRS 4, Ohlson Model, Value Relevance,*

1. Introduction

Enhancements in accounting standards have been regarded as an essential mainstay of many economic changes targeted at ensuring a more efficient operation of capital markets Alfaraih (2009). The goal of unifying financial reporting practices is geared toward effective financial integration across borders. International financial reporting standards (IFRS) are said to have enhanced financial integration by ensuring that in the field of financial reporting, majority of the countries in the world - both developed and developing - are speaking the same language. The adoption of international financial reporting standards has been upheld as a step to improve financial reporting practices and accounting information specifically to encourage efficient capital markets (Bolibok, 2014). Unifying the financial reporting fundamental concepts and methodologies will serve as a roadmap for providing relevant and reliable accounting information. This is because investors need high-quality accounting information to boost their confidence in both local and international markets (Nobes & Parker, 2008).

Value relevance signifies the ability to describe stock market action such as stock price reaction to information disclosed in companies' financial statements (Alkali & Lode, 2016). The subject of value relevance of accounting information is a prominent issue as it contributes greatly towards aiding investors in predicting stock prices. Value relevance refers to the power of accounting variables such as earnings and book values in determining the market prices of shares (Barizah & Bakar, 2011).

In 2004, the IASB issued IFRS 4 Phase I which became operational in 2005 as an interim guide to insurance contracts with full standards enclosed in IFRS 17 to take effect in 2023. IFRS 4, Insurance Contracts consolidates all the requirements for the insurance contract disclosures including reinsurance contracts issued and held by insurance firms except for others covered by other standards. IFRS 4 is aimed at improving financial reporting on insurance contract by insurers and ensuring that insurance companies disclose information making clear the amounts in an insurer's statements resulting from insurance contracts, as well as the amount, timing and uncertainty of the future cash flows from insurance contracts to help users to understand the financial statements (IFRS 4).

IFRS adoption in the insurance sector is geared towards ensuring that financial reports align with global best practice. However, the levels of compliance with IFRS disclosure requirements, regardless of assertions by most firms that their financial statements conform, fluctuate across firms. Auditors also often fail to express opinion regarding IFRS compliance or non-compliance (Onyekwelu & Ubesie, 2016). According to PricewaterhouseCoopers, (2015) Nigerian insurance industry is also fraught by weak regulation and enforcement mechanisms. This illustrates the need for the industry and professional bodies to step up efforts to mitigate the challenges leading to the sector's poor performance (Oji, 2019). Concerns have also been raised by regulators and investors over the depreciation in the value of listed insurance firms. The problems in the sector were attributed to weak regulation, low insurance penetration in the country as well as certain poor business practices (Oji, 2018). Also, IFRS 4: Insurance Contracts, has been criticized by auditors, practitioners and financial analysts as it allows the insurance companies to use old parameters in calculating their financial outcomes and positions while they can also recognize profit when their insurance coverage is not yet provided. Further criticism also rests on invisibility of real profit drivers (Hogendoorn, 2018).

Studies have been conducted on compliance with IFRS and value relevance both in advanced and developing countries. For example; Adeyemo, et al. (2017); Alade, (2018); Elbakry, et al. (2017); Nijam and Jahfer (2018) Odoemelam, et al. (2019) Umoren, et al. (2018); and so forth provided empirical evidence on IFRS adoption and value relevance focusing largely on comparing IFRS accounting numbers and those before IFRS adoption. However, with regards to IFRS 4: Insurance Contracts and value relevance of accounting information, few studies have been conducted such as the study by Wu and Hsu (2011) which focused on Taiwan, London and Euromarkets. To the best of the researcher's knowledge no study has examined the value relevance of IFRS 4 disclosure requirements and further examined how variations in levels of these disclosures among firms affect the value relevance of their related accounting numbers. In line with the issues highlighted in the sector and gaps identified, the need to examine the value relevance of accounting information, specifically information required under IFRS 4 which is particularly exclusive to the sector cannot be over emphasized. This study seeks to expand the pool of literature on value relevance by exploring a sector which has hitherto not been given enough attention in extant literature.

2. Literature Review

The usefulness of Accounting Information to Investors and other stakeholders in decision making has been studied extensively in the accounting research literature. Since the work of Ball and Brown (1968) which found that financial information is correlated with market value of firms, the subject has gained increased popularity among researchers resulting in a large body of literature on the subject. These studies determine whether or not specific accounting information (most commonly numbers) are used by individuals in determining the market value of equity (reflected in stock prices) of a reporting entity. The ability of the accounting numbers to influence stock prices is what is termed in the accounting literature as the Value Relevance of Accounting Information. Information presented in Financial Statements is said to be Value Relevant if it is able to capture and summarize Firm Value (Kargin, 2013).

Since the objective of Financial Reporting is to provide information about an entity that is useful to a wide range of users in making decisions, for this information to be useful, it must be relevant. Financial Information is said to be relevant if it is capable of influencing the decisions of users. In this regard, the ability of financial statements to effectively guide investors in their investment decisions depends largely on whether or not the information they contain is relevant, value relevance implies the ability of the information contained in financial statements to explain stock market measures (Umoren & Enang, 2015).

2.1 IFRS and Value Relevance of Accounting Information

Since its inception, IFRS has garnered a lot of attention from researchers, this has resulted in a large body of literature on the subject. In conducting this study, some of these have been consulted.

In a similar study in Nigeria, Bagudo (2016) linked the value relevance of accounting numbers under IFRS with those under Nigerian SAS. The study further examined how compliance with IFRS disclosures affected the information content of the IFRS accounting numbers. Employing both the price and return models, the study found IFRS accounting numbers to be more value relevant than those of Nigerian SAS. The study also found that compliance with IFRS disclosures enhanced the information content of the accounting numbers. The study covers 114 companies listed on the NSE across different sectors, however the period of the study is limited to the years 2009 – 2014; including only two years after the adoption of IFRS in Nigeria. The study was not specifically conducted on insurance sector and the results cannot be conveniently applied in insurance due to regulatory and operational disparities.

Alade (2018) conducted a study using Nigeria. The study focused on "bottom-line items of three contents of financial statement and level of compliance with the standard". The study used a sample of sixty-nine (69) firms based on purposive sampling technique drawn from a population of 128 quoted firms for an eight-year period from 2008 to 2015. The study used a modified Ohlson price valuation model and found that IFRS adoption has substantial influence on value relevance of accounting information in income statement and statement of affairs. The study also found an overall compliance level of 91 percent. The study also found that compliance levels were value relevant. The study examined compliance with all IFRS standards across several sectors and differs from the examination of the industry-specific

standard this study intends to carry out. The study was not specifically conducted on insurance sector and the results cannot be conveniently applied in insurance due to regulatory and operational disparities.
In another study in Ghana, Badu and Appiah (2018) investigated the value relevance of accounting information for the period 2005 to 2014. The research found that equity earnings and book values are positively and significantly related to equity prices, and that income has played a greater role when compared to equity book values. They further confirmed that regardless of the adoption of the IFRS in Ghana, the value relevance of book values and earnings had weakened considerably over the period. The study was conducted in Ghana and there is the need for another study to produce findings applicable to Nigeria

Also, Nijam and Jahfer (2018) examined the role of IFRS adoption on value relevance of accounting information. The study adopted Ohlson (1995) price regression model to explain value relevance using EPS and BVPS for the period of 2010 to 2014. The study used a sample of 188 companies quoted in Colombo Stock Exchange (Sri Lanka). The study employed pooled regression and confirmed that BVPS and EPS significantly and positively influence market price per share after IFRS adoption.

Rodosthenous (2017) during the early period of financial crisis experienced by Greece between 2010 and 2012 studied how value relevant accounting information is. The study used Ohlson model (1995) with a sample of 150 firms among the listed firms among the listed firms in Greece. The study found that earnings is positively and statistically linked to share prices in period of crisis. The empirical study studied many firms cutting across many sectors of Greece economy; due to heterogeneous nature of the firm the findings cannot be applicable to a particular sector like agriculture.

Uwuigbe et al. (2016) also conducted his study with a view to investigating the value relevance of accounting information among the listed banks in Nigeria between 2010 and 2014. The study also maintained OLS technique of analysis and a sample of 15 banks. The study found earnings per share to have a positive but significant relationship with share prices.

The next study was conducted by Sullubawa (2015) with an objective of investigating how value relevant of accounting information is among listed companies in Nigeria. Additionally, the study also studied the impact of IFRS on the value relevance of accounting information of Nigerian listed companies. Samples of 68 companies listed NSE were used and the study covered 6 years (2009-2014). With 2009 and 2011 as pre-period between and 2012-2014 as post period. The study used pooled Ordinary Least Square model to analyse the data gathered from Thompson Reuters data stream

Furthermore, the study documented that accounting information of listed companies in Nigeria is value relevant by using the Ohlson model. Earnings was found to be positively and significantly related to market value of equity. So also, the study found value relevance of earnings to have increased in the post-adoption period. However, the study is somewhat deficient because the data used for analysis is gotten from an online data source not hand collected by the researcher from the firms' financial statements or regulatory bodies. Therefore, the reliability of the data is of doubtful authenticity

Alfraih and Alanezi (2015) also conducted a study aimed at critically analysing the association between International Financial Reporting Standards (IFRS) mandatory disclosures compliance and the value relevance of accounting information. This association was examined within the context of listed companies in Kuwait, the value relevance of financial statement information, specifically earnings was empirically examined using Ohlson's (1995) model that captures the compliance level with IFRS among the listed firms. The study took a sample of 119 listed firms and used OLS technique of analysis; the results of the study show that there is statistically significant association between the compliance level with IFRS and the value relevance of earnings to investors in Kuwait Exchange. However, cross sectional data was used, but this study will improve on that by using panel data

Alfaraih (2009) examined the role of compliance with IFRS disclosure on value relevance of accounting information of listed firms in Kuwait. The study made use of 16 firms that complied with IFRS for the period 1995 to 2005. The study found a high average compliance level of 72.6% for the sampled firms. Findings further confirmed that compliance with IFRS disclosure positively influenced the firm values using both the price model and the return model. The study also found that value relevance of book value and earnings per share significantly declined during the IFRS period. This study also covers a period prior to IFRS adoption in Nigeria and was conducted outside Nigeria.

Wu and Hsu (2011) investigated with respect to the embedded value (EV) disclosure of IFRS 4. The study examined listed insurance firms in Taiwan Stock Exchange, London Stock Exchange and the Euronext exchanges for the period of four (4) years from 2005 to 2008. The study used a sample 150 firms; 25 from Taiwan exchange, 50 from London exchange and 75 from Euronext exchange. They found an incremental role for the book value of equity in the equity value of insurance companies which indicated that the problem of accounting maladjustment in the insurance industry leads to demand for fair value accounts.

Tsalavoutas and Dionysiou (2014) evaluated the extent of compliance with IFRS mandatory disclosures on a sample of 150 Greek listed firms for 2005 financial year. They found that on average the IFRS disclosure compliance level is 75 percent. Using Ohlson Model, they found that the Beta of earning of companies with high compliance is meaningfully larger than that of firms with low compliance levels. Although similar in objectives, it differs from the current intended study in terms of jurisdiction and period of examination.

Abu-Dieh (2015) studied the role of IFRS 16 adoption on the quality of financial statements in Palestine. The study analyzed a sample of 32 Palestinian listed firms for the period of ten (10) years from 2003 to 2012. The study divided the firms into pre and post adoption with the adoption year as 2007. The study utilized multiple linear regression models and found evidence that EPS and BV were more value relevant after IFRS adoption. Similarly, The study had been published since 2015 and the data used may be obsolete hence the need for another study

Alashi and Dumlu (2015) also conducted a study on the impact of IFRS adoption on value relevance of net income using a sample of 100 manufacturing firms listed in Borsa Istanbul from the period 1996 to 2013. They utilized pool, random and fixed effect regression models to measure explanatory power of earnings over weighted average of share price at announcement day. They provided evidence that value relevance of accounting information escalated after the adoption of IFRS. The study had been published since 2015 and the data used may be obsolete hence the need for another study

Juniarti, et al (2018) evaluated the role of IFRS adoption on value relevance using the Ohlson (1995) Model. The study used a sample of 60 listed manufacturing firms in Indonesia Stock Exchange (IDX) from 2007 to 2014.Results from their analyses showed that value relevance of accounting information increased subsequent to IFRS adoption. The study focused on manufacturing firms not insurance.

The value relevance of accounting data in South Korea was examined by Ki, et al (2019). with a comparison of firms listed on two different markets. The study evaluated value relevance from the perspective of both individual and consolidated accounting numbers for a ten (10) year period. IFRS adoption has been shown to reduce the value of accounting information. In addition, after IFRS adoption, the value relevance of "KSE" listed companies decreased while the value relevance of "KOSDAQ" listed companies increased. The study further concluded that IFRS enhanced comparability of financial statements. However, the study was conducted in Korea; an entirely different economy

Signaling theory centers on information asymmetry among two parties (Spence 2002), it explains how capital market participants react to information disclosures. Information asymmetry occurs as a result of separation of ownership (shareholders) from management (agents). The Managers as agents of the companies have direct information about the companies which the shareholders and potential investors do not have. The managers are always unwilling to make available transparent information to the investors. Thus, if firms do not disclose their economic position fairly, or report false information, then information asymmetry ensues between the firm and users of its financial information. With the absence of information symmetry users of financial reports may have a distinct reaction to availability and unavailability of information. According to Watson, et al (2002), Asymmetries can be lessened when the party with more information signals to others. The accounting information such as book values, earnings per share and share price of a firm can be used for information purpose and it also acts as a signal to the firm's stakeholders. The IASB provides a conceptual framework and IAS/IFRS that act as guiding principles and procedures for the preparation and presentation of financial report (IASB, 2018). Preparers are expected to adhere to the framework and standards to improve the credibility and decision usefulness of their accounting information thereby reducing information asymmetry. Signaling theory explains that better disclosures of accounting information reduce information asymmetry leading to better signals (Watson, Shrives & Marston 2002). As established from prior studies, IFRS adoption has increased the qualitative characteristics of financial data thereby leading to better quality signals. (Atoyebi et al., Der, Masri and Abubakari, 2018; Ki, Leem & Yuk, 2019, Temile, 2018; 2018;).

3. Methodology

The study adopted correlational research design using panel data from a sample of fifteen of the twenty-six (26) insurance firms listed on the Nigerian Stock Exchange as at December 2020. The study used a filter to adjust the population and get a sample size. All Insurance Companies listed after 2012 were excluded, also, insurance firms that do not have complete annual reports were excluded. The study obtained secondary data from the annual reports and accounts of the listed insurance firms in Nigeria and the Nigerian Stock Exchange (NSE) Fact Book for the period of Nine (9) years from 2012 to 2020. The hypotheses formulated were tested using Ohlson's (1999) Model. Also, multiple regression in line with Ohlson (1995) Price Model was employed. The information gathered was summarized using descriptive statistics and evaluated using STATA version 13.

3.1 Model Specification and Variables Measurement

The study employed modified Ohlson (1995) Price Model to examine the value relevance of accounting information during the period of the study. According to Ohlson (1995), the value of firms' equity can be expressed as a function of its earnings and book values as follows:
Share Price$_{it}$ = $\alpha + \beta_1 BVPS_{it} + \beta_2 EPS_{it} + \varepsilon_{it}$
This study therefore modified the Ohlson model to include level of IFRS 4: Insurance Contracts disclosures, which the modified model is represented as follows;
Share Price$_{it}$ = $\alpha + \beta_1 BVPS + \beta_2 EPS_{it} + \beta_3 CINDX_{it} + \varepsilon_{it}$ ……………………………… … (1)
For Comparison between High and Low compliance with IFRS 4, the models are;
Share Price (high)$_{it}$ = $\alpha + \beta_1 BVPS_{it} + \beta_2 EPS_{it} + \varepsilon_{it}$ ………………………………...……. (2)
Share Price (low)$_{it}$ = $\alpha + \beta_1 BVPS_{it} + \beta_2 EPS_{it} + \varepsilon_{it}$ …………………………………………. (3)

Where,
Share Price = Market price per Share,
BVPS = Book Value per Share
EPS = Earnings per Share,
CINDX = Level of IFRS 4 Disclosure
Share Price (high) = Market price per share of high compliance firms
Share Price (low) = Market price per share of low compliance firms
α = Intercept
β1- β3 = Coefficients of independent variables
ε = error term

The Book Value per Share (BVPS) was arrived at by dividing the shareholders' fund of each firm with the number of outstanding ordinary shares in issue for each firm. Earnings per share (EPS) was arrived at by dividing earnings by number of outstanding ordinary shares in issue for each firm. For Price per share, the study made use of the selected firms' market share prices at exactly three months after accounting year ends. The level of disclosure provided by listed insurance firms was measured using a disclosure index. The index was adopted from that of Bagudo, (2016) who constructed the index by developing a checklist based on the text of IFRS 4 to ensure that the index encompassed all of the requirements of the standard. Thus, the number of items included in the current study's index was determined by the standard itself. The resulting checklist includes 25 items spread across different categories of information. Each firm's annual report was examined for these items and an un-weighted disclosure index was calculated. High and low disclosure levels are determined relative to the mean.

4. Results and Discussions

Table 1: Descriptive Statistics

	Overall					High compliance					Low compliance				
	N	mean	SD	Min	Max	N	mean	SD	Min	Max	N	mean	SD	Min	Max
Share price	135	0.623	0.533	0.2	3.05	57	0.717	0.689	0.2	3.05	78	0.553	0.373	0.2	2.63
EPS	135	1.39	0.318	-1.4	1.477	57	0.283	0.372	-0.22	1.477	78	0.069	0.237	-1.4	1
BVPS	135	1.424	1.421	0.286	9.77	57	1.904	1.644	0.285	7.60	78	1.07	1.2	0.298	9.77
IFRS4DX	135	0.683	0.057	0.56	0.8										

Source: Output of summary of statistics obtained from STATA 13, 2021

Table 1 shows the descriptive statistics for all variables. The average Share Price of the sample insurance firms is N0.73 with a minimum and maximum of N0.21 and ₦ 2.94 respectively. The average value of 0.73 per share is an indication that the share prices of the listed insurance firms in Nigeria does not appreciate much. The results also reveal a standard deviation of 0.558 (₦ 0.56) indicating low variability across the firms.

EPS has a mean of ₦ 1.39 and standard deviation of N0.318. The average value shows that the insurance firms are on average making earnings of 1.39 naira per share. From the value of the standard deviation, it can be deduced that the EPS are not tightly clustered around the mean of data under study, invariably the insurance firm's earnings are different from firm to firm. Moreover, the minimum value is –₦ 1.4 and ₦ 1.477 as maximum value thus, it has a large range of EPS reading from the minimum and maximum values.

The results also show that BVPS has a mean of ₦ 1.424 with a standard deviation of N1.42, which reflects that BVPS values are not widely spread around the mean. The minimum and maximum are ₦ 0.286 and ₦ 9.77 respectively. This result shows that the average is far lower than the maximum value and minimum value implying a wide range of variation in the net asset value of listed insurance firms in Nigeria.

Finally, the average of IFRS 4 disclosure (IFRS4DX) among sampled listed insurance firms is 68.3%, with a standard deviation of 5.8% indicating low variation in disclosure levels across the sampled firms. The minimum and maximum disclosures are 56% and 8% respectively.

Diagnostic Tests Results

Table 2: Normality of Data

Variables	Obs	Z	Prob>z
SharePrice(Overall)	135	61.28	0.000
Share Price (High)	57	16.51	0.000
Share Price (Low)	78	43.63	0.000

Source: Normality using STATA 13, 2021

Table 3: Multicollinearity

Variables	VIF	1/VIF
EPS	1.39	0.720
BVPS	1.56	0.641
CINDEX	1.27	0.788

Source: Output from STATA 13, 2021

Table 4: Heteroscedasticity Test

Model	chi^2	P-value
MPS(Overall)	60.92	0.000
MPS(High)	14.38	0.000
MPS(Low)	7.11	0.008

Source: Output from STATA 13, 2021

Before performing the final regression, the study conducted a diagnostic analysis to maintain the un-biasness of parameters as argued by (Wooldridge, 2012). One classical assumption of OLS regression model is that the error terms are normally distributed. The normality of the residual was tested using Jacque-Bera test at 5% level of significance. The residual values of all the three models revealed significant P-value of 0.000 which is less than 5% level of significance. This suggests that the residuals are not normally distributed.

The multicollinearity test showed that all the VIF values are less than 10 and the tolerance values are not less than 0.1. The result provides evidence that there is no indication of multicollinearity among the explanatory variables.

To evaluate homoscedasticity, the study used Breusch Pagan / Cook-Weisberg test for all three models. The results revealed that all three models had a p-value of 0.000, which is significant at 1%. This implies the presence of heteroscedasticity and the null hypothesis that variance of the residuals is constant (homoscedastic) is rejected. Due to the presence of heteroscedasticity, the study performed a robust regression of ordinary least squares (OLS) that overcame the problem. Therefore, this study reports the results of pooled robust OLS.

Table 5: Robust OLS Regression Results

Variables	Overall	High Disclosure	Low Disclosure
Constant (a_0)	2.361**(1.13)**	-1.04**(-7.00)** ***	-0.4757**(-0.82)**
EPS (β_1)	0.361**(1.60)**	0.380**(2.41)** *	1.314**(1.85)***
BVPS(β_2)	0.142**(2.81)** ***	0.354**(3.26)** ***	0.070**(3.81)*****
IFRS4DX	1.982**(2.49)** **		
R Squared	0.143	0.166	0.081
F	4.4	5.39	7.40
Prob > F	0.006	0.007	0.001

**** p<0.01, ** p<0.05, * p<0.1*

Source: STATA Output, 2021

As seen in Table 5, the results of pooled robust OLS in Models 1, 2 and 3 show R^2 values of 0.143, 0.166 and 0.081 which imply that 14.3%, 16.6% and 8.1% of variations in share prices of the sampled firms in the respective models are explained jointly by the independent variables – earnings per share, book values per share and IFRS 4 disclosures (Model 1) - captured in the models. The results also reveal that all three models are fit and statistically significant.

4.1 Value Relevance of IFRS 4: Insurance Contracts disclosures

As seen in Table 5, the result of pooled robust OLS in Model One shows that IFRS 4 (IFRS4DX) has a positive coefficient of 1.98 and a P-value of 2.49 which is significant at 5%. This shows that increase in IFRS 4 disclosure will have positive and significant effect on Share Price of listed insurance firms in Nigeria. This indicates that stock market prices of the listed insurance firms are influenced by corporate accounting disclosures, in this case, those required under IFRS 4 which are therefore value relevant. This is also consistent with signaling theory as IFRS are considered to be qualitative and useful for decision making.

4.2 Value Relevance of Earnings

As see in the table 5, although earnings per share have a positive relationship with share prices of the sampled firms, in the first Model (Model 1), this relationship is not statistically significant. In Models 2 and 3 however, the results reveal that this relationship is statistically significant at 10%, meaning EPS is value relevant. Comparing the two models, EPS is more value relevant in firms with lower levels of IFRS 4 disclosures (Model 3) with a higher coefficient of 1.314 compared to a coefficient of 0.380 of the higher disclosure firms (Model 2). This further implies that where corporate accounting disclosures such as those required under IFRS 4 are adequately provided, investors or stock market participants rely less on EPS values for investment decision making – since these decisions are ultimately responsible for fluctuations in stock prices as supported by extant value relevance literature, (Bagudo, 2016; Kargin, 2013).

4.3 Value Relevance of Book Values

Results from the table 5 also reveal that Book Values are positively associated with Share Prices of listed insurance firms in Nigeria. The coefficients of 0.142, 0.354 and 0.070 are all statistically significant at 1%, this strengthens the position that Book Values are value relevant (Nijam & Jahfer, 2018). Comparing Models 1 (high disclosure) and 2 (low disclosure), the coefficients of 0.354 and 0.070 indicate that in the sampled firms, Book Values are more value relevant in firms with higher disclosure than those with lower disclosures. This implies that investors – or stock market participants, pay more attention to Book Values of firms with higher levels of IFRS 4 disclosures in the Nigerian Insurance sector.

5. Conclusion and Recommendations

The study was carried out to examine the value relevance of the information content of IFRS 4: Insurance Contracts disclosures of listed insurance firms in Nigeria for the period 2012 to 2020. It further compared value relevance of accounting information between firms with high and those with low compliance with IFRS 4. The study found that IFRS 4 Disclosures are value relevant in the Nigerian insurance sector. The study also found BVPS of firms with high levels of disclosure to be more value relevant than that of firms with lower levels. Findings also suggest that with higher compliance with IFRS 4, EPS are not more value relevant. Overall findings from the study strengthen the position that stock market participants value good quality corporate accounting information for decision making.

Providing better quality information through enhanced disclosures as required under IFRS would greatly impact all stakeholders; potential investors would be better informed, while firms will overcome the challenges of the threats imposed by information asymmetry and weak investor confidence in the sector. These benefits will ultimately enhance the performance of insurance firms in the stock market by building confidence among potential investors.

In line with findings, the study recommends that firms should improve their financial reporting practices through increased compliance with set standards and industry specific regulations. Regulatory bodies should also provide clear and adequate guidelines for firms to align with best practices, as well as, regular monitoring and evaluation to ensure full compliance. This is because stakeholders cannot be properly protected without transparency which is enhanced by quality financial reporting. Potential investors should also consider information in annual reports as a means of appraising firms for investment purposes.

Improved financial reporting practices would go a long way in enhancing some of the developments needed in the Nigerian Insurance Sector.

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