

**VALUE RELEVANCE OF THE INFORMATION CONTENT OF IFRS4 IN  
INSURANCE CONTRACTS OF LISTED INSURANCE FIRMS IN NIGERIA**

**BY**

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## **DECLARATION**

I hereby declare that this Thesis titled “Value Relevance of The Information Content Of Ifrs4 In Insurance Contracts Of Listed Insurance Firms In Nigeria” was written by me under the supervision of Dr Muhammad Mustapha Bagudo and Prof.Salisu Abubakar in the Department of Accounting, Ahmadu Bello University, Zaria. All the information gotten from literature have been duly acknowledged in the text and a list of references is provided. No section of this dissertation was previously presented for another degree in this institution or any other institution.

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## CERTIFICATION

This Thesis titled ‘Value Relevance of The Information Content of IFRS4 in Insurance Contracts Of Listed Insurance Firms In Nigeria’ by Mariya Mohammed, HAFIZ, meets the regulations governing the award of the degree of Master of Science (M.Sc.) in Accounting and Finance of the Ahmadu Bello University, Zaria and is approved for its contribution to knowledge and literary presentation.

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## **Abstract**

Accounting standards improvements have been recognized as a fundamental pillar of many economic developments aimed at assuring the more effective operation of capital markets. In the light of this, the implementation of IFRS in the insurance business is intended to ensure that financial reports are consistent with global best practices. Regulators and investors have expressed concern about the decline in value of publicly traded insurance companies in Nigeria. The major objective of the study is to investigate the value relevance of compliance with insurance contracts disclosure (IFRS 4) of listed insurance companies in Nigeria between 2012 to 2020 using ex-post facto research design. The sample of 15 companies were sampled from the population of 26 insurance companies publicly traded on the Nigerian Stock Exchange (NSE) as of December 31, 2020. The study utilized the Ohlson model and robust ordinary least square regression as a technique for data analysis. The study found that EPS has a positive but insignificant impact on the share prices of listed insurance firms in Nigeria using the share price of listed insurance firms in Nigeria is positively and significantly affected by their book value. It was also established that the level of IFRS4 Compliance does matter with regards to EPS of insurance firms, while the level of IFRS4 Compliance is found to be important with respect to BVPS of insurance firms and finally extent of compliance with insurance contracts disclosure (IFRS 4) has positive and significant effect on Share Price of insurance companies in Nigeria. The study concludes that compliance with IFRS 4: Insurance Contract is value relevant. Between the two accounting numbers – book values and earnings, book values are more value relevant. The report recommends, among other things, that Management of insurance businesses should aim toward enhanced IFRS compliance in order to draw more investment into the industry and boost growth and competitiveness.

### **LIST OF ABBREVIATIONS**

BVP	-	Book Value Per Share
CAMA-		Companies and Allied Matters Act
EPS	-	Earnings Per Share
IFRS	-	International Financial Reporting Standard
IDX	-	Indonesia Stock Exchange
NSE	-	Nigerian Stock Exchange
MV	-	Market Value
VR	-	Value Relevance



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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background to the study**

Improvements of accounting standards have been recognized as a fundamental pillar of many economic developments aimed at assuring the more effective operation of capital markets. Hence, the purpose of standardizing financial reporting procedures is to achieve effective cross-border financial integration which seeks to ensure that every preparer of financial report follows the same format and language for the benefit of users globally+.

The adoption of IFRSs has been upheld as a step toward improving financial reporting procedures and accounting information in order to promote efficient capital markets (Bolibok, 2014). Accounting information can be generated more effectively if the fundamental ideas and methodologies to financial reporting are unified. This is due to the fact that investors desire high-quality accounting data to improve their confidence in both domestic and international markets (Nobes & Parker, 2008).

Value Relevance (VR) refers to the capacity to explain stock market behavior, including stock price response to information published in firms' financial statements (Alkali & Lode, 2016). As it significantly helps investors estimate stock prices, the topic of VR of accounting information is a popular one. VR is the ability of accounting factors, such as earnings and book values, to influence share market prices (Barizah & Bakar, 2011). Therefore, the VR concept is explained as the ability of accounting information to influence stock prices.

In its conceptual framework, the IASB stated that accounting information can impact users' economic decisions by allowing them to assess past, current and future developments or confirm or correct previous assessments. IFRS identifies relevance as one of the key qualitative features of financial information. Relevant information will be presumed to influence investment decision-making if it has predictive value, previous estimates confirmatory value, or both (IASB, 2010). IFRS are expected to improve investors' confidence in financial information perceived to be more reliable as they are considered to be a set of high-quality standards. This has led to fund providers depending more on IFRS-compliant information in investment decision-making.

The arguments on the need for international harmonization and uniformity of accounting standards led nations to yield to the call and adopt IFRS, with Nigeria adopting it in 2012. The adoption led the Nigeria stock exchange to issue a directive on conformity with the standards as a main requirement for all firms listed on the stock market. Further, section 333 (1) of the Nigeria's Companies and Allied Matters Act (2016) requires the form and contents of corporate entities' financial reports to conform with accounting standards issued by the Financial Reporting Council of Nigeria as an approach of providing legal support to reinforce their activities. Since its inception, the new set of standards which aim to improve the quality of financial reporting has continued to evolve.

One of the most significant developments in recent decades has been the worldwide increase in public concern for the insurance industry. Insurance has enabled societies and individuals to connect more closely than ever before. Insurance is distinct from other services in that it is sophisticated and involves significant legal aspects (Rahman, 2017). The insurance industry is

vital to the global economy; insurance companies assist individuals and businesses in transferring risk; while insurers, like other types of investors, are significant long-term players (Bayazidi, 2020). This has resulted in a set of financial reporting requirements protecting the interests of insurance company investors. In addition, there is an apparent need to improve financial transparency and the comparability and compliance of insurance businesses' financial reporting globally (Bayazidi, 2020). The first phase of the standard insurance contract reporting project was launched in 2001 by the International Accounting Standards Board (IASB), with the goal of improving the insurance contract accounting process and addressing the reporting demands of insurance issuing business units. Under insurance contracts, the product was IFRS 4.

The IASB released IFRS 4 Phase I in 2004, and it went into force in 2005 as a temporary guide to insurance contracts until IFRS 17 could be implemented with full standards in 2023. In addition to those covered by other standards, IFRS 4, Insurance Contracts, consolidates all requirements for disclosure of insurance contracts, including reinsurance contracts issued and retained by an insurance business. To help users better understand financial statements, IFRS 4 aims to improve insurers' financial reporting of insurance contracts and to ensure that insurers disclose information that provides clarity on the amounts incurred by insurance contracts in insurers' statements and the amount, timing and future of insurance contracts (IFRS 4).

The National Insurance Commission (NAICOM) reveals that the Nigerian insurance sector's adoption of IFRS is aimed at bringing them to a stage where they become a worldwide player and the best in Africa. Through IFRS, insurance firms' activities will be made more efficient, transparent, safe and in-line with global best practices with the aim of achieving 15<sup>th</sup> place in insurance premiums generation in the world by year 2020 (Tolu-Kusimo, 2013). Among the

IFRS adopted by Insurance firms,IFRS 4 Insurance Contracts is particularly peculiar to the insurance industry.

IFRS compliance studies seek to evaluate the level or scope of companies' compliance with requirements of the accounting standards as disclosed in financial reports(Yiadom & Atsunyo, 2014). The compliance to the standards is seen as the extent to which entities comply with theirrequirements – this decides the usefulness of financial figures in the eyes of investors (Zango, Kamardin & Ishak, 2015). An entity's level of compliance is seen to be of great importance as it enhances the quality of accounting information presented in annual reports. Hence, sufficient compliance with IFRS is anticipated to improveVR (Alfrah & Alanezi, 2015).

As VR implies the influence of share value in the stock market by accounting information (Kargin,2013), the level of compliance with IFRS disclosures is presumed as an additional information that can be incorporated into the valuation model to see if greater compliance is valued by investors (Alfaraih, 2009). VR, according to Al-Hogail (2004), is all about the amount of a company's market value that can be explained by the accounting information that has been provided. IFRS-based financial information's perceived high quality may improve satisfying investors' information need, depending on how well listed companies adhere to them.

The insurance industry is viewed as one of the pillars of the financial sector as it serves as a central element for trade and development. It is believed that the industry plays the double role of risk management and capital formation.However, in Nigeria the insurance industry faced several challenges, which resulted in the adoption of the first Insurance Act in 2003 by the

National Insurance Commission (NAICOM), which resulted in an increase in its capital base requirements. Recapitalization required a minimum capital base of the insurance companies according to the insurance categories of life insurance covered by N150m, general N200m and composite and re-insurance insurance to be established at N350m. Persistence of the issues further led to an amendment in the Act in 2005 which led to consolidation of most of the firms in 2007 (Etomi & Partners, 2019). Further need to strengthen the sector again, moved the National Insurance Commission (NAICOM) to impose new capital requirements which were expected to be implemented in June 2020. It is assumed that this measure will reduce the registered insurance firms from 59 firms to 25 due to mergers and acquisitions that may possibly take place (Czartoryski, 2019).

Despite its apparent importance and the challenges plaguing it, the Nigerian Insurance Sector remains understudied, as seen in the review of relevant literature. The VR literature, though extensive, has relatively focused largely on other sectors. Additionally, of the studies carried out on the sector, a majority have only examined the VR of accounting numbers – earnings and equity book values. However, other information such as those required under IFRS 4 are considered important. Thus, the significance of the sector and the scarcity of literature examining it drive the motivation for this study. The study is therefore, motivated to examine the importance of compliance with IFRS 4 following the challenges of listed insurance firms in Nigeria and whether variations in extent of compliance affect VR.

## **1.2 Statement of the Research Problem**

The goal of IFRS in the insurance industry is to guarantee that all financial reports would adhere to the international best practice. Although the majority of companies claim that their financial statements comply with IFRS, the extent of compliance varies amongst companies.



The Nigeria's insurance market as being plagued by lax enforcement and regulation(PricewaterhouseCoopers, 2015; Osinuga, 2016; Olunuga, 2021). This demonstrates the necessity for the sector and professional organizations to intensify efforts to address the issues behind the sector's below normal performance (Oji, 2019). Regulators and investors have also expressed concern regarding the decline in the value of publicly traded insurance corporations.The sector's issues were caused by Nigeria's low insurance coverage, lax regulation, and certain questionable business practices (Oji, 2018).

Furthermore, IFRS 4; Insurance Contracts are under pressure from auditors, practitioners, and financial analysts because it permits insurance companies to calculate their financial results and positions using outdated metrics and allows them to report profits even when their insurance coverage has not yet been rendered. Other criticism centers on the fact that genuine profit drivers are invisible (Hogendoorn, 2018).

Both in developed and emerging economies, studies have been done on IFRS compliance and VR which produced empirical evidence on the relationship by comparing IFRS accounting numbers to those prior to IFRS adoption.(Alade,Olweny &Oluoch, 2017;Elbakry, Nwachukwu, Abdou& Elshandidy,2016; Adeyemo, Ajibolade, Uwuigbe & Uwuigbe,2017; Alade, 201; Nijam& Jahfer 2018;Umoren, Akpan & Ekeria, 2018; Odoemelam, Okafor & Ofoegbu, 2019)However, few studies have been undertaken in relation to IFRS 4: Insurance Contracts and the VR of accounting information. For example, Wu and Hsu (2011) conducted a study focusing on Taiwan, London, and Euromarkets. Few studies in Nigeria have studied firms' IFRS 4 compliances, such as (Usman, n.d.) and (Yusuf, 2014).

Furthermore, results from studies on the VR of IFRS accounting information remain inconclusive. While some extant literatures found IFRS-based accounting information to be value relevant (Alade, 2018; Ionascu, Iionascu, Sacarin & Minu, 2018; Alade et al., 2017; Alfraih & Alanezi, 2015) others found them not value relevant such as Umoren et al. (2018). These studies have also considered mainly accounting numbers for the purpose of evaluation. With IFRS however, a multitude of other information are considered relevant for proper decision making, therefore, the impact of these information need to be examined more in the literature. Therefore, no study has looked at the VR of IFRS 4 disclosure requirements as well as how variations in the amount of information disclosed by different firms affect the VR of the associated accounting numbers.

The importance of evaluating the VR of accounting information, particularly information required under IFRS 4 which is particularly peculiar to the industry, cannot be overstated in light of challenges raised in the sector and gaps observed. The study aims to add to the body of knowledge on VR by investigating a field that has received very little attention.

### **1.3 Research Questions**

According to the stated research challenge, the specific research questions raised to empirically analyze the VR of listed insurance companies in Nigeria complying with insurance contracts disclosure (IFRS 4) include:

- i. To what extent does earnings per share (EPS) influence the Share Price of insurance companies in Nigeria?
- ii. To what extent does book value per share (BVPS) influence the Share Price of insurance companies in Nigeria?

- iii. What is the incremental VR of marginal increase in compliance with IFRS 4 on Earnings Per Share (EPS)?
- iv. What is the incremental VR of marginal increase in compliance with IFRS 4 on Book Values Per Share (BVPS)?
- v. To what extent does level of compliance with insurance contracts disclosure influence the Share Price of insurance companies in Nigeria?

#### **1.4 Objectives of the Study**

The main objectives of this study is to examine the VR of compliance with Insurance Contracts Disclosure (IFRS 4) of Listed Insurance Firms In Nigeria. Other Objectives includes;

- i. To examine the effect of EPS on the Share Price of Listed Insurance Firms in Nigeria.
- ii. To examine the effect of BVPS On the Share Price of listed insurance firms in Nigeria
- iii. To examine the incremental VR of EPS between firms with high and low levels of compliance with IFRS 4.
- iv. To examine the incremental VR of BVPS between firms with high and low levels of compliance with IFRS 4.
- v. To examine the effect of compliance with Insurance Contracts Disclosure (IFRS 4) on share price of listed insurance firms in Nigeria.

## **1.5 Research Hypotheses**

Pursuant to the above objectives, the following hypotheses are formulated in null form:

- H<sub>01</sub>:** EPS has no significant effect on the Share Price of listed insurance firms in Nigeria
- H<sub>02</sub>:** BVPS has no significant effect on the Share Price of listed insurance firms in Nigeria.
- H<sub>03</sub>:** EPS of listed insurance firms with high compliance with IFRS 4 is not more value relevant than that of firms with low compliance.
- H<sub>04</sub>:** BVPS of listed insurance firms with high compliance with IFRS 4 is not more value relevant than that of firms with low compliance.
- H<sub>05</sub>:** Extent of compliance with insurance contracts disclosure (IFRS 4) has no significant effect on Share Price of listed insurance firms in Nigeria.

## **1.6 Scope of the Study**

The study focused on the VR of compliance with IFRS 4: Insurance Contracts disclosure among Nigeria's listed insurance firms. The choice of the domain is due to the peculiarity of the standard to industry. The study will cover the period of Nine (9) years starting from 2012-2020. This period was selected as it represents the time IFRS 4 was adopted in the Country.

The study will examine the explanatory powers of accounting numbers; earnings per share, book value per share and IFRS 4 Disclosures in explaining fluctuation in market price of the listed insurance firms. The Share Price at the end of March will be used to represent the value of the listed insurance firms.

## **1.7 Significance of the Study**

Accounting information is important to a wide variety such as investors, regulators and policy makers, board of directors, management and so forth. The findings of the study will benefit investors in the stock market. It will assist in improving their decision-making tactics for the purpose of investment.

It will also benefit the regulators Financial Reporting Council of Nigeria and National Insurance Commission. As the research will divulge the scope of compliance with IFRS 4 and its VR, it will benefit them by providing information which may serve as a guide to watching out for insurance firms' attitude to adoption of the new IFRS Insurance guidelines taking effect in 2023.

As the research will reveal the reaction of investors to compliance with IFRS 4 Insurance Contracts disclosure requirements, the study will be of relevance to management and board of directors in understanding how informative and relevant their adherence to disclosure requirements on insurance contracts is to investors and to the value of their firms.

Also, the study will benefit the academia. It will form an empirical reference point for future research work on VR and IFRS disclosures especially on IFRS 4 and other related standards.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

Review of existing literature found to be relevant to the study i.e., VR of compliance with Insurance Contracts Disclosure (IFRS 4) of listed Insurance Firms in Nigeria are presented in this chapter. This section is formed in three parts; conceptual framework, empirical framework and the theoretical framework that underpins the relationship between accounting information, extent of compliance with IFRS 4 and share price.

#### **2.2 Conceptual Literature**

##### **2.2.1 Concept of Value Relevance**

VR is seen as a link between accounts and stock values (Barth & Beaver, 2000). Kargin (2013) described VR as the ability of companies' stock market prices to capture and summarize the value of information disclosed in financial statements. Liu and Liu (2007) also described the VR concept of accounting data as the capacity to affect stock price change. Financial information VR can be predicted and statistically measured by the relationship of security market or return values and financial reporting information (Suadiye, 2012). "VR" is the power of the information in the financial reports to influence stock market metrics, according to Alkali and Lode, (2016). VR of financial figures focuses on the usefulness of financial reports in stock valuation (Nilsson 2003). Francis and Schipper (1999) opined that valuable information will in the end affect prices in the market by causing them to change. Nonetheless, it is important to know how accounting information are reflected in stock prices in order to

assess VR. This claim creates awareness that a combination of accounting and stock price determines whether financial analysts and investors can rely on accounting numbers in order to make a sound investment decision or a fair capital market forecast. VR is however connected to market efficiency and fundamental analysis and assessment (Beisland, 2009). VR for the purpose of this study is considered as the power of accounting information to determine market prices of shares.

Ohlson (1995) Model has been widely employed by prior studies on VR as a means to evaluate the connection between equity market value and key accounting information such as earnings, book values, cashflows and dividends.

### **2.2.2 Concept of Share Price**

Share Price is defined as the price which the market allocates to a company's stock (Oyerinde, 2009). Pealver (2019) states that market value per share is the price at which a share is being traded in the market which fluctuates based on the impressions of investors regarding the future of that share. The market price of a share is the price at which a unit of share can be readily bought or sold in the existing market place (Jain & Bajaj, 2017). Modugu, Okafor and Nosa, (2012) opined that the price of a share at a specific time denotes the balance agreed by the buyers and sellers; where the daily price fluctuations arise because of the variations in the buying and selling activities within the market.

In the context of this work, Share Price is defined as the value at which a company's share is being traded in the stock market at a given time.

### **2.2.3 Concept of Earnings per Share**

Earnings otherwise referred to as Profit is one of the profitability measures used in evaluating a firm's performance. It is the summary figure which represents the net income available to shareholders. EPS is a ratio which divides the net income available to the number of issued shares to show the earnings attributable to each unit of share. This must be reported by listed firms or be listed on the stock market (Valix & Peralta, 2009). Earnings per Share (EPS) is among the values in the financial statements regularly looked out for by investors and other users of accounting information. It is presented in the income statement of a firm (Nyabundi, 2013). Earnings is one of the most widely used accounting information variables (Mulenga & Bhatia, 2018).

In the context of this work, EPS is seen as the proportion of profit after tax to number of the firms' shares in issue.

### **2.2.4 Concept of Book Value Per Share**

The book value per share is the extent to which equity values are divided by the number of issued shares. It is the equity value at any time according to a company's statement of affairs. It is the total asset of a company minus its total liabilities (Odoemelam, et al. 2019). Investors use book value per share to assess the prices of shares of the company, if market price per share is below book value per share, the share is reported to be underestimated (Pealver, 2019). The book value of capital equity plays a vital role in the valuation according to Ohlson (1995) in identifying the net inventory of resources on which a firm's future earnings rely, using the clean surplus value framework, according to the residual income assessment model.



In the context of this work, BVPS is seen as equity book values divided by the number of the firms' issued shares.

### **2.2.5 International Financial Reporting Standards 4 (Insurance Contract)**

IFRSs are accounting standards whose objective is providing high quality information that are useful to a wide range of users and comparable across companies and international boundaries. The IASB in 2001 initiated a project to develop a standard for insurance contracts. The project was divided into two phases, the interim standard phase (Phase I) and the full standard phase (Phase II). The Phase I Standard was issued as the Interim Insurance Contracts (IFRS 4 Insurance Contracts) in 2004. IFRS 4 Phase I defined the attributes of "insurance contracts" and provisional accounting for insurance contracts until a permanent standard is issued. IFRS 4 defines an insurance contract as "a contract under which one Party (the insuring party) assumes a substantial risk to insurance of another Party (policy holder) by agreeing to reimburse the insured party for an adverse effect on the insurer..." (IFRS 4, 2004). This definition sets out which contracts fall under IFRS 4. (BC11, 2004).

Stemming from the definition of an insurance contract is insurance risk which derives from accepting to compensate policy holders for prospective risks. In other terms, insurance risk is referred to be a pre-existing risk shifted from the policyholder to the insurer. Thus, every new insurance contract introduces an insurance risk with no limitation to payment by the insurer to an amount equal to the financial impact of the adverse event suffered (IFRS 4 paragraph BC14, 2014) (IFRS 4 paragraph BC14, 2014).

IFRS 4: Insurance contracts also requires insurance companies to make disclosures which (i) specify and explain insurance contract accounts, and(ii) enable users to understand the

sum, security and timing of future cash flows arising from insurance contracts. Based on the requirements of IFRS 4, it is anticipated that complying with the standard will improve the understandability and quality of information regarding insurance and also enhance the comparability, reliability and relevance of financial reports of insurance companies. Compliance with IFRS is essential for firms aiming to align with global best practices (Ikpefan & Akande, 2012). Some studies have argued that IFRS compliance will improve the quality of accounting information (Alade et al., 2017; Alade, 2018)

### **Relevance of IFRS Disclosures**

According to IFRS, financial reports must provide quantitative and qualitative information, as well as accounting policies and other information that helps users make decisions. IFRS-compliant financial statements are expected to aid market participants' decision-making by providing relevant information.

Hope, Jin, & Kang (2006) understanding financial reports could help investors determine a company's long-term viability, according to researchers. It also aids financial experts in their evaluation of companies predicted future performance (Hodgdon et al. 2008; Hope, Jin, & Kang 2006). Investors' decisions may be impacted if mandated disclosure requirements are not met, according to Dye (1990). For example, Dobler, Lajili's, and Zeghal's (2016) claim that more information in financial statements leads to greater expectations of earnings.

As a result of its high quality, IFRS is projected to raise the value of information and discriminate between organizations with high and low compliance, based on the justifications of the quality of IFRS.

### **2.2.6 An Overview of Insurance Industry in Nigeria and Regulation**

Insurance is designated to pool resources together, in exchange for a certain recurring consideration referred to as premium, to pay compensation to the insured or assured (policy holder) on the occasion of a previously mentioned incident (Agbaje, 2005). In Nigeria, insurance is split into 3 life insurance, non-life and re-insurance businesses. There are four Nigerian insurance players: insurers and reinsurers, loss adjustors, insurance agents and insurance brokers. Insurance contracts are undertaken under risk and insurance brokers act as arbitrators of insurance contracts between underwriters and insurance policy holders, and in collecting the agreed premiums (PricewaterhouseCoopers, 2015). The stock brokers in Nigeria are supposed to control about 70 percent of all Nigerian insurance premiums (PricewaterhouseCoopers, 2015).

The National Insurance Commission (NAICOM) governs the Nigerian insurance industry under the Insurance Commission Act of 1997 and the Insurance Act of 2003. The commission plays the role of setting standards and regulating premiums and commissions for insurance. NAICOM was established with a central purpose of ensuring efficient administration, supervision, regulations and insurance control in Nigeria through the NICOM Act of Cap. N53 Law of the Federation of 2004 (also referred to as the "NAICOM Act"). In addition, Decree 2 mandated insurance firms in this year to achieve a minimum amount of paid-up share capital for life and insurance, of €20million and €150million in reinsurance. General airline, petroleum and gas insurance companies, credit insurance companies, marine companies and other specified insurance firms have had to maintain their paid-up share capital of €70 million, respectively.

Currently compiled as Cap. I17, Vol. 7 and LFN 2004 (the "Assurance Act"), the Insurance Act, 2003 increased the required minimum equity capital for insurance undertakings to €150 million and €200million for Life Insurance and General insurance undertakings. In September 2005, NAICOM again issued the guide in accordance with an announcement by the Federal Minister of Finance, an increase of €350million to a minimum of €10million and €55 billion respectively for reinsurance and composite insurance companies. Life and non-life insurance have also increased to 2 billion dollars, respectively, and 3 billion dollars. This guideline led to the consolidation of the insurance industry as a whole and resulted in 49 of 104 previously operational insurance companies (Bidemi & Nwaolisa, 2019).

In 2018, NAICOM came with the “Tier-Based Minimum Solvency Capital” (TBMSC) as a supporting measure to the ongoing enactment of the Risk-Based Supervision (RBS) program. The program reveals the capital levels for three tiers of capital base leading to 50% addition to the current base for Tier 2 and 200% addition to Tier 1 (NAICOM, 2018). Hence, the life insurance business’ minimum capital is now specified at N2billion for Tier 3, N3billion for Tier 2 and N6billion for Tier 1 while non-life insurance companies are specified at N3billion for Tier 3, N4.5billion for Tier 2 and N9billion for Tier 1. According to NAICOM, (2018), the essence is to redirect the focus of the insurers to their activities in order to limit significant systemic risk and in that way attain sound insurance firms and contribute to the accomplishment of a stable financial system.

### **General Performance of Nigeria Insurance Industry**

The insurance sector in Nigeria is essential for developing income equality and lowering poverty levels in any society, but it has been hampered by a number of factors, including low underwriting capacity of players, consumer distrust, poverty, and inadequacy of distribution

infrastructure. All of these factors have contributed to the low level of insurance penetration (the ratio of insurance business to GDP) that has been seen over time (CSL Research,2021)

The Nigerian insurance sector is still immature, with insurance penetration hovering around 0.5% of GDP (CSL Research,2021). According to IAIS, insurers' profitability in 2020 was squeezed by fewer premiums as a result of less economic activity, as well as lower investment revenue. Solvency ratios dropped on an aggregate basis across businesses and geographies in Q2:2020, owing to investment losses incurred as a result of financial market volatility during the period. Financial market instability has resulted in insurers discontinuing some pandemic-related insurance policies and removing provisions in existing policies that expose them to pandemic-related claims due to effects on profitability, increase in claims and adverse effects resulting from market volatility (Olunuga, 2021)

According to the National Bureau of Statistics in Nigeria, the insurance sector experienced a negative 15.3 percent growth in 2020, following a stunted growth of 2.9 percent in 2019. As regards global relevance, the sector lags behind, contributing only 0.03 percent of worldwide premiums, placing it 63rd out of 88 nations studied by Sigma Research in 2019. The story is similar in comparison to Sub-Saharan peers as insurance penetration (GPW/GDP) remains low at 0.3 percent. Other countries that also low insurance density include South Africa (13.4 percent), Morocco (3.9 percent), and Kenya (2.3 percent). Similarly, compared to South Africa (\$803.0), Morocco (\$127.0), and Kenya (\$43.0), the industry has a low insurance density (GPW per capita) of \$8.0. (Olunuga, 2021).

Following NAICOM's termination of the operational license of NIC Insurance Plc in April 2021 due to their poor performance and solvency, the industry is left with 58 insurers including

13 composite insurers, 31 composite insurers, 13 composite insurers, 31 general insurers and 16 life insurance businesses.

## **2.3 Review of Empirical studies**

Empirical studies on VR of accounting information are documented in prior literature in various forms. This section therefore presents related empirical works on the VR of accounting information.

### **2.3.1 VR of Accounting Information - Earnings and Book Values per Share.**

Extant studies have employed Ohlson 1995 Price Model and that of Easton and Harris (1991) Return Model to examine the role of the income statement element (earnings) and that of the statement of affairs (book value) in predicting the value of firms. For instance, Navdal (2010) conducted research on the VR of accounting information of firms listed on the Oslo stock exchange in Norway with an emphasis on the period of financial crisis. The study found both earnings and book values to be value relevant to investors. The study also found that book values better explained changes in stock prices relative to earnings. The study also concluded that investors valued accounting information higher during the crisis period. The explanatory power of book values also increased during the period while that of earnings decreased. In another study in Jordan, Shamki and Rahman (2011) studied the VR of financial statements elements such as income and book values of listed services and industrial companies. They used a sample 91 firms comprising 39 service firms and 52 industrial firms for the period of 10 years from 2000 to 2009. The study found that income is value relevant while book value is not value relevant. The study also established that net income is more value relevant than book

value in both sectors. The study concluded that net income assists more in explaining the market values of companies in both sectors.

A similar study conducted by Abiodun (2012) explored the VR of accounting information using 40 Nigerian firms listed between 1999–2009. The study employed the logarithmic regression model and confirmed that EPS are more value relevant than the BVPS. It was concluded that information available in the income statement (EPS) improved value more than that obtainable from the statement of affairs (BVPS). The study period covers pre-IFRS adoption era while this study will focus on the post-IFRS era.

Glezakos, Mylonakis and Kafouros (2012) also evaluated the impact of accounting information on stock prices. The study used a sample 38 firms listed on the Athens Stock Exchange from 1996 to 2008 to determine how book values and earnings influence the firms share prices. The study found that the BVPS and EPS were value increasing. They also confirmed that book value is more value relevant than earnings. The study also shares a limitation with that of Musa (2013) and Abiodun (2012) as they also concentrated on the pre-IFRS adoption era which is different from the focus of this study.

Furthermore, Musa (2013) conducted a study on the VR of accounting information among listed conglomerate firms in Nigeria from 2007 to 2011. Using Ohlson (1995) price model and multiple regression for data analysis, the study revealed that BVPS, EPS, and change in EPS significantly influence share prices. Furthermore, earnings were found to have more VR than book values. The study covers the period before the adoption of IFRS and examined a sector other than the one this study intends to cover.

Nyabundi (2013) explored the effect of dividends, EPS and BVPS on SP of firms in Kenya between 2005 -2010. After employing Panel Data analysis, it was revealed that there exist a positive and significant association between Stock pricing, dividends, EPS and BVPS of the firms. In another study in Sri Lanka, Tharmila and Nimalathasan (2013) assessed the effect of earnings and book values on the market prices of shares for manufacturing firms listed on the Colombo Stock Exchange. For a sample twelve (12) firms during a period of five (5) years from 2009 to 2013, the study found that earnings and net assets value significantly impacted on market prices per share of the firms and thus were found to be value relevant. These studies however, have not considered components of annual reports other than just accounting numbers.

In another study, Pervan and Bartulović (2014) assessed five (5) different capital markets in Europe. The study used a sample of 97 firms from 2005-2010 and found book values to be value relevant in all the markets while earnings did not significantly affect share prices in two of the five markets. However, this study is also limited to the VR of accounting numbers (EPS and BV) only. In Sri Lanka, the VR of book values, income price, equity returns and income per share for the 2008-2012 period of 20 producing companies were studied by Vijitha and Nimalathasan (2014). They report that the share price and the return on equities, earnings per share and book values are significantly positive. BVPS and EPS were nevertheless similar, whereas the price/earnings ratio presented a negative and weak share price relationship.

Also, Ghosh and Ghosh (2015) in Bangladesh examined the role of corporate accounting disclosures on variation in stock prices from the period 2010 to 2014 using a sample of 25 banks. The study employed least square regression and found that EPS and Net assets value



per share (NAPS) have positive impact on stock price movements. The study concluded that corporate accounting disclosures improve the stock prices. This study is also foreign oriented and its findings may not work when applied in Insurance Industry in Nigeria. Furthermore, Mulenga (2015) in another study evaluated the VR of accounting information of listed public firms. The study used a sample of 20 banks listed on Bombay stock exchange (BSE 500) from the period 2008 to 2012. The study which was conducted on the banking sector, confirmed that EPS has positive and significant effect on share price while BVPS has negative and insignificant relationship with share price.

Terzungwe and Rabi (2015) also conducted a study in Nigeria using listed food and beverage firms. Their study spanned the period from 2001 to 2010 using a sample of nine (9) firms and found that BVPS and EPS have direct relationship with market price. The study concluded that financial statement information is value relevant. However, these findings were based on annual reports during the pre-IFRS adoption period in Nigeria and focused on food and beverage firms. Also, Omokhusu and Ibadin (2015) investigated the effect of accounting information on firm value of 47 firms listed on the NSE from 1994 to 2013. The study found an insignificant connection between BV and SP of the firms while earnings were found to have a positive significant effect on the share prices. The study however excluded banks and insurance companies.

These studies have examined VR of accounting information across different jurisdictions over different periods. However, of the studies conducted in Nigeria, the periods covered were before IFRS adoption. Also, the Insurance Sector has largely been neglected as most studies focus on the banking and other sectors.

Further studies on VR years after IFRS adoption in Nigeria have been reviewed during the course of this research; Jaba, Robu, Istrate, Balan and Roman (2016) in an empirical study evaluated the VR of financial information reported by Romanian firms listed on the Bucharest Stock Exchange (BSE). The study used a sample of 67 firms for a seven (7) year period from 2006-2012. They evaluated VR by using the Easton and Haris (1991) return model on monthly basis. The study found that accounting information has VR but varies significantly in time and from one company to another. In another study in Singapore, Der, Polak and Masri (2016) assessed the incremental, relative and the systematic fluctuations in VR of the accounting information. Focusing on the period between 1994 and 2013, the study sampled 389 firms and analysed the data collected using Panel data analysis. It was found that BV is more value relevant than earnings. However, these studies also limit their assessment to accounting numbers only.

Furthermore, Hassan and Haque (2017) examined the association between accounting information and share prices in Bangladesh. They used a sample of 93 firms across six (6) different sectors in Dhaka Stock Exchange for the period 2012 to 2016. Their results established that BVPS and EPS influence market share price of the firms. They further confirmed that earning per share is more informative to investors in predicting share price. Although it cuts across different sectors, the study was conducted outside Nigeria and hence its findings may not be generalized for Nigeria. Akadakpo and Mgbame (2018) in another study examined the effect of timeliness on the VR of accounting information in Nigeria. They used a sample of 17 firms for five (5) years period from 2011 to 2014. They confirmed that EPS has a no significant effect on market value while BV of asset positively and significantly influence market value. The study concluded that strict guidelines supported by regulations will

improve VR of accounting information. However, the sample size used in this study is quite small to be generalized for the entire stock exchange.

In Ghana, Der, Masri and Abubakari (2018) evaluated the VR of accounting information such as book value, earnings and dividends using listed financial and non-financial firms for 10 years from 2005 to 2014. Employing the Ohlson 1995 Model, the study found that BV and earnings were value relevant for non-financial firms while earnings was found to be value relevant for financial firms and book value was not value relevant. They also confirmed that IFRS adoption increases the VR of accounting information.

Focusing on Nigerian Firms, Ewereoke (2018) investigated 68 firms drawn from the population of 213 firms for 15 years from 2001 to 2015. The study discovered that EPS is value relevant while book value per share was found not to influence share price of the firms. The study concluded that earnings per share is a key driver of firms' value in the Nigeria stock exchange. However, this study did not consider the effect of IFRS adoption which remains a contemporary issue in the accounting.

Also, Mirza, Malek, and Abdul-Hamid (2018) in their paper evaluated the VR of accounting information of non-financial firms listed in the Malaysian main capital market. The study used a sample of 607 listed non-financial companies on the Bursa Malaysia for the period of 2012 to 2016. The study applied Prais-Winsten regression and found that the book values of equity were value relevant while earnings were not value relevant. They concluded that investors focus more on the book value of equity of firms in investment decision making with less attention given to the earnings. This study did not consider other disclosure requirements of

IFRS other than accounting numbers which are also equally important for investment decisions.

Although researchers have studied extensively the VR of accounting information, these studies have examined mostly accounting numbers – earnings, book values etc. However, a multitude of other information are required and considered relevant for decision making. In light of this, the researcher has further studied extant literature to find studies which have considered other information, specifically those relating to Insurance.

### **2.3.2 IFRS 4 and VR**

Wu and Hsu (2011) conducted research about the IFRS 4 embedded value (EV) disclosure between 2005 and 2008. The study looked at the 150 insurance firms listed on the London Stock Exchange (50), Taiwan Stock Exchange (25), and the Euronext markets (75). They discovered that the book value of equity played an increasing role in the equity value of insurance businesses, indicating that the demand for fair value accounts is a direct result of the problem of accounting misadjustment in the insurance sector. They concluded that valuation is relevant to the fair value concept of IFRS 4. The study was conducted outside Nigeria and prior to the IFRS adoption period in Nigeria whereas, the aim of the present research is for the period following IFRS adoption to examine the Nigerian insurance sector.

### **2.3.3 IFRS and VR of Accounting Information**

Since its establishment, IFRS has attracted considerable study interest, leading to a substantial body of literature on the topic. Some of these were consulted while this study was being conducted.

Alfaraih (2009) investigated the impact of IFRS disclosure on the VR of accounting information for Kuwaiti listed companies. For the years 1995 to 2005, 16 businesses that followed IFRS were used in the study. The study discovered that the sampled organizations had a high average compliance level of 72.6%. The results further supported the idea that, in both the price and return models, the business values were positively impacted by compliance with IFRS disclosure. The study also discovered that during the IFRS period, the VR of book value and earnings per share decreased significantly. This study, which was carried out outside of Nigeria, also covers a time frame before IFRS adoption in Nigeria.

In South Africa, Ossip (2011) evaluated the VR of mandatory IFRS adoption using a sample of 215 firms consisting of 860 firm year observations. The study found that book values of equity and net income per share in post adoption period were less value relevant compared to those of the pre-IFRS domestic GAAP which had a greater effect on stock prices. The study measured VR using the Ohlson (1995) model and based on its findings, concluded that financial reports under IFRS are relatively less value relevant compared those of domestic GAAP.

In another study in Turkey, Kargin (2013) studied the effect of transition to IFRS on VR between 1998 and 2011. The study revealed that IFRS adoption improved the VR of book values while improvements in the VR of earnings was not recorded. The period covered in the study ended in 2011 prior to IFRS adoption in Nigeria.

Furthermore, Chebaane and Othman (2014) in their study investigated the influence of mandatory adoption of IFRS on the VR of earnings and the book value of equity for the period 1998 to 2012. They used a sample 10,838 firm-year observation drawn from firms listed in

seven different countries; Bahrain, United Arab Emirates, Jordan, Kuwait, Qatar, Turkey, and South Africa. It was found that EPS is more relevant in post-adoption period. Findings of this study cannot be generalized to Nigerian Firms. In another study in India, Khanna (2014) examined the combined, individual, and incremental VR of accounting information of listed firms from 2006 to 2010. The study used a sample of 241 firms that cut across banking, insurance, other financial firms and firms in the public sector. The findings reveal that BV and earnings are relevant to the accounting information. There has been a decline in the combined value per share of the income and BVPS while the incremental VR of the accounting information has not changed significantly. A sample of 249 company-year observations was used to examine the impact of compulsory IFRS implementation in Romania on accounting quality.

The results of their analysis carried out for four years period from 2010 to 2013 revealed that IFRS adoption in Romania enhances the value relevant accounting information. They also found that book value of equity is value relevant. The study is foreign oriented and focused on adoption of IFRS which is quite different this studies that seek to examine the compliance with IFRS 4 disclosure using checklist in using insurance firms. Furthermore, Bolibok (2014) assessed the role of IFRS on the VR of essential accounting data of listed banks on the Warsaw Stock Exchange (Poland) for the period of 1998 to 2012 using a sample of 17 firms. The study applied the Ohlson model using linear regression with OLS method to analyze the pooled data. The study found that IFRS adoption in Poland did not have a significant impact on the VR of accounting data of the listed banks implying that the quality of financial reporting under Polish standards was not inferior to IFRS.

In Greece, Tsalavoutas and Dionysiou's (2014) studies 150 listed companies as a sample in assessment of the level of compliance with IFRS obligatory disclosures for the 2005 financial year using the Ohlson Model. It was discovered that the degree of IFRS disclosure compliance is typically 75% and businesses with high compliance earn higher than those with low level of compliance. Its goals are similar to the present anticipated study's, but its jurisdiction and time frame are different.

Yusuf (2014) studied the impact of compliance with international financial reporting standard on insurance (IFRS 4) on listed insurance firms in Nigeria. The study selected (5) quoted Insurance companies selected as sample size covering the period of 2012 to 2014. The study utilized data from secondary source. Using qualitative grading system, the study established that gap exists between what insurance companies do and what is required of them by IFRS 4 meaning the compliance with the standard is not 100%. However, the study has a weakness in that it only examined the level of compliance without establish the degree of value relevance of the compliance on the insurance firms; the gap that this study intends to fill.

Usman (n.d) empirically examined the assess the level of compliance with IFRS 4 Nigerian listed Insurance companies listed on the Nigerian Stock Exchange. The study took all the insurance firms as its population with fifteen (15) Nigerian insurance companies selected as sample out of total number of 32 listed on the Nigerian stock exchange (NSE) which satisfied the statutory classification of insurance Decree of 1976. The time frame of the study was four years (2012-2015). Using panel regression analysis, the study found that there is high level of compliance with IFRS 4 by listed Insurance Firms in Nigeria. However, the study only examined the level of compliance without establish the degree of value relevance of the compliance on the insurance firms; the gap that this study intends to fill.

In Palestine, Abu-Dieh (2015) investigated the impact of IFRS 16 implementation on the caliber of financial statements. 32 Palestinian publicly traded companies were examined in the study for ten (10) years, from 2003 to 2012. The adoption year used in the study was 2007, and the firms were split into pre- and post-adoption groups. After IFRS implementation, the study show VR ofEPS and BV using Multiple Regression Models. Also, Sovbetov (2015) studied the impact of IFRS adoption on the VR of accounting numbers for the 80 largest firms from the FTSE 100 index in the UK for the period from 2003 to 2006. The study found that IFRS adoption had a positive impact on VR. Similarly, A study by Alashi and Dumlu (2015) looked at100 industrial companies listed in Borsa Istanbul from 1996 to 2013. To assess the predictive power of "profits over weighted average of share price at announcement day," they used pool, random, and fixed effect regression models. It was found that the VR of accounting information significantly increased after the IFRS adoption.In another similar study, Bingbin, Jing and Miyao (2015) in assessing the effect of accounting standard change on VR examined the VR of earnings for listed companies in Shenzhen from 2005 to 2008. Comparing VR before and after China adopted international Standards, it was established that after the adoption, the VR of earnings increased.

It was found that the level of IFRS obligatory disclosure compliance and the VR of the accounting information of listed Kuwaiti enterprises were linked by Alfraih and Alanezi (2015). A disclosure index and the VR of IFRS compliance level were used in the study to analyze the level of compliance with IFRS disclosures in 2010.. The study used a sample of 119 non-financial companies. Using a self-constructed disclosure index for 24 IAS/IFRS to generate 397 mandatory disclosure items, the study found that the overall compliance level was 72%. They found a significant connection between IFRS compliance level and the VR of



accounting information (EPS and BV) to the investors. The study is foreign oriented with focused on non-financial firms and as such its findings cannot be generalized to Nigerian insurance firms. In Nigeria, Musa (2015) investigated the role played by IFRS adoption on financial reporting quality of firms with regards to its VR. Using a sample of 77 firms listed on the Nigerian stock exchange for a period of one year, the study established that there is a positive connection between BV, EPS and the stock prices of the firms after the adoption of IFRS. The study concluded that the financial reports of the firms were value relevant with IFRS adoption. Although conducted in Nigeria, the study is limited to only one year and did not consider components of annual reports other than the accounting numbers.

Also, Umoren and Enang (2015) investigated the relationship between IFRS adoption and VR with particular focus on listed deposit money banks in Nigeria. The findings confirmed that earnings reported under the IFRS are more informative to equity investors than those reported under the Nigerian GAAP. Furthermore, Emeni, Uwuigbe, Uwuigbe and Erin (2016) investigated the impact of IFRS on the VR of accounting data of deposit money banks in Nigeria. They also confirmed that IFRS improved the VR of EPS and BV using price regression model and returns regression model to measure the VR. These studies however, focused on the banking sector only.

Adwan (2016) examined whether the combined VR of earnings and book values increased after IFRS adoption for firms in the European economic era and Switzerland for a fourteen (14) year period from 1998-2012. The study found that BVE and earnings combined, were value relevant following mandatory IFRS adoption which suggests that IFRS adoption improves the quality of accounting information. The study also examined the VR of fair value hierarchy

under IFRS 7 and found that all fair value levels were value relevant to investors. Similarly, Aryani, (2016) conducted a study in Indonesia where He focused on the VR of Bank's risk disclosure required under IFRS 7. For the period from 2008 through 2012, the study found that these risk disclosures had no significant effect on the banks' firm value. These studies have considered the VR another component of financial reports other than the accounting numbers only, that is, the Disclosures required under IFRS 7 (Financial Instruments: Disclosures) which is similar to what the current study intends to carry out in respect of IFRS 4.

Bagudo (2016) contrasted the VR of accounting figures under IFRS and those under Nigerian SAS in a study of a similar nature conducted in that country. The study also looked at how IFRS disclosure compliance affects the informational value of the IFRS accounting numbers. The study discovered that IFRS accounting figures were more value relevant than Nigerian SAS when employing the return and price models. The study also discovered that IFRS disclosure compliance improved the informational value of the accounting numbers. The study spans 114 firms from a variety of industries that are listed on the NSE, however it only covers the years 2009 through 2014, which includes just the first 2years following the introduction of IFRS in the country.

In another similar study, Alade et al. (2017) evaluated the VR of compliance with IFRS/IAS in Nigeria. They studied sixty-nine (69) firms for a period of four years of IFRS adoption in Nigeria from 2012 – 2015. The study used 503 IFRS/IAS disclosure items which reveals an average compliance level of 91%. Using a panel regression model, the study revealed that higher compliance with IFRS mandatory disclosure requirements is value relevant in the Nigerian market and more value relevant for financial sector. The study concluded that

compliance with IFRS standard has improved the investor's reliance on accounting information.

Also, Adeyemo, Ajibolade, Uwuigbe and Uwuigbe (2017) investigated the mandatory adoption of IFRS and VR of financial information of listed Nigerian banks. The study focused on 13 commercial banks listed on the NSE. They found that BE and EPS have positive association with share price. They also found that EPS is more related with share price than book value of equity. The study was limited to the banking sector. Okafor, Ogbuehi and Anene (2017) added to existing literature as they investigated the role played by IFRS when adopted on EOS, BV and Cashflows. For the period of 8 years from 2008 to 2015, they used a sample of 12 firms from 25 listings of the Nigerian consumer goods companies. Applying multiple regression analyses, the IFRS adoption found that the BV, EPS and cash flow from the operations are influenced by incremental value performance. The highest increase was in EPS. Although the research was carried out in Nigeria, the study examined consumer goods companies, while the study aims to examine insurance companies.

Elbakry et al. (2017) examined the changes in the VR of accounting information for pre- and post-IFRS adoption periods in Germany and the UK. The study used a sample of 133 firms for the UK and 96 for Germany for a 6-year period from 2002 to 2007. The study used three different valuation and found that VR of the book values of equity had declined while that of earnings had increased with IFRS adoption in both Germany and the UK. They also found that incremental VR of both BV and earnings in the long term are higher in the UK firms. In another study in Ghana, Queku (2017) assessed the VR of IFRS compliance of banks from the perspective of shareholders and found IFRS compliance to be value relevant.

The VR of accounting information in Nigeria from 2008 to 2015 for both pre-and post-IFRS adoption was reviewed by Erin, Olojede and Ogundele (2017). They used a sample of 52 consumer and financial services companies and measured value pertinence by using the price regression model and a returns regression model. They found that after IFRS, the value pertinence of earnings, cash flows and book values and net income improved. In a similar study in Brazil, Eng, Lin and Figueiredo (2017) assessed the importance of accounting information using the period from 2008 to 2012 in improving the obligatory adoption of the IFRS. The study identified an improvement in profit VR after IFRS use, whereas the book value pertinence during the pre-adoption period was higher. Similarly, after the mandatory IFRS transition, Ustuner (2017) assessed the accounting quality of financial reports. The study compared net income and book value of equity with company share prices for the pre- and post-IFRS adoption period to the relative and incremental value of net revenues. The study found that after the adoption of IFRS, the BVE and net income was higher than that of Turkish GAAP. The study concluded that the use of IFRS enhanced the VR of Turkish business accounting information. Atoyebi, Salaudeen and Onyilokwu (2018) conducted similar study using listed health care firms in Nigeria. The study used a sample of six (6) firms from 2008 to 2015. The VR of EPS, change in EPS and BVPS was evaluated using multiple regressions. The study found that the information in the post IFRS period was more value relevant. However, the study is limited to the Healthcare sector and examined a small sample relative to the number of firms listed on the NSE.

In a similar study based on the consumer goods sector, Akuezunkpa (2018) explored the relationship between the adoption of IFRS and VR of financial information. Using a sample of 18 firms drawn from a population of 25 listed firms in the sector from 2009 to 2015, it was

found that IFRS adoption significantly affected the VR of accounting information. These studies are also limited to the assessment of the relevance of accounting numbers alone to investors' decisions.

Alade (2018) used Nigeria for his research. Using a purposive sampling technique, a sample of 69 companies were selected from a population of 128 listed enterprises across an eight-year span from 2008 to 2015. The introduction of IFRS has a significant impact on the VR of accounting information in the statement of affairs and income statement, according to the study, which employed a modified Ohlson price valuation model. The survey also discovered a 91 percent total compliance rate. The study also discovered that compliance levels mattered. The study differs from the evaluation of industry-specific standards in that it investigated compliance with all IFRS standards across a number of sectors.

Ionascuet al. (2018) did a comparative study in Romania. The study used a period of 2009 to 2016 and employed regression analysis, they found that after IFRS adoption financial information became significantly more relevant for equity valuations. Badu and Appiah (2018) looked into the VR of accounting information for the years 2005 to 2014 in another study conducted in Ghana. The study used an Ohlson (1995) pricing model, which looks at how accounting data explains variation in bond prices in coded corporations in the Ghana Bond. The study discovered that equity book values and earnings had a positive and significant relationship with stock prices, with income having a larger impact than equity book values. The study found that, despite the adoption of IFRS in Ghana, the VR of earning and book value had declined significantly over the period under study.

Using the Ohlson (1995) Model, Juniarti, Novitasari, and Tjamdinata (2018) assessed the impact of IFRS adoption on VR. From 2007 to 2014, the study employed a sample of 60 manufacturing companies that were listed on the Indonesia Stock Exchange (IDX). Their investigations' findings demonstrated that, following the adoption of IFRS, the VR of accounting information increased. Manufacturing companies were the subject of the investigation. Additionally, Nijam and Jahfer (2018) investigated how the implementation of IFRS affected the usefulness of accounting information. The study used EPS and BVPS to explain VR using Ohlson's (1995) price regression model for the years 2010 to 2014. A sample of 188 companies listed on the Colombo Stock Exchange was employed in the study (Sri Lanka). The study used pooled regression and found that with the adoption of IFRS, BVPS and EPS considerably and favorably influence market price per share. Additionally, they discovered that the VR of book value per share fell following the implementation of IFRS while the VR of EPS increased, making EPS more crucial in explaining the MV in the post-IFRS eras. These studies were also carried out outside Nigeria.

In Nigeria, Umoren, Akpan and Ekeria (2018) carried out a study on the VR of BV and EPS on the market price of shares before and after the adoption of the IFRS in Nigeria. The study examined a sample of 10 listed Nigerian Banks for 10 years from 2007 to 2016. They used OLS Regression and found that BVPS and EPS has an insignificant relationship with MPPS both before and after IFRS adoption. The study concluded that BVPS and EPS are not value relevant. The study although carried out in Nigeria focused on banks only. In another study, Temile (2018) assessed the effects of the adoption of IFRS on the quality of published financial statements with a focus on non-financial firms. The study used a sample of eighty-seven (87) companies for a ten-year period consisting of five years pre-adoption (2007-2011) and five

years post IFRS adoption (2012-2016). The study found that VR of financial reporting had improved after the adoption of IFRS. Although conducted in Nigeria, the study however focused on non-financial firms.

Sabelström (2018) used data from Finnish companies to examine the VR of goodwill impairment losses. This study was conducted using a sample of 390 firm-year observations, collected for a six (6) year period from 2012 to 2017. The study aimed to assess whether the information on goodwill impairment losses had influence on the investment decisions of market participants. The study employed OLS regression to carry out its analysis. The evidence from the findings suggests that investors in the Finnish market considered goodwill impairment losses relevant to their decision making. The findings showed that there is a negative relationship between goodwill impairments and market value, demonstrating that investors consider impairment declarations in valuing firms which lead to reduction in stock prices. However, this study focused on goodwill impairment (IAS 36) which differs from the IFRS 4 intended to be examined by the current study.

With a different approach, Oladele, Oladele, and Ajayi (2018) investigated the perception of Nigerian stockbrokers regarding IFRS and the VR of accounting information using a sample of 121 stockbrokers in the Nigerian stock exchange. Primary data was obtained through questionnaire. The study employed Chi-square test to reveal the stockbrokers' perception on the VR of IFRS based financial statement accounting numbers and found that stockbrokers considered them to be value relevant. Alnodel (2018), in another study, examined the effect of IFRS on the VR of book values and earnings per share for insurance firms listed on the Saudi stock market. Data for 21 listed insurance firms from 2007 to 2014 was analyzed. The study applied both the Ohlson (1995) Model and the Easton–Harris (1991) Model and found that the

book value of equity became less value relevant while VR of earnings increased. This study also fails to consider other aspects of IFRS besides its influence on accounting numbers. Similarly, Makhsun, Yuliansyah, and Razimi, (2018) investigated the impact of the adoption of IFRS on VR of BVPS and income of listed Indonesian manufacturing firms from 2009 to 2013. The study found both book values and income to be value relevant with that of income being more significant. They concluded however, that there is a decline in the VR of book value of equity and income after IFRS adoption. The study was restricted to manufacturing firms for a period of four years.

Kwon (2018) evaluated how IFRS influenced VR in the Korean market. The study examined the pre-IFRS period from 2008-2010 and post-IFRS period from 2011-2013. The study found that the VR of book value, accounting earnings, operating income, operating cash flows and cash flow varied significantly before and after IFRS adoption. The study found a negative association between net income, operating income, and stock price. Topal (2018) examined the impact of the adoption of IFRS 16 (Lease) on the VR of annual accounts of European companies. Based on Ohlson (1995) model, the study examined the effects of book values and earnings on the stock market prices of the companies for the pre and post IFRS 16 adoption periods. The study found that VR of accounting information improved after the adoption of IFRS 16.

Similar studies were carried out in by Ki, Leem, and Yuk (2019) utilizing South Korea and a comparison of businesses listed on two separate markets. For a ten (10) year period, the study assessed VR in terms of both individual and consolidated accounting numbers. The study found that the VR of accounting information reduces after IFRS adoption. The study further



concluded that IFRS enhanced comparability of financial statements. Odoemelam, et al. (2019) in another study, examined the VR of earnings and how adoption of IFRS affected it for listed Nigerian companies. The study used a sample of 101 examined from 2006 to 2017. The study used fixed effect model and confirmed that the adoption of IFRS in Nigeria led to an increase in VR earnings. Also, the study did not record an improvement in the VR of book values. The approach of the study also differs from that which the current study intends to employ. While the study examined VR of accounting numbers only, the current study intends to incorporate other information required under IFRS which it considers to be relevant for decision making. Also, Mirza, Malek and Abdul-Hamid (2019) examined the VR of financial reporting figures after IFRS adoption. They used a sample of 607 firms and 3035 firm-year observations for the period of five years from 2012 to 2016. The study used price model and found that book values were more value relevant than earnings implying that investors relied more on them for decision making than earnings.

Although a large body of literature on the subject of VR of IFRS-based accounting information and compliance with IFRS requirements exists; most of the empirical studies have been established outside Nigeria. Furthermore, the Insurance sector has not been extensively researched as most of the studies in the Nigerian financial sector tend to focus on the banking sector. Existing empirical studies have also largely examined VR of accounting numbers (earnings, book values, dividends etc.) only, however a wide array of information required in annual reports are also considered to be important for the purpose of decision making for investors. Of this other information, this study intends to examine the VR of IFRS 4 (Insurance Contracts) which is peculiar to the insurance industry.

## **2.4 Theoretical Framework**

This section provides the theoretical framework for the study by discussing the theory that shows the link between the dependent variable and independent variables

### **2.4.1 Signaling theory**

The signaling hypothesis (Spence 2002) focuses on the knowledge disparity between two parties to explain the reaction of market participant to Information asymmetry and information disclosure resulting from separating ownership (shareholders) from management (agents). Shareholders and potential investors do not have access to first-hand knowledge about the businesses that the Managers, who represent the companies, do. Investors are never keen to receive transparent information from the managers. As a result, if businesses do not disclose their financial information honestly or provide inaccurate information, information asymmetry exist between the management and financial data users.

As result of information asymmetry, users of accounting information request for audited financial reporting and disclosure (Healy & Palepu, 2001) to reduce agency conflicts between investors and management. Thus, financial reporting plays a crucial role in reducing information asymmetry. Companies provide disclosures by way of financial reports, which include financial statements and notes, auditors' reports, and other information.

Furthermore, information provided by managers is required to be credible thus, verification is necessary for it to be seen quality and be able to send signal to users. (Watson, Shrives & Marston 2002). The credibility of financial information disclosure by management is boosted by auditors, regulators, standard setters and other capital market intermediaries (Healy

&Palepu 2001). Accounting data can be used as a signal to the firm's stakeholders as well as for informational purposes. Examples include share prices, book values, and earnings per share.

Financial reports should be created and presented in accordance with IAS/IFRS and an IASB conceptual framework (IASB, 2018). The framework and standards are anticipated to be followed by preparers in order to increase the accuracy and decision-usefulness of their accounting data and so lessen information asymmetry. Better accounting information releases, in line with signaling theory, should lessen information asymmetry and produce better signals (Watson, Shrivies & Marston 2002). Prior research indicates that the use of IFRS has enhanced the qualitative characteristics of financial data, resulting in signals of higher quality (Temile,2018; Atoyebi et al., 2018; Der Manser and Abubakari, 2018; Ki, Leem & Yuk, 2019). IFRS based accounting information is anticipated to provide better signals for users of financial reports relative to GAAP. The VR models were employed to examine stock market participants' reaction to the historical accounting information released by listed insurance firms in Nigeria as reflected in the market prices of their shares. Hence, signaling theory is also used a theory to underpin this study.

#### **2.4.2 Efficient Market Hypothesis**

Changes in stock prices are considered as a function of information available in the market under the Efficient Market Hypothesis. Market Efficiency depends on how participants process and absorb information available at any given time. According to Fama (1970), three forms of market efficiency exist; a weak form efficiency where stock prices reflect only historical

information; a semi – strong form efficiency where stock prices reflect other publicly available information together with historical information and; a strong form efficiency where all information whether publicly available or limited to certain groups of investors or groups are captured in stock prices.

In Nigeria, information is made available through the Nigerian Stock Exchange where all companies are required to submit annual reports three months after their financial year end. Since prior literature supports the weak form efficiency of the Nigerian market (Ikeora, Charles-Anyago and Andabai, 2016), the market information reflected in stock prices is expected to be absorbed according to the report. This study employs the Ohlson's Price Model to determine whether stock prices of listed insurance firms reflect historical information provided in their annual reports. Hence, the Efficient Market Hypothesis is used to further explain the relationship between Accounting Information and fluctuations in Share Prices of listed firms.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the methods that assess the VR of IFRS 4: Insurance Contracts for listed insurance companies in Nigeria. It includes the research design, the population and sample of the study, sources of data and methods of data analyses to be employed towards achieving the objectives of the study.

#### **3.2 Research Design**

With a quantitative approach, the study adopts ex-post facto research design as it allows a researcher to examine preexisting phenomenon. Correlational research design was employed to explain the Independent/dependent variable relationship. Panel data analysis was used to examine the reporting period from 2012 to 2020.

#### **3.3 Population and Sample Size**

The study's population consists of twenty-six (26) insurance companies that were listed on the Nigerian Stock Exchange (NSE) as of December 2020. To modify the population and determine the sample size, the study employed census strategy which includes all the listed insurance firms as at the date mentioned. However, for a firm to be included in the sample it must satisfy the following criteria:

1. It should not have been delisted within the period under consideration.
2. Its data must be available throughout the period of the study (2012-2020).

Having applied the above filters a sample of 15 firms was arrived at.

### **3.4 Sources and Methods of Data Collection**

The Nigerian Stock Exchange (NSE) Fact Book and the annual reports and accounts of the country's listed insurance businesses provided the secondary data for this study, which covered the nine (9) years between 2012 and 2020. The NSE website and the website of Cashcraft Asset Management Limited were used as sources for information on share market prices. To represent the efficient market hypothesis, the market price of shares was based on the share price of the companies three months following the accounting year end of the sampled enterprises.

The annual reports of the sampled companies were used to gather the data for the independent variables. Earnings were taken from the income statement, book values from the statement of affairs, and IFRS 4: Insurance Contracts disclosure items from the annual reports and the notes to the accounts.

#### **3.4.1 Disclosure Index**

A disclosure index was used to gauge how much disclosure listed insurance firms offered. The study uses the index from the KPMG (2012) checklist that was created based on the wording of IFRS 4. The checklist that results has 25 items.

Each firm's annual report was examined for these items and an un-weighted disclosure index was constructed. Given the limitations of the weighted index, Cooke (1989) contended that un-weighted indices are more suitable research instruments in corporate disclosure studies. Further Alfaraih (2009) and Alade (2018) support the argument as IFRS is mandatory for all firms. IFRS 4 Insurance Contract is mandatory for all quoted insurance firms in Nigeria, thus, firms' compliance score was determined as a percentage of the total number of items a firm

discloses to the maximum disclosures expected. The values of 1 and dummy (0) are assigned, 1 if an item is disclosed and (0) if it isn't disclosed. The index is given as:

$$CINDEX = \frac{T = \sum_{i=1}^n di}{M = \sum_{i=1}^m dm} \times 100$$

Where *CINDEX*= measures the extent of compliance with IFRS 4 disclosure requirements, *T* is the total number of items disclosed by firm *i*, *M* is the total number of required disclosures by a firm and *di* are the items disclosed and *dm* is applicable disclosures.

The degree of compliance (whether high or low) was measured by looking at the intensity of the compliance with the standard. The level of compliance was demarcated into high and low by taking into account the percentage of the compliance as shown by the compliance index. Any percentage above 50 was taken as high compliance while any compliance below 50 was assumed to be low (Kantudu, 2006).

### **3.5 Methods of Data Analysis**

Multiple ordinary least square regression, a statistical technique of data analysis was used for the study. Multiple regression technique was considered the most appropriate technique of data analysis for the study because of the multiple independent variables and presence of one dependent variable. Also, given the adoption of Ohlson(1995) pricing model, multiple regression technique is the best method to use. The study also employed descriptive statistics and the Pearson correlation to understand the nature of the data and establish the relationships.

### 3.6 Model Specification

The Ohlson (1995) Price Model is used in this study to investigate the VR of accounting information during the study period. Ohlson (1995) states that the value of a firm's equity can be stated as a function of its earnings and book value, as follows.:

Ohlson (1995) Model

$$\text{Share Price}_{it} = \alpha + \beta_1 \text{BVPS}_{it} + \beta_2 \text{EPS}_{it} + \varepsilon_{it} \dots\dots\dots (1)$$

Modified to include level of IFRS 4: Insurance Contracts Disclosure;

$$\text{Share Price}_{it} = \alpha + \beta_1 \text{BVPS}_{it} + \beta_2 \text{EPS}_{it} + \beta_3 \text{CINDEX}_{it} + \varepsilon_{it} \dots\dots\dots (2)$$

The following models were employed in order to facilitate comparison between high and low compliance with IFRS 4;

$$\text{Share Price (high)}_{it} = \alpha + \beta_1 \text{BVPS}_{it} + \beta_2 \text{EPS}_{it} + \varepsilon_{it} \dots\dots\dots (3)$$

$$\text{Share Price (low)}_{it} = \alpha + \beta_1 \text{BVPS}_{it} + \beta_2 \text{EPS}_{it} + \varepsilon_{it} \dots\dots\dots (4)$$

Where,

Share Price = Market price per Share

BVPS = Book Value per Share

EPS = Earnings per Share

CINDEX = 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

$\alpha$  = Intercept

$\beta_1$ -  $\beta_3$  = Coefficients of independent variables

$\varepsilon$  = error term



i = firms

t = time

### **3.7 Variable Definitions and Measurements**

Table 3.2 below shows the definitions and measurements of the variables to be used in the study.

**Table 3.2: Variable Definitions and Measurements**

Variable Name	Variable Acronym	Variable Type	Variable Measurement	Source
Market price per share	Share Price	Dependent Variable	Share prices - 3 months after accounting year ends.	Umoren et al. (2018), Yahaya et al (2016)
Earnings per Share	EPS	Independent Variable	Net income after tax divided by the number of ordinary shares outstanding	Umoren et al. (2018), Yahaya et al (2016)
Book Value per Share	BPS	Independent Variable	Net assets divided by the number of ordinary shares outstanding	Umoren et al. (2018), Yahaya et al (2016)
IFRS disclosures	4 CINDEX	Independent Variable	IFRS 4 Disclosure index: $CINDEX = \frac{\text{Total disclosure}}{\text{expected Disclosure \%}}$	Alade (2018) and Bagudo, (2016)

Source: Compiled by the Researcher.

### 3.8 Diagnostic tests

The study also conducted some diagnostic tests. Diagnostic tests such as the normality test, serial correlation test, multicollinearity test, heteroscedasticity test are used to examine the connection between independent and dependent variables in a linear regression model.

**Normality test:** one of the assumptions of ordinary least square regressions is that the residuals are normally distributed. The study used Jacque-BereTest for normality to find out if the data is normally distributed. The decision rule is set at 5% level of significance. If the p-value of the test is insignificant, then the data will be considered to be normally distributed.

**Multicollinearity Test.** Ordinary least square assumes little or no multicollinearity among the independent variables. Since the study has multiple independent variables, Variance inflation

factor (VIF) and tolerance value (TV) in order to test for Multicollinearity. When the values of VIF fall between 1 and 10 then there is no multicollinearity while values of VIF below 1 and greater than 10 indicate presence of multicollinearity (Gujarati, 2014)

**Heteroscedasticity test.** The study deals with observations that constitute different sizes of data and heteroscedasticity often occurs when there is a significant difference among the sizes of observations. The study tested for heteroscedasticity by using Breusch–Pagan/Cook–Weisberg test.

**CHAPTER FOUR**  
**DATA ANALYSIS AND INTERPRETATION**

**4.1 Introduction**

This chapter presents and analyses the statistical results obtained from the data. The chapter was separated into different sections like discussion on descriptive statistic, correlation analysis, diagnostic and post diagnostic tests. The final section ended with testing of the hypotheses of the study and discussion of the major findings.

**4.2 Summary of Descriptive Statistics**

The descriptive statistics table (Table 4.1) shows the information on the mean, standard deviation, maximum and minimum for each of the dependent (Share Price) and independent variables (Earnings per Share – EPS, Book Value per Share – BPS, and CINDX-IFRS4 Disclosure index). Table 4.1 provides a summary of the descriptive statistics of the accounting figures overall period (2012 to 2020) high compliance and low compliance period periods, as stated below:

**Table 4.1 Descriptive Statistics of Accounting Figures – Overall, High and Low IFRS4 Disclosure.**

Variables	Overall					High					Low				
	N	Mean	SD	Min	Max	N	Mean	SD	Min	Max	N	Mean	SD	Min	Max
Share Price	135	0.623	0.534	0.2	3.05	57	0.717	0.689	0.2	3.05	78	0.554	0.373	0.2	2.63
EPS	135	1.59	0.318	-1.4	1.477	57	0.283	0.372	-0.228	1.477	78	0.069	0.237	-1.4	1
BVPS	135	1.424	1.421	0.285	9.776	57	1.904	1.644	0.285	7.606	78	1.074	1.119	0.298	9.776
IFRS4DX	135	0.683	0.058	0.56	0.80	*	*	*	*	*	*	*	*	*	*

**Source:** Statistics Summary from STATA 13.

The descriptive statistics of variables for the overall results show that the sampled insurance firms' average market price per share (Share Price) is N0.62, with a minimum (Min) and maximum (Max) of N0.2 and N3.05 accordingly. The average value of 0.62 per share indicates that the shares of Nigeria's listed insurance corporations do not significantly increase. The findings also show that the standard deviation of 0.534 (N0.53) suggests little variability across the listed insurance companies.

The mean of EPS is N1.59, with a standard deviation of N0.318. The average result indicates that insurance companies earn 1.59 naira per share on average. The value of the standard deviation indicates that the EPSs are not densely grouped around the mean of the data under consideration; invariably, the earnings of the insurance firms deviate from one another. Furthermore, the smallest value is -N1.4 and the maximum value is N1.477, resulting in a wide range of EPS readings between the Min and Max values.

The result indicates that BVPS has a mean of N1.42 and a standard deviation of N1.43, indicating that the degree of volatility between the mean and the general observation is not a cause for concern. N0.286 and N9.77 are the minimum and maximum values. This result demonstrates that the average is significantly lower than the Min and Max values, showing a wide range of variance in the net asset value of Nigerian listed insurance firms.

For CINDEK standard deviation of 5.8% indicates that there is little variance in disclosure among the sampled firms, and the average IFRS 4 disclosure (CINDEK) across the listed insurance firms in the sample is 68.3%. The minimal and maximum disclosures are, respectively, 56% and 80%.

**Table 4.2 Correlation matrix**

Variables	MPS	EPS	BVPS	CINDEX
Share Price	1.0000			
EPS	-0.046	1.0000		
BVPS	0.276***	-0.520*	1.0000	
CINDEX	0.318***	-0.320*	0.448*	1.0000

\*\*\*, \*\*, \* significant at 1%, 5%, 10%

Source: summary of STATA OUTPUT

From the correlation matrix table 4.2, it can be seen that BVPS and CINDEX are positively correlated with Share Price of the listed insurance firms in Nigeria with a coefficient value 0.276 and 0.318 respectively. The implication is that the above variables move in the same direction with the Share Price. On the contrary, EPS negatively correlated with Share Price with Share Price with a coefficient value of -0.046.

The independent variables are expected to have a weak relationship. According to Gujarati (2004), all the independent variables that have less than 0.80 correlation coefficient are considered safe and can be included in the same regression model, since there is no likelihood of multicollinearity among the independent variables. From the table, 0.520 was the highest correlation between BVPS and EPS which is below the established threshold of 0.80. Hence, all variables are included in the model. This is also complemented by the Variance inflation factor and tolerance value for multicollinearity check in Table 4.4.

### 4.3 Result of Robustness Tests

Wooldridge(2011) suggested some diagnostic tests before executing the final regression. Hence, the heteroskedasticity, normalcy, and multicollinearity tests are the robustness tests carried out for this study.

#### 4.3.1 Normality of Data

The error terms must follow a normal distribution, which is a traditional OLS regression model presumption. The Jacque Bera test was used to determine the residual's normalcy at a 5% level of significance. A significant P-value of 0.000, or less than 5% threshold of significance, was found in the residual values of all three models. This implies that the residuals are not distributed normally.

**Table 4.3:***Normality test*

<b>Variables</b>	<b>Obs</b>	<b>Z</b>	<b>Prob&gt;z</b>
MPS(Overall)	135	61.28	0.000
MPS(High)	57	16.51	0.000
MPS(Low)	78	43.63	0.000

Source: Normality using STATA 13, 2021

#### 4.3.2 Multicollinearity Test

The multicollinearity test is used to see if the explanatory variables have an unfavorable association that could skew the results of the regression. The VIF and Tolerance Value were used to perform a multicollinearity test in this investigation (TV). When the mean VIF is

greater than 10 or the tolerance value is less than 0.1, it is a strong sign that multicollinearity exists, according to Hair, Black, Babin and Anderson (2010).

**Table 4.4 Multicollinearity Table**

Variables	VIF	1/VIF
EPS	1.39	0.720
BVPS	1.56	0.641
IFRS4DX	1.27	0.788

**Source: output from STATA 14**

There were no multicollinearity tests in Table 4.3 that revealed tolerance levels less than 0.1 or VIFs greater than 10. The findings show that the explanatory variables do not exhibit any signs of multicollinearity.

#### 4.3.3: Heteroscedasticity Test:

**Table 4.5: Heteroscedasticity Test**

Model	chi <sup>2</sup>	P-value
MPS(Overall)	60.92	0.000
MPS(High)	14.38	0.000
MPS(Low)	7.11	0.008

**Stata output, 2021**

The study employed Breuch Pagan/Cook-Weisberg for all three models to test for heteroskedasticity. All three models have a p-value of 0.000, which the analysis demonstrates is significant at 1%. The null hypothesis that the variance of the residue is constant (homoscedasticity) is rejected, and therefore implies the presence of heteroscedasticity. In order to do this, the study also carried out a robust regression using ordinary least squares



(OLS), which dealt with the issue of heteroskedasticity. Therefore, this study reports pooled robust OLS results as suggested by wooldridge(2011) based on the issues raised on the previous models.

#### 4.4 Data Presentation, Analyses and Interpretation

The study used the robust OLS regression model to interpret the data. It is further explained and expressed in the table 4.3, below.

The R-square ( $R^2$ ) value is used in this study to show the level at which the explanatory (independent) variables explain the dependent variable. To examine the VR of compliance with insurance contracts disclosure (IFRS 4) of listed insurance companies in Nigeria, Table 4.3 reveals the extent to which accounting information (EPS, BVPS and IFRS 4 Disclosures) explain Share Price using their  $R^2$  figure. The study further compares the high and low compliance model using the  $R^2$  as a predictive factor.

**Table 4.5 Robust OLS Regression Results**

Variables	Overall	High Disclosure	Low Disclosure
Constant ( $a_0$ )	2.361( <b>1.13</b> )	-1.04( <b>-7.00</b> ) <sup>***</sup>	-0.4757( <b>-0.82</b> )
EPS ( $\beta_1$ )	0.361( <b>1.60</b> ) <sup>*</sup>	0.380( <b>2.41</b> ) <sup>**</sup>	1.314( <b>1.85</b> ) <sup>*</sup>
BVPS( $\beta_2$ )	0.142( <b>2.81</b> ) <sup>**</sup>	0.354( <b>3.26</b> ) <sup>**</sup>	0.070( <b>3.81</b> ) <sup>***</sup>
IFRS4DX	1.982( <b>2.49</b> ) <sup>***</sup>		
Adjusted $R^2$	0.123	0.166	0.081
F	7.29	5.39	7.40
Prob > F	0.0001	0.007	0.001

\*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$  Source: summary of STATA OUTPUT

## **Interpretation**

Overall, the independent variables (EPS, BVPS and IFRS4) used in explaining the market prices of the sampled firms, reveals an adjusted  $R^2$  of 0.143 for the entire period which suggest that (EPS, BVPS and IFRS4DX) were able to explain 14.3% change in Share Price of the listed insurance firms for the entire period of the study.

On the high compliance model, the explanation power adjusted  $R^2$  is 0.166 which implies that (EPS, and BVPS) were able to explain 16.6% change in MPS of the listed insurance firms

On the low compliance model, the explanation power adjusted  $R^2$  is 0.081 which implies that (EPS, and BVPS) were able to explain 8.1% change in MPS of the listed insurance firms This finding serves as a considerable evidence that the explanatory powers of accounting information (EPS and BVPS) with high compliance with IFRS4 disclosure has higher predictive relevance and are more informative in explaining the market prices to the users of the information; furthermore, it also established that the accounting numbers has an increase in the explaining the market prices, increase in IFRS 4 disclosure.

## **4.5 Hypothesis Testing**

The study was designed to test five hypotheses. The hypotheses which were earlier stated in null forms would be the tested using the result obtained from OLS regression as presented in Table

**H<sub>01</sub>:** EPS has no significant effect on the MPPS of insurance companies in Nigeria

The result from Table 4.5 shows that earnings per share (EPS) has a T-value of 1.6 which is statistically significant at 10%. This result implies that the study has found substantial

evidence to reject the null hypothesis one of this study that EPS has no significant effect on the MPPS of insurance companies in Nigeria

**H<sub>02</sub>:** BVPS has no significant effect on the MPS of insurance companies in Nigeria.

The result from Table 4.5 reveals that book value per share (BVPS) has a p-value of 0.006 pre IFRS and a p-value of 0.229 in post IFRS adoption indicating that BVPS is statistically significant at less than 5% level of significance, pre IFRS; but, not statistically significant, during the post IFRS. This result implies that the aforementioned findings are contrary to the proposed hypothesis. Therefore, the null hypothesis 2 which states that the BPS has no significant effect on the market prices of the listed insurance firms in Nigeria pre and post is rejected.

**H<sub>03</sub>:** 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.

Table 4.5 also shows that beta coefficient of high compliance model for EPS is 0.380 with a p-value of 0.054. Also, the beta coefficient of low compliance model for EPS is 1.314 with a P-value of 0.068 which are all significant at 10% level. Difference in the coefficient is (-0.934). This shows that EPS of insurance companies with low IFRS 4 compliance is more value relevant than that of companies with high IFRS 4 compliances. The third null hypothesis, according to which the EPS of insurance firms with high IFRS 4 compliance is not more valuable than those of firms with low compliance, is not refuted by the study.

**H<sub>04</sub>:** BVPS of insurance firms with high compliance with IFRS 4 is not more value relevant than that of firms with low compliance with IFRS 4.

In addition, table 4.5 also revealed that the beta coefficient of high compliance model for BVPS is 0.0.354 with a p-value of 0.005. Also, the beta coefficient of low compliance model for BVPS is 0.0.07 with a P-value of 0.000 which are all significant at 1% level. Difference in the coefficient is (0.284). This suggested that the BVPS of insurance companies with high IFRS 4 compliance is more valuable than that of companies with poor IFRS 4 compliances. The study disproves null hypothesis number four, which claimed that BVPS of insurance firms with high IFRS 4 compliance is not more value relevant than that of firms with poor IFRS 4 compliances.

**H<sub>05</sub>:** Extent of compliance with insurance contracts disclosure (IFRS 4) has no significant effect on market price per share of insurance companies in Nigeria.

Finally, as shown in Table 4.5, IFRS4DX has a P-value of 0.014 which is statistically significant at less than 5%. This implies there is statistically significant evidence to reject hypothesis 5 which states that extent of compliance with insurance contracts disclosure (IFRS 4) has no significant effect on market price per share of insurance companies in Nigeria.

## **4.6 Discussion of Findings**

From the tests carried out on the data collected and the analyses of the results, these findings are discussed below.

### **4.6.1 Earnings per Share and Market Price per Share**

Earnings per share has a beta coefficient of 0.361 and a p-value of 0.086, which means they are statistically significant at 10% level of significance, according to Table 4.5. This indicates that earnings per share (EPS) has significant impact on the MPS of Nigeria's listed insurance companies. According to the positive relationship, a unit (1 kobo) change in EPS will cause a change in MPS of roughly 36 kobo. This shows that EPS as a financial metric are valued by

investors when assessing stock of insurance firms in Nigeria. This finding is in line with signaling theory and in line with the previous studies of Badu and Appiah (2018), Ewereoke (2018), Hassan and Ul Haque (2017) who discovered that EPS is value relevant.

#### **4.6.2 Book Value per Share and Market Price per Share**

Table 4.5 shows that book value per share has a beta coefficient of 0.0142, with a p-value of 0.006 which is significant at 1%. This means that book value per share (BPS) has a positively related and statistically significant at 5% level with the MPS of the sampled listed insurance firms in Nigeria. According to the positive correlation between the MPS and BVPS, a change of one unit (1 kobo) in BVPS will cause a change of 14 kobo in MPS. This also implies that investors are taking book value per share into account. This result is consistent with signaling theory and prior studies of Ghosh and Ghosh (2015) and Der, Polak and Masri (2016), who discovered that BVPS is value relevant. Mirza, et al. (2018) in their study pointed out that investors focus more on the book value of equity of firms in investment decision making with less attention given to the earnings.

However, the study is contrary to the findings of Ewereoke (2018), Omokhudu and Ibadin, (2015) and Mulenga (2015) found an insignificant connection between BV and SP of the firms.

#### **Comparison of VR of EPS between high (model 2) and low compliance (Model 3)**

In table 4.5, model 2 on high compliance has a coefficient of 0.361 and a p-value of 0.054, but model 3 on low compliance has a beta coefficient of 1.314 and a p-value of 0.068. This suggests that the difference in coefficients is -0.953. This implies that the EPS of insurance firms with poor IFRS 4 compliance is more value relevant than that of firms with high IFRS 4 compliance. However, comparatively with the model two, the results from model three under low compliance provides that EPS is more relevant in the explanation of price per share

variation as evident by the coefficient of 1.314 with the P-value of 0.068, which is significant at 10%. This means that EPS is not value relevant with high compliance with IFRS 4 disclosure. This implies that investors pay attention to EPS of firms with low compliance although the significant level is low as it is at 10%.

### **Comparison of VR of BVPS Between High (Model 2) and Low Compliance (Model 3)**

Furthermore, in table 4.5, Model 2 on high compliance has a coefficient of 0.354 and a p-value of 0.005, whereas Model 3 on low compliance has a beta coefficient of 0.070 and a p-value of 0.000, both of which are significant at the 1% level. This suggests that the coefficient of variation is a positive 0.284. This implies that the BVPS of insurance firms with high IFRS 4 compliance is more value relevant than that of firms with poor IFRS 4 compliance. Higher positive coefficient of 0.354 for high compliance shows that it has more explanatory power than the low compliance BVPS value of 0.070. This means that BVPS is more value relevant with high compliance with IFRS 4 disclosure. This implies that investors pay attention to BVPS of firms with high compliance

### **VR of Accounting Disclosure with IFRS 4 (Model One)**

The outcome of the pooled robust OLS in model one is shown in Table 4.5, and it reveals that CINDEX has a positive value of 1.98 and a P-value of 0.014, which is significant at the 5% level. This demonstrates that the increased IFRS4 disclosure will have a favorable and considerable impact on the MPS of Nigeria's listed insurance firms. There will be more of this because of an increase in IFRS4DX. By this, we mean that the rising book value is a sign that the company is able to generate profits and hold onto them as retained earnings, which has a positive effect on the market value of its stock. This provides evidence of rejecting null

hypothesis, which states that book value per share has no VR to price per. The finding of this study is consistent with Glezakos (2012), Ijeoma (2015) and Wael (2016).

An earnings per share (EPS) coefficient as indicated in Table 4.4 is 0.2636 with the T-value of 0.69. It implies that there is positive and insignificant relationship between earnings per share (EPS) and price per share (MPS) of listed insurance firms. On this basis, we fail to reject null hypothesis, which states that earnings per share has no VR to price per share.

As indicated in Table 4.4, disclosure (IFRS4DX) has a coefficient of 4.6847 with T-value of 2.30, which is significant at 5%. It means that there is positive and significant relationship between disclosure and price per share. The reason for this is that stock prices in both developed and developing countries are influenced by the publication of corporate accounting information. As a result, management seeks to raise stock price by increasing transparency of information in order to lessen knowledge asymmetry. It is on this basis that we reject the null hypothesis, which states that disclosure has no VR to price per share. The finding of this study is consistent with Ghosh (2015), Yiadom and Atsunyo (2014).

#### **4.6 Policy Implications of the Findings**

The results of this study give more understanding on the value relevance of disclosure and based on the findings discussed above regulators like Financial Reporting Council of Nigeria should put in place mechanisms geared towards ensuring stricter compliance with financial reporting standards the compliance has been found to be value relevant; adding value to values of shares.

## **CHAPTER FIVE SUMMARY, CONCLUSION AND RECOMMENDATIONS**

## 5.1 Summary

This study was carried out to examine the VR of compliance with insurance contracts disclosure (IFRS 4) of listed insurance companies in Nigeria for the period 2012 to 2020. Specifically, the study objectives includes to examine the effect of EPS on the Share Price of listed insurance companies in Nigeria, examine the effect of BVPS on the Share Price of insurance companies in Nigeria, examine the incremental VR of EPS between companies with high and low levels of compliance with IFRS 4, examine the incremental VR of BVPS between companies with high and low levels of compliance with IFRS 4 and examine the effect of compliance with Insurance Contracts disclosure (IFRS 4) on Share Price of listed insurance firms

In chapter two, concept of VR, accounting information and IFRS 4 disclosures were discussed for better understanding of the subject matter. Relevant empirical works were reviewed while signaling theory was used to back the study.

In chapter three, the research methodology was discussed. The study employed secondary data gotten from the firm's annual reports of fifteen (15) insurance firms listed in Nigeria stock exchange. Models of the study were specified with the addition of the variable measurement and the study makes use of STATA13 package as a tool of analysis.

In chapter four, descriptive statistics and inferential statistics were presented and discussed. Robust pooled OLS regression was used to test the hypotheses. According to the study, EPS has a positive but insignificant impact on the share prices of listed insurance firms in Nigeria, while book value has a positive and significant impact. EPS of insurance firms with high IFRS



4 compliances are not more value relevant than those with low compliance, while BVPS of insurance firms with high IFRS 4 compliance are more value relevant than those with low compliance. Lastly, the degree of compliance with the disclosure requirements for insurance contracts (IFRS 4) has a favorable and considerable impact on the market price per share of insurance businesses in Nigeria.

## **5.2 Conclusion**

Firstly, the study found evidence that EPS has significant influence market price per share. Hence the study concludes that EPS is value relevant in the listed insurance firms in Nigeria. Also BVPS positively influence market price per share. Hence the study concludes that book value per share is value relevant in the listed insurance firms in Nigeria.

Thirdly the study found a higher positive and insignificant coefficient for incremental EPS between high compliance and low compliance with IFRS 4 disclosure. The study concluded that EPS of firm with low compliance is more value relevant than that of the high IFRS 4 compliance firms. Hence the study concludes that earnings per share of low compliance firms is more value relevant than firms with high compliance with IFRS 4 disclosure listed insurance firms in Nigeria.

In addition, the study found a higher positive and significant coefficient for incremental EPS between high compliance and low compliance with IFRS 4 disclosure. The study concluded that BVPS of firm with high compliance is more value relevant than that of the low IFRS 4 compliance firms. Hence the study concludes that book value per share of high compliance firms is more value relevant than firms with low compliance with IFRS 4 disclosure listed

insurance firms in Nigeria. The study concludes that with compliance with IFRS 4 disclosure, book value is more value relevant than the EPS.

Finally, the study found that IFRS 4 disclosure has a positive and significant relationship with Share Price. The study concludes that IFRS 4 disclosure of listed Insurance Firms in Nigeria is Value relevant.

### **5.3 Recommendations**

Based on the conclusion above, the study recommends as follows:

- i. Insurance sector regulators as well as Financial Reporting Council of Nigeria should gear more efforts to ensure improved compliance with the standards guiding the accounting for insurance contracts. This can be possible through inspection and monitoring of the insurance sector to ensure full compliance with all the requirements such standards. This is because transparency and comparability of accounting numbers cannot be possible without disclosure, which is the first step towards compliance.
- ii. The Management of insurance companies should ensure a better and higher level of compliance with IFRSs so as to attract potential positive drive through both local and foreign investment in the sector which will enhance its growth and competitiveness.

### **5.4 Limitations of the Study**

This study should not be used as a basis for generalization because the study is faced with the following limitations;

- i. The study focused on only insurance firms in Nigeria which is insignificant percentage of the total listed firms in Nigeria

- ii. The study covered the period of nine years only

### **5.5 Areas for Further Studies**

- i. Further studies should research other accounting information such as leverage and working capital in agricultural firms in Nigeria. This will assist in documenting the effects of adoption of IFRS 4 on the value relevance other accounting information of quoted Insurance Firms in Nigeria besides the ones covered by this study.
- ii. Further research should also be carried out to examine the effect of adoption of IFRS 4 on value relevance of accounting information of Insurance firms among different West African countries which share common characteristics with Nigeria.
- iii. Further studies should be embarked upon to cover a larger time frame.

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**Table 3.1: List of listed Insurance Companies in the Nigerian Stock Exchange as at 2019**

<b>S/N</b>	<b>Insurance Companies in Nigeria</b>	<b>Year of Incorporation</b>	<b>Year of Listing on NSE</b>
1.	<b>African Alliance Insurance Plc</b>	1960	2009
2.	<b>Aiico Insurance Plc</b>	1963	1990
3.	<b>Axamansard Insurance Plc</b>	1989	2009
4.	<b>Consolidated Hallmark Insurance Plc</b>	1991	2008
5.	<b>Continental Reinsurance Company Plc</b>	1999	2007
6.	<b>Cornerstone Insurance Plc</b>	1991	1997
7.	<b>Coronation Insurance Plc</b>	1958	1990
8.	<b>Custodian &amp; Allied Insurance Plc</b>	1991	2007
9.	<b>Goldlink Insurance Plc</b>	1993	2008
10.	<b>Guinea Insurance Plc</b>	1958	1990
11.	<b>International Energy Insurance Plc</b>	1969	2007
12.	<b>Lasaco Assurance Plc</b>	1979	1991
13.	<b>Law Union &amp; Rock Insurance Plc</b>	1969	1990
14.	<b>Linkage Assurance Plc</b>	1991	2003
15.	<b>Mutual Benefits Assurance Plc</b>	1995	2002
16.	<b>Nem Insurance Plc</b>	1970	1990
17.	<b>Niger Insurance Plc</b>	1962	1993
18.	<b>Prestige Assurance Company Plc</b>	1970	1990
19.	<b>Regency Alliance Insurance Plc</b>	1993	2008
20.	<b>Royal Exchange Insurance Plc</b>	1921	1990
21.	<b>Sovereign Trust Insurance Plc</b>	1995	2006

<b>22.</b>	<b>Staco Insurance Plc</b>	1991	2007
<b>23.</b>	<b>Standard Alliance Insurance Plc</b>	2003	2003
<b>24.</b>	<b>Sunu Assurance Plc</b>	1984	2007
<b>25.</b>	<b>Universal Insurance Company Plc</b>	1961	2008
<b>26.</b>	<b>Veritas Capital Assurance Plc</b>	1973	2009

Source: Compiled by the Researcher from the Nigerian Stock Exchange Fact Book, (2019)

# Overall Compliance Model

```

  _ _ / _ _ / _ _ /
  _ _ / / _ _ / / _ _ / 13.0 Copyright 1985-2013 StataCorp LP
  Statistics/Data Analysis  StataCorp
                             4905 Lakeway Drive
  MP - Parallel Edition      College Station, Texas 77845 USA
                             800-STATA-PC      http://www.stata.com
                             979-696-4600      stata@stata.com
                             979-696-4601 (fax)

```

Notes:

1. (/v# option or -set maxvar-) 5000 maximum variables

```
. edit
```

```
. *(6 variables, 135 observations pasted into data editor)
```

```
. summarize mps eps bvps ifrs4dx
```

Variable	Obs	Mean	Std. Dev.	Min	Max
mps	135	.6234074	.5337521	.2	3.05
eps	135	.159295	.3183184	-1.4	1.477361
bvps	135	1.424459	1.421267	.2853785	9.776897
ifrs4dx	135	.6835556	.0575036	.56	.8

```
. pwcorr mps eps bvps ifrs4dx, star (0.05)
```

	mps	eps	bvps	ifrs4dx
mps	1.0000			
eps	-0.0460	1.0000		
bvps	0.2764*	-0.5200*	1.0000	
ifrs4dx	0.3178*	-0.3203*	0.4483*	1.0000

```
. reg mps eps bvps ifrs4dx
```

Source	SS	df	MS	Number of obs =	135
Model	3.40826163	3	1.13608721	F( 3, 131) =	7.29
Residual	20.4155309	131	.155843748	Prob > F =	0.0001
Total	23.8237926	134	.177789497	R-squared =	0.1431
				Adj R-squared =	0.1234
				Root MSE =	.39477

mps	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
eps	.3607807	.2082957	1.73	0.086	-.0512779 .7728393
bvps	.1419836	.0584353	2.43	0.016	.0263846 .2575826
ifrs4dx	1.981872	.6925829	2.86	0.005	.611778 3.351966
_cons	2.361489	1.924995	1.23	0.222	-1.446609 6.169588

```
. vif
```

Variable	VIF	1/VIF
bvps	1.56	0.641136
eps	1.39	0.720067
ifrs4dx	1.27	0.788608
Mean VIF	1.41	

```
. hettest
```

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of mps

chi2(1) = 60.92

Prob > chi2 = 0.0000

```
. predict residual, resid
```

```
. sktest residual
```

Skewness/Kurtosis tests for Normality

Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	joint	
				adj chi2(2)	Prob>chi2
residual	135	0.0000	0.0000	61.28	0.0000

```
.
```

```
. reg mps eps bvps ifrs4dx, robust
```

Linear regression

```
Number of obs = 135  
F( 3, 131) = 4.40  
Prob > F = 0.0055  
R-squared = 0.1431  
Root MSE = .39477
```

mps	Robust				
	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
eps	.3607807	.2256399	1.60	0.112	-.0855889 .8071503
bvps	.1419836	.0505776	2.81	0.006	.041929 .2420382
ifrs4dx	1.981872	.7957666	2.49	0.014	.407656 3.556088
_cons	2.361489	2.085306	1.13	0.260	-1.763743 6.486722

## High Compliance

```
. summarize mps eps bvps
```

Variable	Obs	Mean	Std. Dev.	Min	Max
mps	57	.7173684	.6891598	.2	3.05
eps	57	.283055	.3722024	-.2282533	1.477361
bvps	57	1.904476	1.644304	.2853785	7.606315

```
. pwcorr mps eps bvps ifrs4dx , star (0.05) sig
```

	mps	eps	bvps	ifrs4dx
mps	1.0000			
eps	0.0445	1.0000		
	0.7425			
bvps	0.2771*	-0.6552*	1.0000	
	0.0369	0.0000		
ifrs4dx	0.3803*	-0.2730*	0.4061*	1.0000
	0.0035	0.0399	0.0017	

```
. reg mps eps bvps
```

Source	SS	df	MS	Number of obs =	57
Model	2.65945125	2	1.32972562	F( 2, 54) =	5.39
Residual	13.3290636	54	.24683451	Prob > F =	0.0074
				R-squared =	0.1663
				Adj R-squared =	0.1355
Total	15.9885148	56	.285509193	Root MSE =	.49682

mps	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
eps	.3800498	.1578179	2.41	0.019	.0636439 .6964557
bvps	.3537118	.1084066	3.26	0.002	.1363697 .5710538
_cons	-1.043286	.1490475	-7.00	0.000	-1.342108 -.7444635



. vif

Variable	VIF	1/VIF
bvps	1.75	0.570772
eps	1.75	0.570772
Mean VIF	1.75	

. hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of mps

chi2(1) = 14.38

Prob > chi2 = 0.0001

. predict residual, resid

. sktest residual

Skewness/Kurtosis tests for Normality

Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	adj chi2(2)	Prob>chi2
residual	57	0.0000	0.0364	16.51	0.0003

```
. reg mps eps bvps , robust
```

Linear regression

```
Number of obs = 57  
F( 2, 54) = 5.13  
Prob > F = 0.0091  
R-squared = 0.1663  
Root MSE = .49682
```

mps	Robust					
	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
eps	.3800498	.1927405	1.97	0.054	-.0063716	.7664712
bvps	.3537118	.1194056	2.96	0.005	.114318	.5931055
_cons	-1.043286	.148333	-7.03	0.000	-1.340675	-.745896

## Low Compliance

```
. drop _all
```

```
. *(6 variables, 78 observations pasted into data editor)
```

```
. summarize mps eps bvps
```

Variable	Obs	Mean	Std. Dev.	Min	Max
mps	78	.5547436	.3729097	.2	2.63
eps	78	.068855	.236555	-1.4	1
bvps	78	1.073678	1.119712	.2980369	9.776897

```
.
```

```
. pwcorr mps eps bvps ifrs4dx , star (0.05) sig
```

	mps	eps	bvps	ifrs4dx
mps	1.0000			
eps	0.0521	1.0000		
	0.6506			
bvps	0.2502*	-0.3065*	1.0000	
	0.0272	0.0063		
ifrs4dx	-0.2033	-0.2321*	0.1985	1.0000
	0.0743	0.0409	0.0815	

```
. reg mps eps bvps
```

Source	SS	df	MS	Number of obs =	78
Model	.017373769	2	.008686885	F( 2, 75) =	3.30
Residual	.197435679	75	.002632476	Prob > F =	0.0423
				R-squared =	0.0809
				Adj R-squared =	0.0564
Total	.214809448	77	.002789733	Root MSE =	.05131

mps	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
eps	1.313676	1.074981	1.22	0.226	-.8277958 3.455148
bvps	.0701771	.027787	2.53	0.014	.0148226 .1255316
_cons	-.4757237	.8744384	-0.54	0.588	-2.217694 1.266247

```
. vif
```

Variable	VIF	1/VIF
bvps	1.10	0.906047
eps	1.10	0.906047
Mean VIF	1.10	

```
. hettest
```

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of mps

chi2(1) = 7.11

Prob > chi2 = 0.0077

```
. predict residual, resid
```

```
. sktest residual
```

Skewness/Kurtosis tests for Normality

Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	adj chi2(2)	Prob>chi2
residual	78	0.0000	0.0000	43.63	0.0000

```
. reg mps eps bvps , robust
```

Linear regression

```
Number of obs = 78  
F( 2, 75) = 7.40  
Prob > F = 0.0012  
R-squared = 0.0809  
Root MSE = .05131
```

mps	Robust				
	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
eps	1.313676	.7104534	1.85	0.068	-.10162 2.728972
bvps	.0701771	.018421	3.81	0.000	.0334805 .1068736
_cons	-.4757237	.5805248	-0.82	0.415	-1.632188 .6807411

S/N	Requirements
1	The insurance companies should disclose Policy liabilities
2	Basis of Accounting for treating financial transaction from the transition date to reporting date should be complied
3	Insurers are Required to present Life insurance and preferred funeral Expenses in financial statement
4	Financial instrument should be measured based on IFRS 9
5	An insurer is required to state the Financial statements position of the Business
6	The information on the Gross Premium should be recognized
7	An insurer is required to assess at the end of each reporting period whether it recognized insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts.
8	The amount insurer raised from the contracts should be disclosed
9	The Revenue Account of an insurer should be disclosed
10	Require disclosure of the nature and the extent of risk arising from insurance contract should be disclosed
11	The nomenclature of Profit and Loss Account should be changed to profit or loss Account
12	Outstanding Claims during the year should be disclosed
13	Balance sheet of final account should clearly indicate financial position of an insurer
14	Insurer is required to Valuate surplus/deficiency
15	Reinsurers contracts are to apply the same accounting method to reinsurance contract issued

Source:Generated by the Researcher from IFRS 4