Comparative Sensitivity of Capital Market Information to Malaysian and Nigerian Banks Accounting Information under GAAPs and IFRS

Onalo Ugbede¹ --- Mohd Lizam² --- Ahmad Kaseri³

¹,²,³Faculty of Technology Management, Universiti Tun Hussein Onn Malaysia

Abstract

Recognizing the controversies that trail findings of prior studies on changes in accounting standards including IFRS adoption and the sensitivity of capital market information to accounting data, otherwise known as value relevance of accounting measures and the potency of comparative analyses in harmonizing such controversies, this study evaluate comparatively the responsiveness of Malaysia and Nigeria capital market information to their respective banks accounting information under GAAPs and IFRS. Thus, the data period is further divided into pre-adoption period (2008-2010) and post-adoption period (2011-2013). The population of this study consist of listed Malaysian and Nigeria banks. Basically, price and return value relevance models were employed for this investigation. E-views was used to analyse collected data. Empirical findings established that irrespective of reporting regimes, capital market information was more reactive to Malaysian banks accounting data compared to Nigerian banks equivalents. In other words, regardless of reporting periods, value relevance of Malaysian banks accounting measures was higher than the value relevance of Nigerian banks accounting information. Essentially, results demonstrated that IFRS adoption enhances the value relevance of both Malaysian and Nigerian banks accounting information. With findings evidencing the superiority of IFRS over GAAPs in enhancing value relevance of accounting information for both Malaysian and Nigerian banks, this study recommends the global adoption of IFRS by banks.

Keywords: Capital market information, Accounting information, Accounting standards, IFRS, GAAPs, Value relevance.