FINANCIAL REPORTING AND VALUE RELEVANCE: EMPIRICAL EVIDENCE FROM INDIAN AND TANZANIAN LISTED FIRMS

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ABSTRACT

Using data of fifteen firms listed in India (NSE) and Tanzania (DSE) this study examined the impact of applicable reporting standards on value relevance over a period of nine (9) years spanning from 2006 to 2014. Value relevance was measured through explanatory power (R^2) of Edward –Bell - Ohlson model (1995). The study found the accounting figures reported by Tanzanian firms and based on IFRS to be more value relevant and exhibitive of stronger explanatory power on firm's share price compared to figures reported by the Indian counterpart (local GAAP). Further, the book value of equity (BVPS) was found to be more value relevant relative to earnings per share (EPS) for Indian firms but not for Tanzania. The coefficient of BVPS was higher and significant under IFRS compared to its matching value on Indian GAAP, whereas EPS coefficient was higher and strong under Indian GAAP. The findings provide general statistical evidence that the accounting figures presented on fair value and capital oriented standards (IFRS) are more value relevant, capable of strongly envisaging market variables and more useful compared to those reported on rules based, local GAAPs. The study implies that although not automatic the benefit of IFRS is real and appreciable to capital market participants. Non adopters are urged to adopt the IFRS to experience the benefits.

Key words: *Value relevance, IFRS, local GAAP, accounting figure, book value of equity, earnings*

INTRODUCTION

The harmonisation of international accounting standards is a motive derived from the need for quality financial reporting which is useful and necessary for informed decision making needs of firms' stakeholders, mainly capital market participants (stockholders). In response to this need, the International Financial Reporting Standards (IFRS) were developed (IASB) and issued to be applied by different jurisdictions worldwide. In that pursuit, IFRS have recently gained large-scale popularity and generally accepted as universal quality standards of choice by listed and unlisted companies around the orb. An increased adoption, convergence and subsequent application of IFRS is highly associated with ensuing benefits chief of which is improved quality of reported information (Ball, 2006; Barth, 2008; UNCTAD, 2010); even though empirical conclusions thereon are inconsistent. This fact makes it inexorable for there being numerous studies assessing usefulness of IFRS and its impact on financial information quality relative to local standards in different reporting environments.

Ostensibly, the quality of financial information is associated with quality of reporting standards (Bagaera, 2010; Benyasrisawat, 2012; Blanchette et al., 2013), and more

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essentially globally acknowledged accounting standards, the IFRS (Hoque et al., 2010:3). However, it is exciting to note that the accounting information quality is measured in numerous ways, value relevance being the frequently applied approach in accounting researches. It is on this reality that, Clarkson et al., (2009) commend value relevance to be a natural place to look for the impact of accounting standards on the quality of reporting. So, although it is not the only proxy for quality of accounting information, value relevance is considerably used in studies for that purpose (e.g., Lee et al., 2013; Desoky and Mousa, 2014). In addition, Alfaraih (2009, p.36) considers value relevance as an important attribute of accounting quality and critical element of assessing usefulness of accounting information to shareholders. Other proxies for accounting information quality which do not form part of the current study are earning management enormity (Van Tendeloo and Vanstraelen, 2005; Wang and Campbell, 2012), prompt loss recognition (Barth et al., 2008; Paglietti, 2009), asymmetric earnings and timeliness (Prather-Kinsey, 2006), and conditional conservatism (Ngole, 2012).

Value relevance is defined as the "ability of accounting information to summarise information affecting companies' share values regardless of source" (Camodeca, Alimici and Brivio, 2014, p.513). In this study, value relevance is construed as the ability of fundamental accounting figures especially book value of equity per share (BVPS) and earnings per share (EPS) to predict (market) economic realities of listed firms over definite financial reporting period (s). The reported figures are therefore considered value relevant if they statistically correlate with current market values of firms, essentially market price per share and stock returns. Subsequently, value relevance can be identified and measured through explanatory power of fundamental accounting figures (earnings, book value and cash-flows) on market price per share (Ali and Hwang, 1999). Thus, Van der Meulen et al., (2007) in their study, had used the explanatory power represented by R^2 of Edward–Bell–Ohlson Model (1995) to analyse value relevance of accounting information. Similar approach is employed for analysis of value relevance in the present academic work.

It is well appreciated that, the quality of reported information is influenced by the applicable accounting standards. In a more specific term, accounting standards pertinent to corporate houses determine the value relevance of reported figures. In view of that, Khanaga (2011, p.101) confirmed that, high quality reporting standards are perceived to provide consistent, relevant and reliable financial information when supported with effective enforcement mechanisms. Therefore, the higher the quality of accounting standards the more value relevant the reported figures are expected to be, if such standards are enforced effectively. In connection to that, it is acknowledged that the IFRSs are high quality standards (Van Tendeloo and Vanstraelen, 2005). They (IFRS) are documented to be of high quality by-themselves and when compared to local Generally Accepted Accounting Principles (Herbert et al., 2014). On these justifications, it is probable that the adoption and momentous application of IFRS could result into comparatively more value relevant financial information than local standards (GAAP). This is in row with an assertion by Trabelsi et al., (2013) that "in comparison with local GAAPs the IFRS are supposed to have a positive effect on quality of accounting information", and more likely introspective of economic realities of interest to investors (Penman, 2007).

Despite optimistic assertions on the expediency of IFRS over local GAAPs, the existing empirical results are seemingly mixed and inconclusive (Liu et al., 2014). While some empirical studies such as that of Khanaga (2011); Suadiye (2012); Zeng et al., (2012); Lee et al., (2013); Arum (2013) found IFRS based figures to be more value relevant compared to

those based on local GAAPs, other studies document otherwise (e.g., Barth et al., 2006; Tsalavoutas, 2009; Kousemidis and Ladas, 2010; Ames, 2013). Interestingly, some studies had found no significant differences on value relevance between IFRS and Local GAAPs (Van Tendeloo and Vastraelen (2005); Knisvsfla (2008); Tsalavoutas et al., (2012); Peng and Chen (2014).

On cases such as this, it is difficult to generalise the results and affirm with confidence whether execution of the IFRS leads to improved value relevance when compared with local GAAPs. More empirical studies are therefore inevitably needed in this area of research and the current research partly addresses the vacuity. The empirical evidence on value relevance of IFRS (Tanzania) and India GAAP (India) documented in this study offers a vital reference to academia, researchers, standard setters, regulators and practitioners worldwide. It corroborates and freshly contributes to the available academic works in this area by offering comparative empirical value relevance results from two different reporting environments, when two distinct accounting standards are employed.

Besides, existing empirical studies on value relevance are observably concentrated in developed capital markets with presumably strong enforcement mechanisms (Lee et al., 2013), and developing economies where usefulness of IFRS is doubtful and market illiquidity pronounced are ignored (Nobes, 2011). Further, while Mishari (2009) had noted insufficient studies of this kind in Asia, Prather-Kinsey (2006) had similar observation for Africa. Most importantly the studies which compare impact of reporting standards on quality of reporting in India and Tanzania are non-existent. This study is therefore precious and critical to international accounting stakeholders because it provides a fresh empirical contribution regarding the areas where such studies have been reportedly lacking.

Undeniably, most prior studies, had, however, utilised one country data to investigate and compare value relevance of accounting information pre and post IFRS application periods and hardly any compare financial data of two or more jurisdictions where different reporting standards are applicable (e.g. Knivsfla et al.,2008). As a matter of exclusivity and point of innovation, this study employed data of companies reporting on two distinct standards, IFRS (Tanzania) and Indian GAAP (India). The current empirical study is therefore timely, deserving and intended to fill the existing research gap in international accounting research. The study further, responds to continuous calls for country specific and comparative studies of this nature in literature (Bogstrand and Larson, 2012).

In an overall, this research work answers a question on value relevance which concerns whether the accounting information measures prepared according to IFRS (Tanzania) are superior to those prepared according to local standards (India) during the period straddling from 2006 to 2014. The study provides fresh empirical evidence which suggest that accounting figures reported by Tanzanian listed firms consequent to application of shareholders' focused and fair value oriented principle based rules (IFRS) were more value relevant compared to those reported on traditional, stakeholders and historical cost aligned standards (Indian GAAP) during the IFRS-convergence transition period in India.

The remainder of the paper is organised as follows. Section 2 presents the value relevance concept and empirical reviews. Section 3 describes data and empirical model specification. Section 4 presents descriptive statistics, main results and discussions. Lastly, summary, conclusion and implications from the findings are presented in Section 5.

VALUE RELEVANCE CONCEPT AND REVIEWS

Value Relevance Concept: Measurement and Interpretation

The financial reporting process is generally intended to inform and facilitate valuation decisions by primary stakeholders of listed corporate bodies, the investors. To achieve this purpose, the accounting process should result into reliable, relevant and financial figures that fit the stock price better. Relevance and reliability are fundamental qualities of useful financial information. Reliable figures connote faithful represented business events and financial transactions of the firm (complete, unbiased and free from errors). On the other hand, financial information fits firm's value better if it is value relevant which is a notable concern of capital market participants around the world. According to Kaaya (2015) value relevance represents ability of primary accounting figures' summary of listed firms to accurately reflect economic realities as depicted on their market values. Consequently, through value relevance analysis a statistical association between financial figures derived from primary components of financial statement and stock market values, share price or returns is established and communicated to investors (Suadiye, 2012, p.302). The higher the correlation between reported figures and market factors of the firm the more value relevant and high quality the financial information is deemed to be.

It follows that, value relevance studies measure usefulness of primary accounting variables, such as equity and earnings from point of view of equity investors who are literally the owners of the corporate. To be exact, the studies explore relationship between market values and accounting variables tested through regression analysis models to measure the accounting information usefulness. Value relevance studies therefore are intended *"*to extend our knowledge regarding relevance and reliability of accounting amounts as reflected in equity values" (Barth et al., 2001, p.80). Per se, these studies are useful in assessing whether particular accounting line items such as reported net income, book value of equity and cash flow reflect the information useful to investors in valuing firms' equity (Barth et al., 2001). This is an important attribute and determinant of the usefulness of accounting information.

However, a large body of empirical academic works on value relevance are based on the Edward–Bell–Ohlson Model (1995) and its subsequent refinements. The aim of the model is to determine or define statistical association between the market value of equity (MPS) and book value of equity per share (BVPS), a balance sheet summary and earnings per share (EPS) which is a summary of statement of profit or loss. Accordingly, the model represents the value of the firm i.e. market price of shares as a linear function of book value of equity, net income, net cash and cash equivalent and other relevant information. This follows Khanaga (2011, p.103) who put forward that the model investigates the impact of accounting information on the market valuation (price per share or return) considering all important figures of primary components of financial statements such as book value of equity, earnings and cash flows.

Since the purpose of value relevance studies is to assess whether reported figures can accurately predict firms' share price the use of econometric techniques is inevitably important (Dimos, 2011).The relationship of such items is substantially established through coefficient of determination, R^2 or adjusted R^2 which denote the explanatory power of earnings per share (EPS) and book value of equity (BVPS) on share price (Chebaane and Othman, 2014, p.73). The R^2 or adjusted R^2 in this context expresses numerically how much variance of the dependent variable is explained by independent variables applied in the model and therefore represent value relevance. In other words, it indicates the information contribution of earnings and book value of equity to investors through their predictive-ability on market

values. The higher coefficients correspond to higher value relevant and usefulness of accounting information by capital market stakeholders. Correspondingly, Hair et al., (2003, p.143) posited that when the regression model is properly applied and estimated, the higher value of R^2, denote greater explanatory power of regression equation and better prediction of the dependent variable by predictor factors.

Review of Selected Empirical Studies on Value Relevance

Value relevance studies assess quality and usefulness of reported accounting information to investors by considering the extent of association of such information with listed firms' market variables. These studies are numerous but concentrated on developed countries which favor application of capital market oriented standards such as the IFRS and US GAAP. The studies presented and discussed in this section are either on relative or incremental value relevance. They are additionally based on multiple countries or specific country financial data before and after IFRS implementation. The empirical studies of this nature had mostly applied a model by Edward–Bell–Ohlson (1995) and subsequent modifications thereof to assess value relevance of reported accounting figures.

Documenting the lack of statistical value relevance difference between accounting figures based on IFRS and national GAAP for six different countries is a study conducted by Vafaei (2010). This study had employed data from 325 firms listed in UK, Australia, Hong Kong, Singapore, South Africa and Malaysia. More specifically the study showed that the explanatory power of earnings per share was higher than that of book value of equity in UK, Hong Kong, Singapore and South Africa but not in Australia and Malaysia. An interesting result on value relevance is reported from a multiple countries study of Barth et al., (2006) which found that the quality (value relevance) of accounting information based on IFRS is lower than that based on US GAAP but higher than other local GAAP.

Barth et al., (2008) investigated impact of International Accounting Standards (IFRS) on quality of accounting information relative to local accounting standards between 1994 and 2003 using 327 firms' data. The study found IFRS based publicly reported information to be more value relevant compared those reported on local Generally Accepted Accounting Principles (GAAP). The results of Barth et al., (2008) are faulted by empirical findings of Clarkson et al., (2009) for 15 listed firms from Europe and Australia. The study concluded that the value relevance of accounting amounts was not enhanced post-IFRS application. The results were associated with presumable similarity of IFRS and local standards in those countries.

Besides, Knivsfla et al., (2008) used restatement samples of 145 firms listed in Oslo Stock Exchange (OSE) to test which among IFRS and NGAAP accounting figures fit market values better. The authors found diminutive evidence of increased value relevance subsequent to IFRS adoption when compared to national GAAP. Paananen (2008) reported similar results for Swedish listed companies. Further to that Lin and Paananen (2008) had documented a decrease in value relevance of equity and earnings of listed firms after adopting IFRS.

A comparative scrutiny in German context reportedly shows that the value relevance of both book value of equity and earnings were significantly higher under IFRS compared to German Accounting rules (HGB) during 1998-2002 (Hung and Subramanyam, 2007). The results is consistent with that of Paglietti (2009) who recorded improvement of value relevance for non- financial companies listed in Italy consequent to IFRS application (2000-2007). Correspondingly, Turel (2009) examined relative and incremental value relevance of earnings and book value of equity under capital markets Board (CMB) standards (2001-2002) and

under global standards (IFRS) between 2005 and 2006 for Turkish listed companies. A significant increase in value relevance of earnings and book value of equity was reported after adopting IFRS and relative to CMB standards.

Three empirical studies reported contradictory value relevance results in similar reporting jurisdiction (Greece). While a study of Kousenidis and Ladas (2010) indicated a decrease in value relevance of book value of equity and earnings post-IFRS period (2003-2006) for listed firms. Tsalavoutas (2009) and Tsalavoutas et al., (2012) found no change in value relevance between IFRS and Greece GAAP. Either, the former findings are corroborative of empirical evidence for Swedish listed companies which documented a decrease in value relevance of equity and earnings after the adoption of IFRS (Lin and Paananen, 2008) but contradict that of Othman and Chebaane (2014) who reported decreased value relevance of accounting information post IFRS adoption period.

Co-authoring Ashbaugh, the Ohlson (2002) examined value relevance of non-US firms listed on London's SEAQ. The study found IFRS and US GAAP to be equally value-relevant for reported earnings and book value of equity. Karampinis and Hevas (2009) found IFRS adoption to have positively affected value relevance of consolidated accounting numbers for firms listed on Athens Stock Exchange (ASE) in Greece. In Canadian context, Cormier (2013) examined relative value relevance of Canadian GAAP and IFRS. The study found enhanced earnings value relevance after execution of the IFRS regime and relative to Canadian GAAP. In support of that, Larson and Bogstrand (2012) examination found significant signs of increased accounting figures' value relevance of 431 companies listed on NASDAQ OMX Nordic and Oslo Stock Exchange (OSE) after IFRS adoption between 2001 and 2010.

Arum (2013) documented increased value relevance for accounting figures reported by 117 sampled companies listed on Indonesian Stock Exchange (ISE). Correspondingly, Prather-Kinsey (2006) found book value of equity and earnings to be more value relevant for companies listed on Johannesburg Stock Exchange (South Africa) and Bolsa Mexicana de Valores Stock Exchange (Mexico) post IFRS application (1998-2000). Lee et al., (2013) on the other side found earnings reported under IFRS-Converged China Accounting Standards to be more informative and useful to investors after 2007. Moreover, an investigative study on value relevance for firms listed on Istanbul Stock Exchange (ISE) by Suadiye (2012) evidenced improvement after adoption of IFRS. The results corroborate findings of Khanaga (2011) for companies listed on Abu Dhabi Stock Exchange (2001-2008) and Bahrain Stock exchange (1996-2008) which documented evidence on increased value relevance of accounting figures post IFRS adoption period.

In Tanzanian context Salala (2014) used a small sample of three manufacturing listed companies to examine relative and incremental value relevance of book value of equity and net income, pre and post mandatory IFRS adoption periods, 1997-2004 and 2005-2012 respectively. The findings, evidence that the value relevance of earnings and book value of equity had increased significantly after adopting IFRS. It further report incremental value relevance of earnings between TFAS and IFRS in the two periods. Similarly, Swartz and Negash (2006) reported some evidence that accrual information prepared under IAS was more value-relevant than under local standards for firms listed on Johannesburg Securities Exchange. These findings are corroborative to that of Chamisa, Mangena and Ye (2012) applying a sample of 86 listed companies found accounting information based on IFRS to be more value relevant than those under CAS in China.

Similar to findings of Lee et al., (2013, a study in Romania found increased value relevance of earnings and not book value of equity (Filip, 2010). These findings are at par with that of Qu et al., (2012) which had examined the value relevance of 309 A-share listed companies' pre (2004-2007) and post (2008-2010) IFRS convergence periods in China. The study suggested stronger explanatory power of earnings per share over that of book value of equity. The findings reported here are different from that of Ngole (2012) who examined whether IFRS had improved the usefulness of accounting information reported by 347 listed companies in Africa. He documented that IFRS increases the valuation role of book value of equity and overall value relevance but not earnings.

Producing similar results to that of Ngole (2012) is a study by Kargin (2013) who investigated value relevance of accounting information for Turkey listed Companies pre (1998-2004) and post IFRS adoption (2005-2011). The study reported improvement of book value of equity value relevance post adoption but not earnings. The study concluded that fair value presentation of financial reports would lead to a closer book and market value.

Lastly, in (2014) Mousa co-authored Desoky to examine the value relevance of IFRS for a sample of 40 companies listed on Bahrain Bouse (BHB) in Gulf Cooperation Council (GCC). The study reported no obvious differences in value relevance of accounting information after adoption of IFRS under stock return model but slight improvement was noticed under price earnings model. In row with that a comparative study by Peng and Chen (2014) for Taiwanese listed companies found that the financial reporting under IFRS does not dominate in value relevance over Taiwanese GAAP.

Discussion of Reviewed Literature and Hypotheses Development

The experiential academic works reviewed and presented in section 2.2.2: value relevance studies are found to be non-directional, provide mixed views and concentrated on developed capital markets. Some studies document that IFRS based accounting figures are more value relevant than their counterparts on local GAAPs but not the US GAAP. We can associate similar results on IFRS and US GAAP with market orientation and fair value inclination of both standards, unlike other local standards which are mostly historic in nature. Other studies found that the accounting figures reported on local reporting framework (s) are more value relevant than those on the IFRS. Grippingly, some studies document no difference on value relevance between global (IFRS) and local standards due to probable likeness of these standards on those countries. The nature of existing empirical findings reported and apparently discussed suggest clearly visible research gap in this area of study especially where such studies are reportedly lacking like India and Tanzania.

In view of the discussed value relevance empirical results there is still a room for the assessment of value relevance of reported accounting figures pre and post IFRS adoption on country to country basis. On similar grounds, the following question remains valid: *"Do listed firms reporting on IFRS produce more value relevant accounting information compared to those reporting on Indian GAAP?"*. In order to respond to that question and achieve general and specific objective (s) of this study, the following prepositions were developed and statistically tested using the Ohlson Model (1995) which was adopted for this study.

General Hypothesis: ***$H_{0.1}$:*** Firms reporting on IFRS produces more value relevant accounting information relative to those reporting on Indian GAAP.

Specific hypotheses: ***$H_{0.2}$:*** The value relevance of BVPS reported under IFRS is relatively higher than that reported under Indian GAAP.

$H_{0.3}$: The value relevance of EPS reported under IFRS is relatively higher than that reported under Indian GAAP.

Some studies provide quite interesting results. There are those which are on affirmative that book value of equity regardless of the reporting standards in use is more value relevant than earnings per share and those which opined otherwise. This instigated the research question on whether the book value of equity is empirically more value relevant in India or Tanzania without considering the applicable reporting framework. In similar views, the study suggested and tested another hypothesis:

$H_{0.4}$: Explanatory power of book value of equity on share price would be higher than earnings per share for both Indian and Tanzanian firms**.**

DATA AND RESEARCH METHODS

Sample and Sample Selection

The present research is based on the sample of fifteen (15) large non-financial firms listed in Dar es Salaam Stock Exchange (Tanzania) and National Stock Exchange (India) during the 2005 -2014 period. The studied firms were selected on the basis of market capitalisation (market size of equity shares) and therefore sampled from among top ten (10) non-financial companies (2015). The sample comprised 8 (53.33%) firms from India and 7 (46.67%) from Tanzania. The Dar es Salaam Stock Exchange (DSE) was used for Tanzania because it is the only stock market in the county. However, despite there being two large capital markets in India which are National Stock Exchange (NSE) and Bombay Stock Exchange (BSE), we used companies from NSE only in order to avoid the effect of multiple listing which is allowed in India (World Bank, 2004). Further, according to Sen and Kumar (2008) the NSE is considered more liquid compared to the BSE.

The selection and subsequent inclusion of large companies (per market caps) in sample was further supported by the following points (i) large companies are representative and have incentive for quality reports, mostly audited by big four auditors (high quality Auditors) and their general governance structure for reporting are presumably effective (ii) findings are possibly generalizable because these companies are likely to be the most international and the least likely to exhibit country specific practice (iii) They are prominent companies and their shares dominate and influence the stock markets and (iv) their financial are reports readily available, credible, tested and trusted by investors. A company was included in sample if it had financial accounting and market data within a specified sample period 2006-2014 in addition to being a large non-financial listed company in specified stock exchanges. However, firms with inadequate data were excluded from the sample.

Table 1: List of Sampled Non-financial companies and industry[2]

Company	Industry	Country	Listed
TOL Gases Ltd	Manufacturing and distribution	Tanzania (DSE)	1998
Tanzania Breweries Ltd	Manufacturing and distribution	Tanzania (DSE)	1998
TATEPA Ltd	Agriculture, processing & distribution	Tanzania (DSE)	1999
Tanzania Cigarette Co. Ltd	Manufacturing and distribution	Tanzania (DSE)	2000
Tanga Cement Co. Ltd	Manufacturing and distribution	Tanzania (DSE)	2002
Swisport Tanzania	Airport handlings (passengers and cargo).	Tanzania (DSE)	2006
Tanzania Portland Cement Ltd	Manufacturing and distribution	Tanzania (DSE)	2006
TCS	Computer Software	India (NSE)	2004
ONGC	Oil drilling and exploration	India (NSE)	1995
TATA Motors	Manufacturing	India (NSE)	1995
ITC	Manufacturing(Cigarette)	India (NSE)	1995
Infosys	Computer Software	India (NSE)	1995
Larsen and Turbo	Infrastructure General	India (NSE)	2004
WIPRO	Computer Software	India (NSE)	1995
NTPC Limited	Power Generation and distribution	India (NSE)	2004

Source: Research Compilations from respective stock markets (2015)

The rationale and suitability of the two countries for this study partly stands on the shared (common) characteristics exhibitive of both countries. These characteristics include, similar legal origin (common law system); timing of financial reforms which started early 1990's for both countries; similar overall institutional and legal reporting frameworks such as Companies Act (2002) in Tanzania and companies Act (1956: 2013) in India; Similarly featured institutional financial reporting regulators and standard setters, ICAI and NBAA in India and Tanzania in that order and substantial employment by agriculture sector , Tanzania (62%) and India (52%).

Source of Data

The study was extensively reliant on secondary data and relevant historical information. The annual reports of sampled organisations and capital market statistics were therefore necessarily utilised. The historical and market financial data were obtained from Osiris database which is a reputable and trusted source for listed companies' financial data. The complementary information was manually collected from statistical bulletin, annual reports and other relevant reports (information) which were readily available and accessible from respective country's stock exchange markets, companies' and other websites.

Model Specification

Consistent with prior studies (Van der Meulen et al., 2007; Kargin, 2013), the Edward –Bell - Ohlson (1995) model was employed to achieve the purpose of this study. The model expresses market price of share as dependent (target) variable and primary accounting amounts of firms (book value of equity and earnings) as independent (explanatory) variables. The model wishes to establish the extent at which the predictor variables can statistically explain variations in market price of shares (dependent variable). The analysis of combined value relevance of book value of equity and earnings per share was based on model one (1) which was applicable in testing H_{o1}.

[2] *Osiris data base*

$$MPS_{it} = \alpha_{0,t} + \alpha_{1,t} BVPS_{it} + \alpha_{2,t} EPS_{it} + \varepsilon_{it} \text{ ---------- (1)}$$

Where: M**PS$_{it}$** -Market price of share of respective firm three months after financial year end.
BVPS$_{i,t}$ - Book Values of Equity per Share of firm i at time t.
EPS$_{i,t}$ - Earnings per Share of firm i at t, and , **$\varepsilon_{i,t}$** is the random variable error.

Besides, in order to examine the value relevance of BVPS and EPS individually and to test hypotheses H_{o2}; H_{o3} and H_{o4} two additional models were generated from model (1). Accordingly, model (2) and model (3) below suggest the statistical association of market price per share (MPS) and book value of equity per share (BVPS) and Earnings per Share (EPS) autonomously.

$$MPS_{it} = \alpha_{0,t} + \alpha_{2,t} BVPS_{it} + \varepsilon_{i,t} \text{ ---------- (2)}$$

$$MPS_{it} = \alpha_{0,t} + \alpha_{1}\ EPS_{it} + \varepsilon_{it} \text{ ----------(3)}$$

Similar to prior researchers (such as Francis and Schipper, 1999), value relevance was represented by an explanatory power (R^2) of book value of equity and earnings (predictor variables) on market price per share (target variable). R^2 quantifies linear relationship of the sample data being analysed and regarded the best estimate of degree of association (Chebaane and Othman, 2014). So to say, the study applied explanatory power - R^2 of the stated price model to assess the value relevance of reported accounting figures on market price per share for selected firms.

The conclusion on superiority of reported accounting information between Indian and Tanzanian firms was drawn based on comparison of resulting R^2. This follows Francis and Schipper (1999) who had affirmed that the strong contemporaneous association between accounting figures and stock market price (higher R^2) denote higher value relevance and usefulness of the financial information. Correspondingly, sampled organisations with higher R^2 was interpreted as presenting superior and more value relevant accounting information relative to that with lower R^2.

Panel data were operationalised in STATA version 13.0 and observed to be well balanced. The STATA was an appropriate analysis tools for the current research which is quantitative in nature. Further, the Hausman test facilitated the selection and subsequent use of fixed effect (FE) technique in the running of the model. The Fixed Effect technique provides consistent coefficients estimates compared to random effect (RE).

RESULTS AND DISCUSSION

Descriptive Statistics Results

Table 2 and table 3 which follows, present descriptive statistics of relevance to the data employed in this study. Firms' data in both India and Tanzania were found to be right – skewed following the fact that the arithmetic means ($\bar{x}$) was greater than medians (p50), ($\bar{x}$ > p50) for all variables. The result is further supported by skewedness coefficient which is supposedly greater than 0 (Skew coefficient of >0) for all values. The results suggest the fact that sampled organisations' data are positively skewed and do not behave normally. The financial data behaving this way was a matter of expectation because they were derived from

companies' financial results whose positive tendency along with stock price is favourable condition.

Table 2: Descriptive Statistics for Indian Sample Data (US $)

Variable	$\bar{x}$	*s*	*Min*	*Max*	*p50*	*Skewness*	*Kurtosis*	*N*
MPS_{it}	12.02	11.58	1.21	54	8.27	1.99	6.72	*80*
$BVPS_{it}$	4.07	3.06	0.45	12.1	3.0	0.80	2.47	*80*
EPS_{it}	1.11	0.87	0.14	3.3	0.71	0.60	2.09	*80*
$SIZE_{it}$	1345.8	1233.17	139.34	5325.8	774.64	1.18	3.59	*80*
$Growth_{it}$	0.18	0.16	-0.66	0.83	0.14	1.66	6.42	*80*
Lev_{it}	94.67	124.29	2.7	611.5	50.97	2.57	10.35	*80*

*All figures are presented in US$. Variables are defined as follows: N is the number of observations in a sample unit; s is the standard deviation of the sample; $\bar{x}$ is the sample mean; p50 is the median value of the sample; MPS_{it} is the market price per share 3months after the end financial year and after financial reports are made available for the public of firm i at time t; EPS_{it} is the earning per share of firm i at time t; $BVPS_{it}$ is the book value per share of firm i,at time t; $SIZE_{it}$ is the value of total assets of firm i at time t in US$ (Millions); Growth is the annual growth rate of firm i at time t which is given by $Revenue_t$-$Revenue_{t-1}$divided by $Revenue_{t-1}$ (%); Lev_{it} is the measure of long-term finance of assets by outsiders given by Long-term debts divided by Total Assets (%).

Table 3:Descriptive Statistics for Tanzanian Sample Data (US $)

Variable	$\bar{x}$	*s*	*Min*	*Max*	*p50*	*Skewness*	*Kurtosis*	*N*
MPS_{it}	1.41	1.80	0	10.16	1.27	3.20	14.39	*70*
$BVPS_{it}$	0.53	0.44	0	1.79	0.44	0.89	3.02	*70*
EPS_{it}	0.18	0.17	-0.13	0.54	0.17	0.21	2.25	*70*
$SIZE_{it}$	99.51	114.10	0	465.31	66.11	1.61	5.43	*70*
$Growth_{it}$	0.11	0.26	-0.1	0.80	0.95	-1.02	9.02	*70*
Lev_{it}	66.97	83.66	5.36	399.74	32.48	2.26	8.05	*70*

*All figures are presented in US$. Variables are defined as follows: N is the number of observations in a sample unit; s is the standard deviation of the sample; $\bar{x}$ is the sample mean; p50 is the median value of the sample; MPS_{it} is the market price per share 3months after the end financial year and after financial reports are made available for the public of firm i at time t; EPS_{it} is the earning per share of firm i at time t; $BVPS_{it}$ is the book value per share of firm i,at time t; $SIZE_{it}$ is the value of total assets of firm i at time t in US$ (Millions); Growth is the annual growth rate of firm i at time t which is given by $Revenue_t$-$Revenue_{t-1}$divided by $Revenue_{t-1}$ (%); Lev_{it} is the measure of long-term finance of assets by outsiders given by Long-term debts divided by Total Assets (%).

The tables further indicate that the size of firms ($Size_{it}$) as defined by values of total assets had the largest variation with s = $1233.17 (s= $114.10) in both India (Tanzania). This stood before the leverage (s= $124.29), (s= $ 83.66) and followed by the market price per share (s= $11.58), ($1.80) for India and Tanzania in that order. Except for growth rate ($growth_{it}$) which exhibited negative value of -0.66% (-0.1%) in India (Tanzania) the minimum values for the rest of the factors were observed to be >=0.

Pair- wise Correlations Results

Tables 4 and 5 present the correlation matrix of factors (variables) which were applied in the price model to analyse the value relevance of accounting figures. These variables are discussed in section 3.3: model specification. The tables are exhibitive of results for Indian and Tanzanian sample accordingly. The analysis revealed a positive and significant pair-wise correlation between predictor variables, earnings (EPS_{it}) and book value of equity ($BVPS_{it}$) and share price (MPS_{it}) which is the independent factor. Nevertheless, the correlation matrix of independent variables did not show pair-wise correlations coefficients in excess of 0.8 and therefore multicollinearity is unlikely to be a serious problem (Alfaraih, 2009). On a further consideration Hair et al., (2003) suggested singularity (1) as an extreme scenario of multicollinearity which is not the case for any pair of variables scrutinised.

Table 4: Bivariate correlations amongst variables for India sample

Variable:	***MPS_{it}***	***EPS_{it}***	***$BVPS_{it}$***	***$SIZE_{it}$***	***$Growth_{it}$***	***Lev_{it}***
MPS_{it}	**1.00**					
EPS_{it}	0.373***	**1.00**				
$BVPS_{it}$	0.264**	0.762***	**1.00**			
$SIZE_{it}$	-0.224*	-0.185	0.085	**1.00**		
$Growth_{it}$	0.132	0.187	0.106	-0.368***	**1.00**	
Lev_{it}	-0.097	0.461***	0.491***	0.088	-0.683***	**1.00**

Note that *, **, *** signify significant correlation amongst variables at p≤ 0.1, p ≤0.05 and P≤0.01 levels correspondingly (two tailed). Variables are explained as follows: MPS_{it} is the market price per share of firm i at time t; EPS_{it} is the earning per share of firm i at time t; $BVPS_{it}$ is the book value per share of firm i at time t; $SIZE_{it}$ is the value of total assets of firm i at time t in US$ (Millions); Growth is the annual growth rate of firm i at time t (%); Lev_{it} is Long-term debts divided by Total Assets (%).

Table 5: Bivariate correlations amongst variables for Tanzania sample

Variable:	***MPS_{it}***	***EPS_{it}***	***$BVPS_{it}$***	***$SIZE_{it}$***	***$Growth_{it}$***	***Lev_{it}***
MPS_{it}	**1.00**					
EPS_{it}	0.608***	**1.00**				
$BVPS_{it}$	0.557***	0.793***	**1.00**			
$SIZE_{it}$	0.475***	0.580***	0.652***	**1.00**		
$Growth_{it}$	-0.004	0.212*	-0.006	0.220	**1.00**	
Lev_{it}	-0.311**	0.511***	-0.457***	-0.338**	0.045	**1.00**

Note that *, **, *** signify significant correlation amongst variables at p≤ 0.1, p ≤0.05 and P≤0.01 levels correspondingly (two tailed). Variables are explained as follows: MPS_{it} is the market price per share of firm i at time t; EPS_{it} is the earning per share of firm i at time t; $BVPS_{it}$ is the book value per share of firm i at time t; $SIZE_{it}$ is the value of total assets of firm i at time t in US$ (Millions); Growth is the annual growth rate of firm i at time t (%); Lev_{it} is Long-term debts divided by Total Assets (%).

It is further showed on the tables above that, the correlation coefficients of most variables are highly significant at p-value ≤0.1; p-value <0.05 and p-value<0.01 levels of significance which signify consistency of such variables with existing literature.

Main Value Relevance Results

Table 6 depicts value relevance empirical results for studied firms in both India and Tanzania. The overall level of significance for applied price model is represented by f-

distribution coefficient (f-value) reported at Prob>F. The level of significance for individual parameters on the other hand was assessed through t-test values at P>|t|. The f-coefficients generated from the model is less than 0.1 level of significance (*f=0.0521<0.1*) for Tanzania and less than 0.05 level of significance *(f= 0.0000<0.05*) for India. Reported f-values suggest a significant overall explanatory power (R^2) of the model at 10% and 5% levels of significance for Tanzania and India respectively. Specifically, results show that the predictor variables *($BVPS_{it}$ and EPS_{it}*) combined had a significant explanatory power (R^2) or predictive-ability on the dependent variable (*MPS_{it}*) for firms listed in both countries during the study period.

Even though the explanatory power of accounting figures on share price was found to be significant in both countries, it was observably higher for Tanzanian listed firms (IFRS) at R^2 *=60.6%* when compared with firms listed in India (Indian GAAP) at R^2*=39.5%*. In more specific terms, the book value of equity and earnings reported by listed firms' post-IFRS application in Tanzania had combined stronger explanatory power on market price per share than those accounted by firms listed in India during the IFRS-convergence period. Consistent with prediction (***H_{0-1}***) the results provide statistical evidence that accounting figures reported in Tanzania (IFRS) were more value relevant, superior and more useful for decision making than those reported by non-financial firms listed in India (local GAAP) during the study period 2006-2014. These results closely espouse the findings of other prior researches in international context such as Barth et al., (2008) and Maharani and Sinegar (2014). The findings further uphold results of studies in developed countries (Turel, 2009; Cormier, 2013) and developing countries (Lee et al., 2013). The findings on the other hand rebuff the results of studies by Callao et al., (2007); Knivsfla et al., (2008); Kousemidis and Ladas, (2010): Benyasrisawat (2011).

Coefficients of the book value of equity and earnings individually are observed to significantly explain firms' share price (*MPS_{it}*) in India but only book value of equity earnings (*$BVPS_{it}$*) had a significant influence in Tanzania (at p-value =0.122>0.1). It follows that the ability of *$BVPS_{it}$* to predict the market price is significant at 5% level of significance (p-value of 0.003<0.05) in Tanzania and (p-value of 0.0000<0.05 level of significance) in India with coefficients of $ 2.51 and $ -2.63 respectively. The study documents that there was a significant positive (negative) correlation between *$BVPS_{it}$* and market price per share in Tanzania and India accordingly. On the other hand, the EPS_{it} indicate insignificant (significant) positive influence on market price per share in Tanzania and India in that order.

More specifically, the coefficient of BVPS of was higher and significant under IFRS compared to its matching value on Indian GAAP, whereas earnings per share (EPS) coefficient were higher and strong under Indian GAAP. This revealed that during the study period Indian firms' EPS (local GAAP) was more influential on market price than Tanzanian firms' EPS (IFRS) and opposite for BVPS. This result upholds the long standing concept that IFRS are balance sheet oriented and support the findings of Hung and Subramanyam (2007) who documented that book value of equity predicts the market price better than EPS under IFRS and contradicts Filip (2010) who had concluded otherwise.

Table 6: Value Relevance Measures Indian (Ind GAAP) and Tanzanian (IFRS) listed firms

Tanzania (IFRS): 2006-2014				**India (Indian GAAP): 2006-2014**		
	Estimates	**p-value**	**f- value**	**Estimates**	**p-value**	**f-value**
EPS	3.4351	0.122	-	7.4249	0.0000	-
BVPS	2.5122	0.003	-	-2.6264	0.0000	-
$R^2_{(BVPS,EPS)}$	60.6%		0.0521	39.5%	-	0.0000
$R^2_{(BVPS)}$	47.6%		0.0104	36.0%	-	0.0045
$R^2_{(EPS)}$	83.1%		0.5835	27.0%	-	0.0000
N		68			72	

N= 68 and 72 is number of observations for Tanzania and India respectively. Variables are explained as follows: MPSit is the market price per share of firm i at time t; EPSit is the earning per share of firm i at time t; BVPSit is the book value per share of firm i at time t; R2 (BVPS,EPS) is the explanatory power (Value relevance) of the predictors jointly (BVPSit & EPSit) on the price model for independent variable (MPSit) for Tanzania and India; p-value represents individual parameters level of significance; f-value is the level of significance of overall price model . R2 (BVPS) is the explanatory power (value relevance) of book value per equity share of listed firms in India and Tanzania; R2 (EPS) is the explanatory power (value relevance) of earnings per share of listed firms in India and Tanzania.

The table also exhibits results regarding relative value relevance of individual parameters, the BVPS and EPS for both jurisdictions. With reference to $H_{O.2}$; $H_{O.3}$ the relative value relevance (R^2) for both book value of equity ($BVPS_{it}$) and for earnings per equity share (EPS_{it}) was supposedly higher for Tanzanian (IFRS) than for Indian firms (Indian GAAP). In support of this predictions statistical outputs revealed that the relative value relevance (explanatory power) of both price models for BVPS (2) and EPS (3) were significantly (insignificantly) higher in Tanzania than their counterparties in India (Indian GAAP). In specific terms, the study found that the $R^2_{(BVPS)}$ is 47.6% (36.0%) for Tanzania (India) both significant at 5% level of significant (f-value is 0.0104<0.05) and (f-value is 0.000<0.05) for the two countries respectively. Similarly the explanatory power of earning per share is higher stronger but insignificant (at f-value of 0.05835>0.1 level of significance) with $R^2_{(EPS)}$ 83.1% for Tanzania compared with $R^2_{(EPS)}$ 27.0%) in India which is significant at 5% level (f-value is 0.000<0.05). These results support findings on combined explanatory power of book value and equity and earnings reported under $H_{.01}$.

Furthermore, following $H_{O.4}$ it was anticipated that the explanatory power of book value per equity share ($BVPS_{it}$) would be relative stronger than that of earnings per equity share ($BVPS_{it}$) under both reporting regimes. Contrary to that it was found that relatively the explanatory power of BVPS was lower at ($R^2_{(BVPS)}$ = 47.6%) than that of EPS at ($R^2_{(EPS)}$ = 83.1%) in Tanzania. The case was different for Indian listed firms because the explanatory power (value relevance) of reported BVPS was significantly stronger with $R^2_{(BVPS)}$ of 36.0% compared with that of EPS which was significant (at f-value of 0.0000<0.05) but with relative lower of $R^2_{(EPS)}$ of 27.0%. this results provides a statistical evidence that while the explanatory power (value relevance) of book value of equity per share (BVPS) was relatively stronger (higher) than the explanatory power of earnings per equity share (EPS) for local

standard (India), the explanatory power of EPS was stronger than BVPS in Tanzania (IFRS). These results are consistent with Qu et al., (2012); Vafaei (2010) and Trabelsi et a., (2013) who concluded that earnings summary measured using IFRS are more useful for firms' valuation purpose. It contradicts the results of Soderlund (2010) and Ngole (2012) who found otherwise.

SUMMARY, CONCLUSION AND IMPLICATION

The study investigated the impact of applicable reporting standards on value relevance of accounting summary measures reported by non-financial companies listed on DSE and NSE for the period between 2006 and 2014. Consistent with Alfaraih (2009) and Benyasrisawat (2011) the value relevance was measured by the explanatory power (R^2) of Edward –Bell - Ohlson (1995) model. The higher value of R^2 was construed to denote greater (strong) explanatory power of applicable regression model and therefore high value relevance and usefulness of reported accounting figures and vice-versa.

In an overall the results indicate that fundamental accounting figures summary reported on IFRS by non-financial firms listed in Tanzania (DSE) post-IFRS adoption were more value relevant than those reported by their counterparties in India (NSE) and presented under Indian GAAP (local GAAPs) during the IFRS convergence period. The findings provide general statistical evidence that the accounting figures presented and based on fair value and capital oriented standards (IFRS) and which are internationally recognisable and applauded are more value relevant and capable of strongly envisaging market variables compared to the figures reported on rules based, the local GAAP.

The study further found that the relative explanatory power (R^2) or value relevance of book value of equity (BVPS) was stronger (higher) than that of earnings per equity share (EPS) for Indian listed firms but not for Tanzania during the study period. It specifically provides statistical evidence that while the predictive-ability or explanatory power (value relevance) of book value of equity per share (BVPS) is relative higher (stronger) than explanatory power of earnings per equity share (EPS) for local standard (India), the explanatory power of EPS is stronger than BVPS in Tanzania (IFRS). Thirdly, consistent with one of this study's predictions it was revealed that coefficients of individual parameters (book value of equity and earnings per share) significantly explain variations in market price per share under both IFRS and Indian GAAP except EPS which is noted to be insignificant under IFRS. More specifically, the BVPS coefficient is higher and significant under IFRS compared to its matching value on Indian GAAP, whereas earnings per share (EPS) coefficient are higher and strong under Indian GAAP.

The results provide statistical inference that application of quality standards such IFRS is an enabler but not automatic enabler for listed companies to produce accounting information which is value relevant, market oriented and useful for capital market decision makers as compared to local reporting standards. It offers an empirical proof that IFRS when compared to local standards can be beneficial even to countries with few listed companies and whose capital market is considered illiquid. On a further note results reported in this paper make an important wake-up call to all IFRS non-adopters that benefits of IFRS are real regardless of the reporting environment and plays a pivotal on the usefulness of accounting information to capital market participants. They may therefore use empirical results of this work and similar prior studies presented in this study to make decision on IFRS adoption or convergence.

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