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# VALUE RELEVANCE OF NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS: EVIDENCE FROM LISTED NIGERIANS BANKS

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**Abstract**

With evidence in the literature on the declining value relevance of accounting information in Nigeria before the adoption of International Financial Reporting and Standards, this study examined the value relevance of non-current assets held for sale and discontinued operations in selected listed Nigerian deposit money banks. *Ex post facto* research design was adopted. Secondary data were collected from the annual reports, the Nigerian Exchange Daily Official List for a period that spanned from 2012 to 2021. Robust Least Square was employed to estimate the adapted model from Ohlson and Etim. Stock return was the dependent variable, while non-current assets held for sale and discontinued operations were the independent variable. Based on data availability, three (3) listed deposit money banks were selected from a population of fourteen (14) listed deposit money banks. Results indicated that non-current assets held for sale and discontinued operations have a positive but insignificant influence on stock returns ($\gamma = 0.2696$; p-value = 0.5128 > 0.05 or 5%). Therefore, the study concluded that information provided by the listed deposit money banks in Nigeria on non-current assets held for sale and discontinued operations is value-irrelevant. It was recommended that IFRS 5 requires revision to the extent that more information could be provided, as this will make it value-relevant.

**Keywords:** Book value per share, cash flow **from** the operation, discontinued operations, earnings per share, non-current assets held for sale

## 1. INTRODUCTION

Accounting information which is embodied in the financial statements serves as the foundation for the valuation of stocks, and informed investment decisions about the economy, industries/companies, and products, while they guide users to evaluate whether the share price is overvalued or undervalued (Yusuf, Akpan, Iriabije & Yusuf, 2021). Accounting information is provided through financial reporting which must be effective to provide decision-useful, relevant, and reliable information to the market in predicting future incomes, dividends, and cash flows. In Nigeria, however, the value relevance of accounting information contained in the financial statement of Nigerian companies appeared to be declining, a situation that

The Seybold REPORT
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necessitated the adoption of the International Standards on Financial Reporting (IFRS) (Agbata, Uchegbu & Eze, 2022). When accounting information loses relevance, it may suggest misleading and false information, which according to Ogiriki and Stephen (2022), can sway users of financial statements, and while emphasizing the need for them to accurately reflect the organization's financial and economic reality.

According to Uwuigbe et al. (2015), accounting information is relevant when it has the potential to have an impact on users' economic decisions by assisting them in evaluating past, present, or future events or by either correlating with or correcting prior assessments (Stolowy & Lebas, 2006; Etim, Umoffong, Peters & Gabriel, 2022). The usefulness of accounting information can be determined by examining the link between the book value of equity, earnings per share, and return on investment and the market value of equity (share price). 2009 (Beisland).

The financial statement is chock-full of different accounting information, including non-current assets held for sale and discontinued operations reported in accordance with IFRS 5. The income from a section of the company's operations that has been set aside for sale or disposal is represented by the line-item discontinued operations aggregate income, which is displayed beneath income from continuing operations after tax. This line item includes all sales, expenses, and, if disposal has taken place, the gain or loss from the sale of the firm's stock.

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Following the groundbreaking works of Ball and Brown (1968), most accounting academics now extensively explore the value relevance of accounting information, particularly in developed capital markets (Omokhudu & Ibadin, 2015). Several researchers (Alfaraih & Alanezi, 2011; Bepari, 2015) have investigated the nexus between varying accounting measures and stock market values or returns but with mixed results. The utility of accounting information has been suggested to have improved over time in certain research (Bepari, 2015), while it has been argued to have decreased in other studies (Chandrapala, 2013; Shamki & Abdul Rahman, 2013). However, not much is known about the value relevance of information on non-current assets held for sale and discontinued operation in deposit money banks in Nigeria.

Chagnaadorj (2018) claims that because investors prioritize core earnings over total earnings (Bradshaw & Sloan, 2002; Ghani, Laswad), reporting discontinued operations separately from continuing operations gives creditors and others information to assess the effects of disposal transactions on an entity's ongoing operations. However, this assumption was made without any empirical support, according to Chagnaadorj (2018). According to Fairfield, Sweeney, and Yohn in 1996, Bradshaw & Sloan in 2002, and Chagnaadorj in 2018, total earnings include

The Seybold REPORT
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non-recurring elements, which offer only a little degree of predictability about a company's future performance.

Despite the extensive literature on the value of accounting data in established markets, value relevance research in emerging countries has gotten less attention (Dosamantes, 2013; Badu & Appiah, 2018). In fact, Badu & Appiah (2018) made the case that the literature that is currently available on how informative accounting information is in Africa is insufficient and inconclusive. This study's motivation to look at the value significance of non-current assets held for sale and stopped operations in Nigerian listed deposit money banks comes from these reasons.

## 2. LITERATURE REVIEW

### 2.1. Conceptual review

#### 2.1.1. Vale relevance of accounting information

As stated by Omokhudu and Ibadin (2015), the value relevance of accounting information measures how well financial statements information summarizes the information found in share values, serving as one of the methods for evaluating the qualitative accounting information disclosed in organizations' financial statements (Holthausen & Watts, 2001; Oshodi & Mgbame, 2014). According to Holthausen and Watts (2001), value relevance provides an experiential connection between share prices and specific accounting information. It indicates the capacity of accounting information to clarify and connect share prices, and explain stock market metrics and other capital market values (Khanagha, 2011; Ogiriki & Stephen, 2022). According to Yusuf et al. (2021), the degree to which accounting information summarizes the information hidden in share prices is captured by the value relevance of accounting information.

Based on cognate literature, value relevance could be determined in different ways. While some existing studies have represented it in the form of share price, others have argued that stock return is a theoretically better representation. Theoretically, in the absence of well-developed valuation theories, the stock market returns model is superior compared with other stock market values models, such as share prices (Gonedes & Dopuch (1974), although Lev and Ohlson (1982) contended that these models complement each other. Both models are comparable from an economic perspective, albeit the stock market value model (share price) has more issues (Christie, 1987). Share price, therefore, is the lowest amount that the share goes for or the highest amount an investor is willing to pay for, while its movement is a function of relevant information mostly derived from accounting reports (Etim *et al*, 2022). Stock market returns, however, measure the changes in share prices over time.

#### 2.1.1. Non-Current Asset Held for Sale Discontinued Operations

IAS 35 Discontinuing Operations was approved by the International Accounting Standards Board (Board) in April 2001. The International Accounting Standards Committee (IASC) first released the standard in June 1998. In contrast, the Board replaced IAS 35 in March 2004 with

The Seybold REPORT
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IFRS 5, Non-current Assets Held for Sale and Discontinued Operations. This IFRS aims to define the presentation and disclosure of ceased activities as well as the accounting for assets held for sale. IFRS 5 requires that

*assets that meet the requirements to be classified as held for sale will no longer be depreciated and will be valued at the lower carrying amount and fair value less costs of sale. They will also be presented separately in the statement of financial position and the results of discontinued operations will be presented separately in the statement of comprehensive income.* (IFRS 5-Para. 1, Page A248)

According to the standard in paragraph 6, a non-current asset must be classified as being held for sale if its carrying amount will be recovered primarily through a sale transaction rather than through continued usage (Voss & Prewysz-Kwinto, 2015). The asset (or disposal group), subject solely to the usual and customary terms for sales of such assets (or disposal groups), must be immediately available for sale in its present condition and have a high possibility of being sold. Chapter 7 of IFRS 5

It denotes that the asset will no longer be used by the company for its existing function and that it is immediately marketable in its current state. It is anticipated that the asset will be sold since the management of the firm is committed to doing so and because the asset is actively being promoted for sale at a reasonable price. Additionally, it should be expected that the transaction would be completed within a year of the categorization date (Kedzior, 2011).

According to IFAC (2010), Grant Thornton (2008), and PKF (2017), a portion of a company that has been sold or designated as being held for sale and that (a) represents an independent major line of business or geographical region of activities, (b) is an element of a single organized strategy for selling a different major line of business or geographical area of activities, or (c) is a subsidiary that was gained only with the aim of being sold, is referred to as a discontinued operation. The implementation of the provisions of the standard is beset with some challenges. In this regard, Grant Thornton (2008) highlighted a few of them, highlighting the need to account for assets bought only for resale, partially sold subsidiaries that are partially sold, the use of IFRS 5 in separate financial statements, the measurement of liabilities related to a disposal group, intragroup transactions and balances, and extra disclosure requirements.

### 2.2. Underpinning Theories

The two theories discussed below underpinned this study:

#### Efficient Market Hypothesis

This study is based on the efficient market hypothesis (EMH), which Fama proposed. According to the efficient market hypothesis (Etim et al., 2022), stock prices reflect the information that is currently available. It is an information- and investor-rationality-based hypothesis (Yusuf et al., 2021). The theory focuses on how market prices respond to financial and other information. The weak, semi-strong, and powerful types of EMH exist. According to the weak form of the EMH (Etim et al., 2022), prices accurately reflect the information contained in historical price fluctuations. The semi-strong form of EMH claims that prices

The Seybold REPORT
ISSN 1533-9211
DOI 10.17605/OSF.IO/MR6C7

accurately represent all publicly available data. Prices reflect all information, including insider information, according to the strong form of EMH. The idea that people act rationally, accurately maximize expected value, and process all available information forms the foundation of the efficient market hypothesis (Sheller, 1998). Market efficiency has been defined in a variety of ways and in a variety of circumstances, but all definitions agree that stock prices should be anticipated to respond (either positively or adversely) to news disclosures at any given time. EMH supposes that the investors utilize all available data to decide on investments logically (Yusuf et al., 2021).

**Decision-Usefulness Theory**

The American Accounting Association (AAA) first proposed this hypothesis in 1966. The decision-usefulness theory, according to Fandango & Hassan (2013), is a method for creating financial statements that satisfy investors' and creditors' fundamental needs without taking into account the interests of other stakeholders. According to this idea, financial statements must be informative in order to forecast future performance, while also illuminating the extent of IFRS compliance and the importance of accounting numbers (Felix, 2022).

Decision usefulness theory comprises two classes, according to Hitz (2007). These parties are the decision-model group and the decision-maker group. In contrast to the decision-model group, which consists of the stewards/managers who generate the financial statements, the decision-maker group, which is made up of investors and other stakeholders, focuses on what they need from financial information and sees it as relevant information. According to Shagari & Dandago's (2013) argument and submission, investors, who are primarily concerned with the risk and return of their investment, assess the effectiveness and efficiency of the management of the organization. According to Felix (2022), the decision-usefulness hypothesis emphasizes that financial statements must be helpful in order to be able to predict future performance.

This theory is pertinent to the study because it is anticipated that data on non-current assets kept for sales and stopped operations if they are truly value-relevant and decision-useful, should have predictive potential.

**2.3. Empirical review**

Badu and Appiah (2018) used data from Ghana, an emerging economy, to assess the value and relevance of accounting information. In order to determine how much accounting information contributes to volatility in stock prices of listed companies on the Ghana Stock Exchange, the study used the Ohlson (1995) price model. The research was conducted from 2005 to 2014. Share prices, earnings, the book value of equity, and the weighted average number of shares were among the data that were needed for the study. The sample spans the 10-year period from 2005 to 2014 and includes 224 firm-year observations. The main metric for assessing the usefulness and applicability of accounting information is the R-squared (Bowerman and Sharma, 2016). Book value and earnings are important and helpful in explaining volatility in the share prices of listed companies, according to the pooled regression results. It was also discovered that substantial changes in the stock prices might be attributed to book value and

The Seybold REPORT
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earnings. The findings also imply that while earnings in particular are very significant in explaining volatility in stock prices compared to their counterpart book value, accounting information in general is value relevant. The study concentrated on non-financial businesses in Ghana. Without verifying the distribution of the data was normal or not, the data were analyzed using pooled regression. It also concentrated on non-current assets held for sales and discontinued operations, the book value of equity, earnings per share, and those items.

The categorization shifting of ceased operations under IFRS 5 in Australia was studied by Chagnaadorj (2018). From 2006 to 2016, secondary data were gathered from Thompson Reuters Eiken. The study assessed the prediction power of ceased operations using the Fairfield et al. The findings demonstrated the value of ceased operations in predicting future profitability. The results show that there is a significant correlation between losses from ceased activities and one-year-ahead net income after separating discontinued operations into losses and gains. Gains from ceased activities, however, are only sporadically correlated with one-year-ahead net income. The results of the tests refute the widespread belief that non-recurring items are useless for forecasting future profitability. The findings disprove the idea that it is useless to predict a company's future profitability using data from ceased businesses. The focus was on Australia utilizing profitability as the response variable, similar to countless existing research. The value relevance of information on ceased operations was therefore not examined.

The relationship between the adoption of IFRS and the usefulness of the financial data of Nigeria's listed Deposit Money Banks was explored by Olawele and Hassan (2021). Ex-post facto and correlational study designs were employed. For the years 2008 to 2015, secondary data were used. To analyse the data, general least squares regression was utilized. The conclusion suggested that financial data had importance both before and after IFRS introduction. Despite the fact that this study concentrated on Nigeria, Deposit Money Banks, and IFRS, it did not specifically mention terminated operations.

Examined was the effect of IFRS on the usefulness of accounting information in the Nigerian stock market by Agbata, Uchegbu, and Eze in 2022. Dividend per Share (DPS), Book Value of Equity (BVE), and Earnings per Share (EPS) on stock prices throughout and after the adoption of IFRS. 48 businesses were chosen as the sample size using purposeful sampling. The research spanned a decade from 2007 to 2016. The time period was divided equally into pre-IFRS and post-IFRS phases lasting 5 years each (2007–2011 and 2012–2016). The yearly accounts and audited reports of the sampled companies were used as a source of secondary data. Using E-View 9.0, multiple regression analysis was utilized to test the hypotheses that were developed. The results showed that there is no statistically significant difference between the pre-and post-IFRS periods in the impact of EPS, BVE, and DPS on the stock price. The value relevance of data on non-current assets retained for sales and discontinued activities was not, however, investigated, as far as was known.

The value relevance of accounting data (sales growth and earnings) on the stock price of pharmaceutical companies listed on the Nigerian Capital Market discussed in this article was evaluated by Ogiriki and Stephen in 2022. Ex-post facto research methodology, which allows for data retrieval from the company's records, was employed in the study. Over ten years (2010–

The Seybold REPORT
ISSN 1533-9211
DOI 10.17605/OSF.IO/MR6C7

2020), it used a judgmental sample of three publicly traded pharmaceutical companies in Nigeria, and the data was analyzed using ordinary least squares (OLS) regression. The analysis of the data showed that whereas sales growth ratio had a negative correlation with the stock price of publicly traded pharmaceutical businesses, profits per share had a positive correlation. Additionally, there is no significant correlation between pharmaceutical company stock prices (SP) and earnings per share or sales growth rate.

Etim, Umoffong, Peters, and Gabriel (2022) examined the connection between share prices and the value relevance of accounting information (Book Value per Share (BVPS), Earnings Per Share (EPs), and Cash flow from Operations (CFO), as well as their impact in three sectors of the Nigerian economy: real estate and construction, healthcare, and information and communication technology (ICT). Using accounting and stock price data for three industries covering the years 2015 to 2021, an ex-post facto study design was used. The number of purposively selected companies is nine (9) for Construction/real estate, ten (10) for Health Care, and nine (9) for ICT 9. Ordinary Least Square was adopted to estimate the model. While CFO and EPS were noted to have a significant effect on the share prices of firms in the construction and real estate sectors, BVPS and CFO have a significant effect on the share prices of firms in the health and ICT sectors. Persuasive as the submissions of this study may be, it did not focus on accounting information on non-current assets held for sales and discontinued operations. It measures value using share prices (a less robust proxy for value as contained in cognate studies), instead of stock returns.

Felix (2022) used a quinquennial comparison of listed corporations in Nigeria and South Africa before and after the adoption of IFRS to analyze accounting information and value relevance. From listed non-financial enterprises in South Africa (from 2000–2009) and Nigeria (from 2007–2016), panel data were gathered. In this study, an ex-post facto research design was used. The data were examined using a pooled OLS approach. Accounting information is represented by the share price, whereas value significance is represented by the book value per share (BVPS), earnings per share (EPS), firm size (FS), leverage (LEV), cash flow (CF), and current ratio (CURR). Only book value per share, profits per share, firm size, leverage, and cash flow, according to findings for Nigerian companies, are positively important to share price and have greater value relevance in post-IFRS periods than in pre-IFRS times. Only book value per share, profits per share, and firm size have a major positive impact the on share price for South African companies, and their relevance to value is stronger in post-IFRS times than it was in pre-IFRS eras. With the exception of details about non-current assets held for sale and discontinued operations, this study compared Nigeria and South Africa using accounting data such as book value per share (BVPS), earnings per share (EPS), firm size (FS), leverage (LEV), cash flow (CF), and current ratio (CURR).

From the above reviews, it can be deduced that none of these studies examined value-relevance (using stock returns as a measure of value) of non-current assets held for sales and discontinued operations in Nigerian listed deposit money banks using current data, in the post-IFRS-adoption period. It is this gap in the literature that has therefore motivated this study.

The Seybold REPORT
ISSN 1533-9211
DOI 10.17605/OSF.IO/MR6C7

## 3. METHODOLOGY

This study examined the value relevance of Non-Current Assets Held for Sale and Discontinued Operations (*AHFS*) in selected listed deposit money banks in Nigeria. *Ex post facto* research design was adopted. Secondary data were collected from sources such as the Daily Official List of the Nigerian Exchange (*NGX*) and the annual reports of these financial institutions. The data collected covered a ten (10) year period between 2012 and 2021. The year 2012 was selected as the start year in view of the fact that it was the first-year Nigerian listed companies were required to disclose financial statements created in accordance with IFRS and the requirement to permit data comparability in provisions of the Financial Reporting Framework. However, the year 2022 was not included as these deposit money banks have not published their financial statements.

The population of the study comprised twenty-four (24) deposit money (commercial) banks, of which fourteen (14) were listed. However, only three (3) of these deposit money banks have the required data on an asset held for sales, hence, the sample size was limited to these three. The data available for discontinued operations were very scanty, and as such, would not allow for meaningful empirical analyses. Hence, this study was delimited to only Non-Current Asset Held for Sale. The selected banks are Access Bank, First Bank, and Union Bank Plc. With a ten (10) year period for three (3) firms, a total of thirty (30) firm-year observations were used for the analyses.

### 3.1 Operationalization of variables and model specification

The study adopted the price models of Ohlson (1995) and Etim, Umoffong, Peters and Gabriel (2022). While Ohlson's (1995) model has been heavily referenced in earlier empirical publications, spanning numerous jurisdictions and over a long period of time (Alfaraih & Alanezi, 2011; Bowerman & Sharma, 2016), that of Etim, et al. (2022) concentrated only on the Nigerian market while making some modifications to that Ohlson's model.

Ohlson model specifies that the share price of a firm is a function of its earnings and book value and it is as stated in equation 3.1:

$$P_{it} = \alpha_0 + \alpha_1 EPS_{it} + \alpha_2 BVE_{it} + \mu_{it} \ldots\ldots\ldots\ldots\ldots\ldots\ldots 3.1$$

Where $P_{it}$ is the share price for company *i* at time *t*, three (3) months after the end of the financial year of time *t*; $EPS_{it}$ is the earnings per share of the company *i* at time t; $BVE_{it}$ represents the book value of equity per share of the company *i* at time *t*, while $\mu_{it}$ captures all other factors affecting the share price. $\alpha_0$, $\alpha_1$, and $\alpha_2$ are the estimated coefficients of the model.

This model was adapted by Etim, *et al* (2022) by introducing Cash Flow from Operations (*CFO*) into it, apparently because of the importance of cash to every company. Their model is specified below:

$$P_{it} = \beta_0 + \beta_1 EPS_{it} + \beta_2 BVE_{it} + \beta_3 CFO_{it} + \varphi_{it} \ldots\ldots\ldots\ldots\ldots\ldots\ldots 3.2$$

Building on these two models and using the return-earnings model suggested by Easton and Harris (1991), this current study added Non-Current Asset Held for Sale (*AHFS*) as a variable

The Seybold REPORT
ISSN 1533-9211
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to the model in order to determine whether the variable is value-relevant, as stated in the objective of the study. $\beta_0$, $\beta_1$, $\beta_2$ and $\beta_3$ are the estimated coefficients of this model.

Thus, the model for this study is as specified in equation 3.3:

$$STR_{it} = \gamma_0 + \gamma_1 EPS_{it} + \gamma_2 BVE_{it} + \gamma_3 CFO_{it} + \gamma_4 AHFS_{it} + \rho_{it} \ldots\ldots\ldots 3.3$$

Where STR is the three-month-ahead of the financial year stock returns for company *i* at time *t* and AHFS is the Asset Held for Sale (AHFS) for company *i* at time *t*. $\gamma_0$, $\gamma_1$, $\gamma_2$, $\gamma_3$ and $\gamma_4$ are the estimated coefficients of this model. The *a priori* expectation is that $\gamma_1, \gamma_2, \gamma_3 > 0$, while $\gamma_4 < $ or $> 0$. To measure the variables, this current study followed that of Ohlson (1995), Badu and Appiah (2018) and Etim, *et al* (2022), except for Asset Held for Sale (*AHFS*) which was determined as the natural logarithm of the variable to avoid heterogeneity problem. The robust Least Square method was employed to estimate the model in view of the non-normality of the distributions of the data for a greater number of the variables. The estimations were carried at the usual 1%, 5%, and 10% level of significance. Post-estimation test of normality of residuals using Jarque-Bera (JB) statistics as well as Q-Statistic (Ljung-Box) test of serial correlation were undertaken to ensure the adequacy of the model.

## 4. FINDINGS AND DISCUSSIONS

The results from the analyses carried out and the discussion of findings, together with the implications of the findings were presented in this section.

### 4.1 Descriptive statistics

The descriptive statistics of the variables being used in this study were highlighted in Table 4.1 using tools such as mean, median, standard deviation, and kurtosis, amongst others. The variables are Stock Returns (*STR*), Asset Held for Sale (*AHFS*), Earnings after Tax per Share (*EAT*), Cash Flow from Operations per Share (*CFO*), and Book Value of Equity per Share (*BVE*).

**Table 4.1: Summary Statistics**

**Sample: *N* = 3, *T* = 10 (2012 – 2021)**

| | Variables | | | | |
|---|---|---|---|---|---|
| **Statistics** | **STR** | **AHFS** | **EAT** | **CFO** | **BVE** |
| Obs. | 30 | 30 | 30 | 30 | 30 |
| Mean | -2.1154 | 11.0273 | 1.2874 | 28.1440 | 11.5619 |
| Median | -1.8707 | 10.5706 | 0.9948 | -0.0228 | 10.8919 |
| Maximum | 13.1579 | 17.5706 | 4.5074 | 811.2550 | 24.5167 |
| Minimum | -27.4390 | 0.0000 | 0.0010 | -15.5266 | 6.8709 |
| Std. Dev. | 9.2861 | 4.2720 | 1.0309 | 148.1571 | 3.9440 |
| Skewness | -0.6780 | -0.2212 | 1.0854 | 5.1714 | 1.2324 |
| Kurtosis | 3.4690 | 2.8819 | 4.2062 | 27.8456 | 4.9988 |
| Jarque-Bera | 2.5731 | 0.2621 | 7.7094 | 905.3464 | 12.5879 |
| Probability | 0.2762 | 0.8772 | 0.0212 | 0.0000 | 0.0018 |

**Source:** Researcher's Computation (2023)

The Seybold REPORT
ISSN 1533-9211
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(**STR** = 3-months-ahead stock returns; **AHFS** = Asset Held for Sale; **EAT** = Earnings after Tax per Share; **CFO** = Cash Flow from Operations per share and **BVE** = Book Value of Equity per Share)

Results in table 4.1 showed that stock returns (*STR*) of the bank averaged -2.12%; asset held for sales (*AHFS*) averaged 11.0273 (corresponding to N61.6 billion[1]); earnings per share (*EAT*) average N1.29; cash flow from operation (*CFO*) revolved around N28.144 per share, while average book value of equity per share (*BVE*) was N11.56. From these, it is suggested that these banks stock returns declined during the period under review, while the entities appear to have more cash from operations than earnings as the former is 21.86 times that of the latter. Assets held for sales (*AHFS*), earnings per share (*EAT*) and book value of equity (*BVE*) have moderate variations and have more predictive powers as their standard deviations were less than their means, unlike stock returns (*STR*) and cash flow from operations (*CFO*), which have standard deviations which were greater than the means.

Meanwhile, stock returns (*STR*) and Asset Held for Sale (*AHFS*) have negative skewness, while the data for the other three variables are positively skewed. The kurtosis statistics further supported the nature of the distributions of the data, as they are either leptokurtic or platykurtic. Four kurtosis statistics (of *STR, CFO, BE* and *EAT*) are greater than the threshold of 3, indicating leptokurtic distribution, while only that of asset held for sale (*AHFS*) is less than the threshold of 3, suggesting platykurtic distribution. Further buttressing the nature of the distribution of the data are the *p*-values of the Jarque-Bera (JB) statistics which are less than 5% for three of the variables (*EAT, CFO,* and *BVE*), while only two (*STR* and AHFS) have statistics greater than 5%. These results indicate that, on a balance, the distributions of the data deviate from normality, with implications for the existence of extreme values or outliers. As a consequence, a robust least square estimation technique was used to estimate the panel model, which spans a 10-year period ($T = 10$) between 2012 and 2021 and 3 (*N*) listed deposit money banks in Nigeria

**4.2: Inferential statistics: Test of Hypothesis**

Table 4.2 presents the result of the estimated panel models using Robust Least Squares with which the hypothesis was tested. The upper panel of the table reveals the estimates of the model, while the lower panel presents the robust statistics of the estimated models. Adjusted R-Squared was used to determine the explanatory power of the model, while the Rn-squared statistic is the robust version of the F-statistic which was employed to determine the overall significance test for the estimated model.

The Seybold REPORT
ISSN 1533-9211
DOI 10.17605/OSF.IO/MR6C7

**Table 4.2: Robust Least Square Estimates (S-Estimation Method)**

**Sample: *N* =3, *T* =10 (2012-2021)**

| | 3-Month-Ahead STR |
|---|---|
| **Independent Variables:** | |
| Intercept (C) | -7.5717 |
| | (0.2606) |
| AHFS | 0.2696 |
| | (0.5128) |
| EAT | -7.4527** |
| | (0.0154) |
| CFO | -0.0349*** |
| | (0.0012) |
| BVE | 1.1922* |
| …..... | (0.0931) |
| **Robust Statistics:** | |
| R-Squared | 0.3103 |
| Adj. R-Squared | 0.2000 |
| Rn-squared stat. (Global Test) | 12.8280*** |
| | (0.0121) |

**Source:** Researcher's Computation (2023)

***Note*:** The p-values are listed beneath each set of statistics and coefficients in parenthesis (). At the traditional 1%, 5%, and 10% levels of significance, respectively, the asterisks ***, **, and * imply statistical significance.

### 4.2.1: Test of Hypothesis

The results of the tested hypothesis are presented here.

**H₀** = *Non-current Asset Held for Sale for listed Nigerian Deposit Money Banks is not value-relevant*

Results in Table 4.2 showed that earnings after tax per share (*EAT*) exert a statistically significant and negative effect ($\gamma_2$ = -7.4527, $p$ = 0.0154 < 0.05 or 5%) on the three-month-ahead stock returns (STR) of the selected listed Nigerian Deposit Money Banks. Considering the partial slope coefficient's size, a 1 unit increase in *EAT* will, on average, result in about 7.4527 unit fall in *STR*. The coefficient of CFO with respect to STR is negative and significant at 1%, 5% and 10% ($\gamma_3$ = -0.0349, $p$ = 0.0012 < 0.05, 0.10 and 0.01 or 5%, 10% and 1%). These results suggest that a unit increase in *CFO* for these banks will reduce *STR* by 0.0349 units. BVE has a coefficient of 1.1922, a statistic that is statistically significant at 10% level ($\gamma_2$ = 1.1922, $p$ = 0.0931< 0.10 or 10%). However, *AHFS*'s coefficient of 0.2696 is not significant at the three conventional levels of significance ($\gamma_4$ = 0.2696, $p$ = 0.5128< 0.10 or 10%). This suggests that a unit increase in AHFS will not have a significant effect on STR for the three selected Nigerian listed banks. From these results, there is evidence to accept the null hypothesis that Asset Held for Sale for listed Nigerian Deposit Money Banks are not value-relevant.

The Seybold REPORT
ISSN 1533-9211
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To measure the goodness of fit of the estimated model, the adjusted R-Squared of 0.2000 in Table 4.2 suggests that the included explanatory variables (*EAT, BVE, CFO, and AHFS*) within the model account for about 20% of the variation STR. Therefore, the STR model appears to have somewhat moderate predictive power. The overall significance test for the estimated model is represented by the Rn-squared statistics, the results of which are also presented in Table 4.2. the Rn-squared statistic of 12.8280 suggests that all the included variables (*EAT, BVE, CFO, and AHFS)* appear to have combined or jointly significant effects on STR as the p-value is less than 1% and 5% levels of significance.

**4.2.2:Post-Estimation Test: Model Adequacy Evaluation**

Table 4.3 shows the findings from the serial correlation test and normality test.

**Table 4.3: Post Estimation Test Results for the Model**

**Sample: *N* = 3, *T* = 10 (2012 – 2021)**

| **Serial Correlation Test** | | |
|---|---|---|
| Q-Statistic (Ljung-Box) | 3.0093 | 0.083 |
| **Normality Test:** | | **P-value** |
| Jarque-Bera | 4.5147 | 0.1046 |

**Source**: Authors' computation (2023)

***Note*:** The p-values are listed beneath each set of statistics and coefficients in parentheses (). At the traditional 1%, 5%, and 10% levels of significance, respectively, the asterisks ***, **, & * imply statistical significance.

Table 4.3 shows the findings from the serial correlation test and normality test. The Q-statistic ($Q$ = 3.0093, $p$ = 0.083) of the Ljung-Box test suggests that for the specified sample period, there is no serial correlation present in the computed STR panel regression model's residuals. As a result, the null hypothesis that "no serial correlation" cannot be proven false, and the presumption that "no autocorrelation in the disturbance term" is maintained. As seen in Table 4.3 as well, the Jarque-Bera statistic (4.5147), with a p-value of 0.1046, supports the estimated model's assumptions of normality. This is because the p-value is greater than 5% level of significance. Simply said, the results of the normality test show that the estimated model's residuals are regularly distributed and the test results are statistically unimportant. Based on the aforementioned, the estimated parameters have satisfied the fundamental assumptions of the estimation process and are reliable and valid for inferences and policy making.

The Seybold REPORT
ISSN 1533-9211
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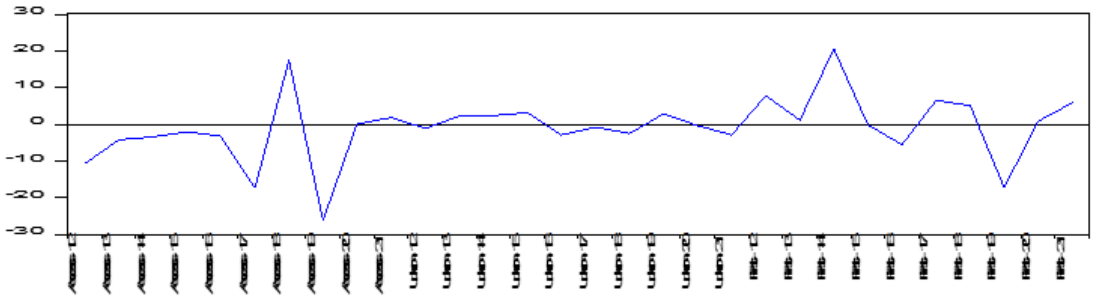


**Figure 4.1: A diagram showing the distribution of the residuals from the STR estimated model**

### 4.3: Discussion of Findings

Results in showed that stock returns (*STR*) of the bank averaged -2.12%; assets held for sales (*AHFS*) averaged 11.0273 (corresponding to N61.6 billion); earnings per share (*EAT*) average N1.29; cash flow from operation (*CFO*) revolved around N28.144 per share, while average book value of equity per share (*BVE*) was N11.56. From these, it is suggested that these banks stock returns declined during the period under review, while the entities appear to have more cash from operations than earnings as the former is 21.86 times that of the latter. Assets held for sales (*AHFS*), earnings per share (*EAT*), and the book value of equity (*BVE*) have moderate variations and have more predictive powers as their standard deviations were less than their means, unlike stock returns (*STR*) and cash flow from operations (*CFO*), which have standard deviations which were greater than the means.

Further results showed that earnings after tax per share (*EAT*) exert a statistically significant and negative effect on the three-month-ahead stock returns (STR) of the chosen listed Nigerian Deposit Money Banks. The coefficient of CFO with respect to STR is negative and significant. BVE is statistically significant. However, *AHFS*'s effect on stock returns is not statistically significant. From these results, there is no evidence that Asset Held for Sale for listed Nigerian Deposit Money Banks is value-relevant. While Fairfield, Sweeney, and Yohn (1996) and Bradshaw and Sloan (2002) advocated that non-recurring items, which offer little insight and predictability into a company's future performance, be included in total earnings, this finding contradicts Chagnaadorj's (2018) findings while concurring with them.

### 4.4: Implication of findings

The standard-setters will need to consider the study's conclusions when making policy. The Financial Reporting Council of Nigeria, together with the International Accounting Standard Board (IASB) may have to review IFRS 5-*Non-current assets held for sale and discontinued operations* taking into account the limited information it contained while addressing the inherent challenges being faced by the preparers of the financial statements in implementing this standard. It may also have implications for the level of efficiency of the Nigerian Exchange. That this market does not price may imply weak efficiency.

The Seybold REPORT
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## 5. CONCLUSION AND RECOMMENDATIONS

The value relevance of non-current assets held for sale and discontinued operations in a few listed Nigerian deposit money banks was investigated in this study. The ex post facto research approach was used. Secondary data were gathered for the period of 2012 to 2021 from annual reports and the Nigerian Exchange Daily Official List. The modified model from Ohlson (1995) and Etim et al. (2022) was estimated using robust least squares. The dependent variable was a stock return, whereas the independent variables were non-current assets held for sale and discontinued operations. Results showed that ceased businesses and non-current assets retained for sale had a small but positive impact on stock returns. The investigation came to the conclusion that Nigeria's listed deposit money banks are providing value-irrelevant information regarding non-current assets held for sale and discontined operations. It was advised that the IFRS 5 should be revised in order to include more information because doing so will make it more valuable.

### CONTRIBUTION FOR FUTURE RESEARCH

The outcomes of this study provide possibilities for further investigation. Future works may focus on other sectors, using more samples and other more robust measures of values. More established value-relevant accounting information may be introduced into this model, as doing this may improve the explanatory power of the model.

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