Determinants of Initial Public Offer (IPO) Pricing In The Nigerian Stock Exchange: Does Adoption of IFRS Matter?

Abstract: The study investigates the effect of adoption of IFRS on asymmetric information and the implication on IPO pricing in Nigeria. 38 IPOs are included in the study between 2001 and 2016. The study investigated the influence of the asymmetric information both before and after the adoption of the IFRS. An extension of regression analysis called CHOW test is used to test the influence of the IFRS on asymmetric information and its influence of the IPO pricing in the Nigeria Stock Exchange NSE. The results indicate that asymmetric information has significant impact on IPO pricing before and after the adoption of IFRS. However, it is also revealed in the study that adoption on IFRS made a significance difference on the effect of asymmetric information on the IPOs in Nigeria. The study further emphasized the need to reduce the flow of asymmetric information that increases the mispricing of the IPOs.

Keywords: Initial Public Offers IPOs, Asymmetric Information, International Financial Reporting Standards IFRS.

INTRODUCTION

The relevance of financial reports in dissemination of asymmetric information that are relevant for pricing of securities have been enjoying patronage of financial researchers over the years. The reason behind this is that increasing number of the public are now developing more interest in making speculative dealings in the financial market especially across developing countries including Nigeria (Iyoha and Faboyede, 2011).

Nigeria experienced a downward trend of equities listed on the exchanges consequent upon the global market meltdown in 2007. It appears the capital markets are yet to fully recover from the aftermath of the experience thus casting doubt on the hope for speedy market recovery. Even after the global financial crises, the functions of capital markets in sub Saharan Africa have increasingly come into question and many allegations have been trailing the activities of these stock markets. For instance, there are claims that stock market prices were being manipulated. Other claims contend that players on the exchange focus on listing gains which accompany IPOs and that, to a large extent, these gains could not have been made possible without information asymmetry Bharth, & Dittmar (2014).

Many more challenges observed on the stock markets include the unusual quiet- investor strike whose effect is visible in the sliding movement of equities listed on the exchange and the unrealistic pricing of equities which is occasioned by information asymmetry (Ilo, B.M 2012). According to Cooney (2017), there seems to be a consensus of opinion that, something is wrong with IPOs across the globe and that the problem appears deep-seated and critical even in some developed economies like Europe. Investors were reported to be fed up with paying too much for IPOs and in consequence have led to a quiet investor-strike on IPOs mispricing especially to protest the perceived high prices.

Extant literature revealed that shares of firms floating IPOs have never been listed before and the only information available to regulators, issuing companies and investors are those contained in the company’s financials and prospectuses (Kleberg, 2005). The usefulness of financial information so provided in these documents is enhanced in
Adoption of IFRS in the European Union (EU) has made the standards’ the most broadly received financial accounting model in the world. Furthermore, IFRS adoption predicts improved accounting quality of firms that got listed after IFRS adoption based on the assumption that, IPOs firms would have fulfilled the requirements of the global standards prior to listing thus reducing insiders’ ability to benefit from private information. It therefore behooves current and potential investor as well as the standard setters to understand the implications of IFRS on accounting variables (Kutsuna, & Smith, 2018). However, the outcome of studies in respect of IFRS adoption and the difference it has made in the quality of accounting information in Nigeria appear scanty thereby revealing research gaps in literature.

IPOs have been widely studied in literature (Okereke-Onyiuke, 2006)) but the significant discovery in these studies since 1970 has been the incidence of abnormality in IPOs pricing. IPOs mispricing can be in the form of under-pricing or over-pricing but the persistence of equity mispricing in our capital markets had continued to compel additional research works. Research efforts made by scholars on IPOs mispricing revealed that, the steps involved in determining the right price for equity shares of firms going public for the first time is critical, complex and laden with information asymmetry (Lowry, 2013). As a consequence, the process of share price determination has been classified as one of the most difficult decisions a firm planning to go public must make (Beatty and Thompson, 2019).

Despite the rigorous efforts of scholars to proffer solution to the challenge created by information asymmetry on capital markets, the problem had remained unsolved and as a consequence, information asymmetry and adverse selection problem had remained a global challenge for decades. However, the most recent of the rigorous explorations to resolve this age long challenge is the bold step taken by the IASB in offering IFRS in replacement of local standards. On the assumption that IFRS adoption compared to local standards would lower information asymmetry and adverse selection problem. Quite a number of studies have been carried out across the globe to contribute to the growing literature on the subject of the impact of IFRS adoption on information asymmetry in IPOs pricing (Derrien, & Keckes 2016).

Despite the abundance of these studies globally, empirical literature on IPO, information asymmetric and the effect of IFRS appears not to have been given priority in many developing countries like Nigeria. This study will contribute to the existing literature by investigating the pre and post IFRS adoption, the influence of information asymmetric and the general implication for the IPO pricing in the Nigeria stock market. The remaining part of the paper is discussed under the methodology, results and discussion and the conclusions

**METHODOLOGY**

**Research Design**

The research design adopted for the work was ex-post facto research design. Prior studies, carried out in developed economies, like those of Roberto, (2013) and I-lung ci a! /2013) made use of this research design and so it is considered appropriate for a study of this nature. The study made use of secondary data extracted from IPO prospectuses and annual financial reports of the firms’ concerned while the historical stock and market data were obtained from the websites of selected Nigeria capital market and their respective regulatory agencies as well as the various publications of the African Capital Exchanges Association (ASEA). This approach provided the opportunity of extracting the needed data from relevant documents to proxy our variables.

**Population and Sample**

The population of the study is all the IPOs listed in the NSE but for this study with special reference to the time frame of adoption of IFRS only the listed IPOs between 2001 and 2016 which is the scope of our study will be used for the analysis. In all there 36 IPOs listed between these periods and they shall be the focus of this study.

**Model Specification**

The prediction that IFRS adoption has not significantly reduced the level of information asymmetry in the prices of selected Nigerian iPOs is investigated in this study. Asymmetric information supporters debate that information scarcity about the company going to the public for the first lime breeds the usual uncertainty that surrounds IPO floatation and in consequence creates difficulty in ascertaining the true price of the securities. As predicted by Akerlof (1970), the consequences of presenting lemons as good stock are evident on our exchanges today. To date, financial information regulation through the use of accounting standards appears the most potent instrument for curbing information asymmetry in all corporate settings. With the introduction of IFRS, man are of the opinion that the global accounting standards will lower information asymmetry especially on the capital exchanges (Tweedie, 2006; Yu, 2010)
while the minority is of the opinion that accounting standards may not be that effective. IFRS has been mandatorily complied with since 2005 and many countries of the world have adopted IFRS. This work rests on information asymmetry theory as part of its theoretical framework and tests the strength of the prediction that adoption of IFRS will improve accounting relevance, reduce adverse selection problem and reduce information asymmetry. However, leveraging on the studies of Li-fang-Huang (2015) and Hung et al. (2013) among others a model that expresses the IPO pricing as a function of IFRS adoption is stated as follows;

\[ IR = \beta_0 + \beta_1 IFRS + \beta_2 EPS + \beta_3 BVPS + \beta_4 RET + \beta_5 OP + \beta_6 E + \beta_7 FA + \beta_8 NOS + \beta_9 EP + \beta_{10} SL + \beta_{11} FLP + \beta_{12} MI + \varepsilon \]  

Where:

- \( IR \): IPO pricing
- \( IFRS \): (Pr-! Po)\( \)
- \( EPS \): (Earnings Per Share)
- \( BVPS \): (Book Value Per Share)
- \( RET \): (equity retained by pre-IPO owners)
- \( OP \): (Offer Price)
- \( F = F \): (Firm Value)
- \( FA \): (Firm Age)
- \( NOS \): (Number of Shares Offered)
- \( UP \): (Uses of proceeds)
- \( SL \): (Subscription Ie'.cl)
- \( FLP \): (Flipping Ratio)
- \( MI \): (Market index)
- \( E \): Error Term

Equation (1) regresses share pricing on the indicator variables of EPS and BVPS domiciled in pre-/post- IFRS adoption periods and their interactions. Our model includes control variables that are expected to influence the level of information asymmetry in IPOs pricing. Specifically, our model controls for the firms characteristics, firm level variables and market index viz: (I) IR representing number of shares retained b pie-issue shareholders (2) Offer Price (3) firm value (4) firm Age Number of shares offered (6) Uses of proceeds (7) subscription level (8) flipping and (9) market index. Our reasoning for adopting this model is that if IFRS has significantly improved accounting quality, increased reliability as represented by the EPS and BVPS, then it would have reduced adverse selection problems, information asymmetry and by consequence solved the age long challenge of share mispricing and propagate right IPO pricing in Nigeria.

Estimating techniques

The extension of ordinary least square estimating techniques is adopted for this study. The analysis is broken down into two periods namely; the pre and post IFRS adoption periods. The influence of asymmetric information on the IPOs during these two periods is investigated and the CHOW test is used to investigate if the adoption of IFRS has made any significant impact on the IPO pricing in Nigeria.

Chow Test

The Chow test is an extension of regression that enables comparison f two different samples and investigate the stability of the estimated regression model. It provides avenue for assessment of tendency of existence of structural change in the parameter estimates of the regression models relating to two different periods (Gujarati, 2007). Consequently, this techniques is suitable for the objective of this study because it involves two periods pre and post adoption of IFRS in Nigeria.

The procedure involves usage of the time series data collected on the variables included in equation 1 above and we will obtain an OLS regression of IR on the other explanatory variables. By doing that, we are maintaining that the relationship between these variables has not changed over the years. To effect this, we now divide our sample into two time periods of before adoption of IFRS and after the adoption of IFRS, respectively which now give rise to three possible regressions:

Time Period Pool: \( IR = \lambda_1 X + \mu_1 \)  

Time Period before IFRS: \( IR = \Upsilon_1 Y_1 + \Upsilon_2 X_1 + \mu_2 \)  

Time Period after IFRS: \( IR = \alpha_1 Y_2 + \alpha_2 X_2 + \mu_3 \)  

Where X represents other explanatory variables in equation 3.1 and regression

The F\text{cal} ratio which is known as the Chow test is computed as follows:

\[ F^* = \frac{\varepsilon_{\text{pooled}}^2 - (\varepsilon_1^2 + \varepsilon_2^2) / K}{(\varepsilon_1^2 + \varepsilon_2^2) / (n_1 + n_2 - 2K)} \]  

Where: \( \varepsilon_{\text{pooled}}^2 \) is the pooled unexplained variation  
\( \varepsilon_1^2 \) is the unexplained variation from sample one  
\( \varepsilon_2^2 \) is the unexplained variation from sample two  
\( n_1 + n_2 - 2K \) is the degrees of freedom  
\( n_1 \) and \( n_2 \) are sample sizes for one and two respectively  
K is the total number of parameter estimates including intercept

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The above gives the calculated value of the F-ratio which will be compared with the tabulated value that will be obtained through \( n_1 + n_2 - 2K \), Chow (1960).

**Sources of data**

Data for this study especially of the IPOs are sourced from the website of the Nigerian stock exchange NSE as well as the fact book the NSE. Data on other variables are sourced from the various issues of the NSE bulletin between 2001 and 2016 which is the scope of this study.

**RESULTS AND DISCUSSIONS**

This aspect of the study deals with the presentation and interpretation of the empirical results. In addition, the chapter explains the empirical results and bring out the findings for the purpose of empirical inferences. The adoption of IFRS and effect of asymmetric information of the IPOs is assessed under two separate periods that is pre- and post IFRS adoption. The results of the analysis are presented as follows.

**Presentation of the regression results**

As earlier posited the analysis is divided into two separate parts the pre IFRS analysis and the post IFRS analysis. Each of the two periods have their estimated regression equations and the results are presented as follows.

**Regression results of pre IFRS**

The estimated equation for the pre IFRS is presented in Table 1 and the probability of the parameter estimates are presented to be able to know how significant is each of the parameter.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>LnPRIFRS</td>
<td>-0.195</td>
<td>0.223</td>
</tr>
<tr>
<td>LnEPS</td>
<td>-4.419</td>
<td>0.190</td>
</tr>
<tr>
<td>LnBVPS</td>
<td>0.487</td>
<td>0.538</td>
</tr>
<tr>
<td>LnRET</td>
<td>0.040</td>
<td>0.708</td>
</tr>
<tr>
<td>LnOP</td>
<td>-3.626***</td>
<td>0.032</td>
</tr>
<tr>
<td>LnFV</td>
<td>0.501**</td>
<td>0.006</td>
</tr>
<tr>
<td>LnFA</td>
<td>-0.146</td>
<td>0.810</td>
</tr>
<tr>
<td>LnNOS</td>
<td>-0.110</td>
<td>0.323</td>
</tr>
<tr>
<td>LnUP</td>
<td>-0.193</td>
<td>0.662</td>
</tr>
<tr>
<td>LnSL</td>
<td>-0.212</td>
<td>0.850</td>
</tr>
<tr>
<td>LnFLP</td>
<td>-0.299</td>
<td>0.68</td>
</tr>
<tr>
<td>LnMI</td>
<td>4.967</td>
<td>0.293</td>
</tr>
<tr>
<td>CONSTANT</td>
<td>4.87</td>
<td><strong>0.219</strong></td>
</tr>
</tbody>
</table>

\[ R^2 = 0.932, \quad F\text{ statistic}= 11.04***, \quad F\text{ probability}=0.000 \]

*Source: Researcher’s Survey, 2018*

The dependent variable is defined as IPO pricing (IR). The independent variables are Pre-IFRS adoption (PRIFRS), earnings per share (EPS), book value per share (BVPS), equity retained by pre-IPO owners (RET), offer price (OP) firm value (FV), firm age (FA), number of IPO shares offered (NOS), number of uses of shares proceeds (UP), IPOs subscription levels (SL), flipping ratio (FLP) and market index (MI). The ( statistics are in parentheses. * Significant at 10%, Significant at 5%,” Significant at 1%.

Table 1 presents regression results of the pre-adoption of IFRS on information asymmetry in the IPO pricing. The probabilities of the t-statistic shown in the table reveals that a change in LnFV (with P-value = 0.006<0.05) has a significant and positive effect on information asymmetry in the IPO pricing whereas OP (P-value = 0.032<0.05) exerts a significant but negative effect on information asymmetry in the IPO pricing. BVPS (P-value = 0.538>0.05), LnRET (with P-value = 0.708>0.05) and lnMI (with P-value = 0.293>0.05) exert positive but no significant influence on information asymmetry in the IPO pricing. However, EPS (with P-value = 0.190> 0.05), FA (with P-value= 0.810>0.05), Ln NOS (with P-value= 0.323>0.05), UP (with P-value0.662>0.05), SL (with P-value 0.850>0.05), FLP (with P-value 0.68 1>0.05) and PR-IFRS (with P-value 0.223>0.05) exert negative and no significant influence on information asymmetry in IPOs prices.

The outcome of the analysis in Table 1 shows F-statistic with a P value of 0.0003<0.05, this is an indication that the control variable (PR-IFRS) and all the explanatory variables (EPS, BVPS, RET, OP, FV, FA, NOS, UP, SL, FLP and
MI) jointly and significantly influence IPOs prices (IR). Consequently the study rejects the null hypothesis which states that the control variable and all the explanatory variables do not have significant influence on IPOs. Thus, meaning that the prevailing standards (local GAAPs) have significant influence on information in Pre- IFRS adoption period and consequently the IPOs prices.

The coefficient of the regression result measures the magnitude and the direction of the relationship between the explained and the exploratory variables; EPS with a coefficient of -4.419 implies a unit change in EPS would yield 441.9% negative effect on IPOs prices (IR), BVPS with a coefficient of 0.487 implies a unit change in BVPS would yield 48.7% positive effect on IPOs prices; lnRET with a coefficient of 0.040 implies a unit change in RET would yield 4.0% positive effect on IPOs prices; OP with a coefficient of -3.626 implies a kobo change in Offer Price would yield 362.6% negative effect on IPOs prices; lnFV with a coefficient of 0.501 implies a unit change in Firm Value would have 50.1% positive effect on IPOs prices; FA with a coefficient -0.146 implies a unit change in Firm’s Age would yield 14.6% negative effect on IPOs prices. Furthermore, lnNOS with a coefficient of -0.110 implies a unit change in the number of shares offered for sale would yield 11.0% negative effect on IPOs prices. UP with a coefficient of -0.193 implies a unit change in the number of uses of offer proceeds would yield 19.3% negative effect on IPOs prices. SE with a coefficient of -0.2 12 implies a percentage change in offer subscription level would yield 21.2% negative effect on IPOs prices. FLP with a coefficient of -0.299 implies a percentage change in flipping would yield 29.9% negative effect on IPOs prices. MI with a coefficient of 4.967 implies a percentage change in Market Index would yield 496.7% positive effect on IPOs prices and PR-IFRS with a coefficient of -0.195 implies a change in IFRS would yield 19.5% negative effect on IPOs prices.

The explanatory power (that is the coefficient of determination) of PR-IFRS, EPS, BVPS, RET, OP, FV, FA, NOS, UP, SL, FLP and MI combined on IPOs price (as represented by Initial Return (IR)) derived using the OLS is 93.2 per cent. This implies that 93.2 percent changes in the IPO price is caused by the combined influence of the explanatory variables (PR-IFRS, EPS, BVPS, RET, OP, FV, FA, NOS, UP, SL, FLP and MI) while the remaining 6.8 percent is caused by other influential variables which are not captured by the model and not within the scope of the study.

It should be noted that the result of the regression model shows FV (with t value 3.475 and P-value = 0.006<0.05) and OP (with t value -2.48 1 and P-value 0.032<0.005) have significant effect on information asymmetry in the IPO pricing before IFRS adoption. BVPS, RET, MI, EPS, FA, NOS, UP, SE, FLP and IFRS are not significant in the estimated model.

**Regression results of post IFRS**

The estimated equation for the post IFRS is presented in Table 2 and the probability of the parameter estimates are also presented to be able to know how significant is each of the parameter.

Table 2: Linear regression result for Pre IFRS adoption

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>LnPoIFRS</td>
<td>-1.027</td>
<td>0.008</td>
</tr>
<tr>
<td>LnEPS</td>
<td>-0.293</td>
<td>0.408</td>
</tr>
<tr>
<td>LnBVPS</td>
<td>-0.060</td>
<td>0.185</td>
</tr>
<tr>
<td>LnRET</td>
<td>4.807</td>
<td>0.999</td>
</tr>
<tr>
<td>LnOP</td>
<td>-4.264</td>
<td>0.183</td>
</tr>
<tr>
<td>LnFV</td>
<td>-0.160</td>
<td>0.913</td>
</tr>
<tr>
<td>LnFA</td>
<td>5.800</td>
<td>0.001</td>
</tr>
<tr>
<td>LnNOS</td>
<td>-3.946</td>
<td><strong>0.063</strong></td>
</tr>
<tr>
<td>LnUP</td>
<td>39.883</td>
<td></td>
</tr>
<tr>
<td>LnSL</td>
<td>-0.466</td>
<td>0.193</td>
</tr>
<tr>
<td>LnFLP</td>
<td>3.545</td>
<td>0.275</td>
</tr>
<tr>
<td>LnMI</td>
<td>-0.135</td>
<td>0.940</td>
</tr>
<tr>
<td>CONSTANT</td>
<td>0.657</td>
<td><strong>0.756</strong></td>
</tr>
</tbody>
</table>

\( R^2= 0.932, \quad F \text{ statistics} = 11.04***, \quad F \text{ probability}=0.000 \)

*Source: Researcher’s Survey, 2018*

The dependent variable is defined as IPO pricing (IR). The independent variables are Post-IFRS adoption (POIFRS), earnings per share (EPS), book value per share (BVPS), equity retained by pre-IPO owners (RET), offer price (OP), firm value (FV), firm age (FA), number of IPO shares offered (NOS), number of uses of shares proceeds (UP),
IPOs subscription levels (SL), flipping ratio (FLP) and market index (MI). The statistics are in parentheses. Significant at 10%, "Significant at 5%, Significant at 1%.

Table 2 presents regression results using OLS of the post-adoption of IFRS on information asymmetry in the IPO pricing. The probabilities of the t-statistic shown in Table 4.2 reveals that a change in FA (with P-value = 0.001<0.05), UP (with P-value = 0.001<0.05) have a significant and positive effect on information asymmetry in the IPO pricing after the adoption of IFRS whereas PO-IFRS (with P-value = 0.008>0.05) exerts a significant but negative effect on information asymmetry induced in IPO prices. BVPS (P-value 0.185>0.05), lnRET (with P-value = 0.999>0.05) and FLP (with P-value = 0.275>0.05) have positive and no significant influence on information asymmetry in the IPO pricing. EPS (with P-value = 0.408>0.05), OP (P-value = 0.183<0.05), lnFV (with P-value = 0.913>0.05), in NOS (with P-value= 0.063>0.05), SL (with P-value =0.193>0.05) and lnMI (with P-value = 0.940>0.05) have negative and no significant effect on information asymmetry in the IPO pricing.

The outcome of the analysis in Table 2 shows F-statistic with a P value of 0.0002<0.05, this is an indication that the control variable (PO-IFRS) and all the explanatory variables (EPS, BVPS, RET, OP, FV, FA, NOS, UP, SL, FLP and MI) jointly and significantly influence IPOs prices (IR). Consequently the study rejects the null hypothesis which states that the control variable and all the explanatory variables do not have significant influence on IPOs. Thus, meaning that IFRSs have significant influence on information asymmetry in Post- IFRS adoption period and consequently the IPOs prices.

The coefficient of the regression result measures the magnitude and the direction of the relationship between the explained and the exploratory variables. EPS with a coefficient of -0.119 implies a unit change in EPS would yield 11.9% negative effect on IPOs prices (IR); BVPS with a coefficient of 0.195 implies a unit change in BVPS would yield 19.5% positive effect on IPOs prices; lnRET with a coefficient of 0.005 implies a unit change in RET would have (0.00%) a significant effect on IPOs prices; OP with a coefficient of -4.264 implies a unit change in Offer Price would yield 426.4% negative effect on IPOs prices; lnFV with approximately -0.160 coefficient implies a unit change in Firm Value would have 16% negative effect on IPOs prices; FA with a coefficient 3.800 implies a unit change in Firm’s Age would yield 580% positive effect on IPOs prices. Furthermore, lnNOS with a coefficient of -3.946 implies a unit change in the number of shares offered for sale would yield 394.6% negative effect on IPOs prices, UP with a coefficient of 39.883 implies a unit change in the number of uses of offer proceeds would yield 3988.3% negative effect on IPOs prices. SL with a coefficient of -0.466 implies a percentage change in offer subscription level would yield 46.6% negative effect on IPOs prices. FLP with a coefficient of 3.545 implies a percentage change in flipping would yield 354.5% positive effect on IPOs prices. MI with a coefficient of -0.135 implies a percentage change in Market Index would yield 13.5% negative effect on IPOs prices and PO-IFRS with a coefficient of -1.027 implies a change in IFRS would yield 102.7% negative effect on IPOs prices.

The explanatory power (that is the coefficient of determination) of PO-IFRS, EPS, BVPS, RET, OP, FV, FA, NOS, UP, SL, FLP and MI combined on IPOs price is 78.4 percent. It implies that only 78.4 percent changes in the IPO price is caused by the combined influence of the explanatory variables (PO-IFRS, EPS, BVPS, RET, OP, FV, FA, NOS, UP, SL, FLP and MI) while the remaining 21.6 percent is caused by other influential variables which are not captured by the model and not within the scope of the study.

The result of the regression model shows FA (with t value 3.903 and P-value = 0.001<0.05) . UP (with t value 4.124 and P-value = 0.001<0.05) and PO-IFRS (with t value -2.939 and P-value 0.008>0.05) all have a significant effect on information asymmetry in the IPO pricing after the adoption of IFRS whereas BVPS, lnRET, FLP, EPS , OP , lnFV, ln NOS, SL and lnMI are not significant in the model.

**Chow test of the effect of adoption of IFRS of information asymmetric and IPO**

In this analysis the study examines if adoption of IFRS has any significant impact on information asymmetric and IPO pricing. It should be noted that Nigeria adopted IFRS in 2005 therefore periods before 2005 were seen as pre IFRS period while periods after 2005 are the post IFRS periods. Chow test is employed for this purpose and the analysis are as follows; Table 3 shows the identities and estimated values of the variables to be used in the chow test.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Meaning</th>
<th>Estimated values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unexplained model $\Sigma e_i^2$ variation of pooled</td>
<td>Sum square of residual of pooled data</td>
<td>8.6162e+12</td>
</tr>
<tr>
<td>Unexplained model 1 $\Sigma e_i^2$ variation of</td>
<td>Sum square of residuals of sample I before IFRS</td>
<td>9119973.58</td>
</tr>
</tbody>
</table>

Available Online: [https://iarconsortium.org/journal-info/IARJBM](https://iarconsortium.org/journal-info/IARJBM)
Unexplained variation of model 2 Sum square of residuals of sample II after IFRS 5.7750e+12
Degree of freedom \( \nu_1 = K \) Number of parameter estimates 13
Degree of freedom \( \nu_2 = n_1 + n_2 - 2K \) \( n_1 \) is the number of observation in sample I, \( n_2 \) is the number of observation in sample II \( n_1 = 4, n_2 = 12 \)
F \(_{0.05} \) Tabulated value of the F ratio 2.34

The F calculated or the F* ratio is described by the following equation:

\[
F* = \frac{\text{SSB} - (\text{SSW} + \text{SSW})/K}{(\text{SSW} + \text{SSW})/(n_1 + n_2 - 2K)} = 3.66
\]

The Null hypothesis \( H_0 \) IFRS does not have significant impact on asymmetric information and IPO
The Alternative hypothesis \( H_1 \) IFRS has significant impact on the asymmetric information and IPO

From the chow results, the calculated value of F ratio is less than the tabulated value F ratio that is \( F* < F_{0.05} \)

Based on the foregoing we reject \( H_0 \) that is the null hypothesis and accept the alternative hypothesis thus: indicating that IFRS has significant impact on the asymmetric information and IPO. The results from the chow test indicates that, the effect of adoption of IFRS in Nigeria which actually brought reflect in asymmetric information has been felt significantly on the pricing of IPOs in the Nigerian stock market.

Hypothesis Testing
Pre and Post IFRS Period
What is the difference between pre and post adoption of IFRS effects on asymmetric information and IPO pricing?

\( H_0 \): Adoption of IFRS does not have significant impact on the effect of asymmetric information on IPO pricing.

Decision rule: the result from the CHOW test indicate that the calculated value if greater than the tabulated value. Therefore, the null hypothesis is rejected while the alternative hypothesis is accepted and we conclude that the effect of IFRS adoption on asymmetric information as it affects the IPO pricing is significant.

DISCUSSION OF FINDINGS

The study focused on the influence of IFRS on information asymmetry in IPO pricing. For the pre- and post-IFRS period, the model controls for the interactions of EPS and BVPS with the Pre- /Post- IFRS dummy variable and other information asymmetry variables.

The outcome of the analysis in pre- and post- IFRS adoption revealed that the control variable (IFRS) and all the explanatory variables jointly and significantly influence IPOs prices. Consequently, the study rejects the null hypothesis which states that the control variable and all the explanatory variables do not have significant influence on IPOs pricing. Thus, meaning that both the local GAAP in pre adoption period and the IFRSs in post adoption period have significant influence on information asymmetry in Pre- and Post- IFRS adoption periods respectively and consequently the IPOs prices.

Thus the outcome of the test conducted to measure the impact of IFRS on information asymmetry in IPOs prices is in accordance with the Apriori that predicted that adoption of IFRS would exert a significant and positive effect on information asymmetry in Nigeria IPOs. The outcome of the test conforms to the perceived potential benefits of IFRS as put forward by the proponents of the global standards. IFRS have been predicted to be having the potentials to improve transparency plus quality of financial disclosures sufficiently enough to generate more comparable reporting that will ease the process of differentiating between less as well as more profitable firms or low-risk as well as high-risk firms. This because the possibility of asymmetric information is

Taken as a whole, the cumulative effect of the accounting variables, adverse selection problem and information asymmetry on IPOs price matched the perceived potential benefits of IFRS and found relevance in the conclusion of some earlier works on impact of IFRS on information asymmetry in IPOs prices. Thus the study concluded that IFRS impacts information asymmetry induced in IPOs prices of Nigeria.

In line with the potentials of IFRS, this study provides an evidence to suggest that information asymmetry has been reduced in IPOs prices upon IFRS adoption in the Nigeria and thus implying a progressive ride towards improved capital market outcome. However, not all-academic research supports these conclusions. However, IFRS have been predicted to be having the potentials to improve transparency plus quality of financial disclosures sufficiently enough to generate more comparable reporting that will ease the process of differentiating between less as well as firms that are more profitable or low-risk as well as high-risk firms. This because the possibility of asymmetric information is
significantly reduced with the adoption of IFRS. Thus, the outcome is in harmony with Apriori which anticipated that adoption of IFRS would exert a significant effect on information asymmetry in Nigerian IPOs. The findings in this study still found relevance in the conclusion of some prior works on information asymmetry and IFRS (See Dorsman, Gounopoulos and Wildeboer (2010).

CONCLUSIONS
Findings from the study revealed some conclusions on the influence of IFRS on information asymmetry in IPOs pricing. The outcome of the hypothesis testing revealed that the global standards have significant influence on information asymmetry in IPOs pricing. The outcome of the study is therefore in harmony with the Apriori which anticipated that adoption of IFRS would reduce information asymmetry in Nigerian IPOs. The result of this study validated the potential benefits of IFRS as put forward by the proponents of the global standards.

Therefore, the outcome of this study is a pointer to the fact that the claims of prior studies, that IFRS has no significant and positive impact on information asymmetry in IPOs pricing does not hold for Nigeria. Again, one of the potential benefits of IFRS as put forward by the proponents of the global standards is that IFRS would reduce the incidences of information asymmetry.

Although this study and extant literatures in print established a mixed result on the impact of IFRS on accounting quality and adverse selection problem, nonetheless the study established the perceived potential benefits of IFRS as put forward by the proponents of the global standards and thus facilitated the achievement of the main objective of the study.

Finally, Nigerian stock exchanges have been said to possess enormous potentials for immeasurable idle investments openings and high predisposition for dynamic IPOs markets (PwC, 2015). Consequently, the conclusions form this study have offered prospective investors in the IPOs opportunity of making the right choice of investment without been derailed by asymmetric information.

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