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**THE VALUE RELEVANCE OF COMPREHENSIVE INCOME
REPORTING IN NIGERIA**



**DOCTOR OF PHILOSOPHY
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**THE VALUE RELEVANCE OF COMPREHENSIVE
INCOME REPORTING IN NIGERIA**

By



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UUM
Universiti Utara Malaysia

**Thesis Submitted to
Tunku Puteri Intan Safinaz School of Accountancy,
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In Fulfillment of the Requirement for the Degree of Doctor of Philosophy**



**TUNKU PUTERI INTAN SAFINAZ
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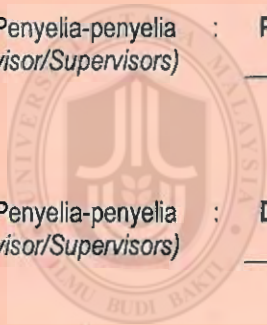


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ABSTRACT

The transition to International Financial Reporting Standards (IFRS) requires Nigerian companies to mark-to-market certain financial assets and liabilities and to recognize holding gains and losses relating to these transactions as items of other comprehensive income. The two main objectives of this study are: 1) to investigate the relative and the incremental value relevance of comprehensive income and its components and 2) to examine the effects of reliability factors on the value relevance of other comprehensive income and its components. Using 349 firm-year observations, the result of Pooled Ordinary Least Square regression indicates the relative value relevance of net income and comprehensive income, but net income dominates comprehensive income. The aggregate other comprehensive income and fair value gains and losses on non-current assets were incrementally value relevant, but with coefficients lower than the traditional net income. These results are consistent for both financial and nonfinancial firms when using the price and the return model. The result on the first test of reliability shows a positive influence of corporate governance mechanisms on investors' pricing of other comprehensive income. The result of the second test of reliability indicates that fair value gains and losses measured based on the quoted prices and observable input are value relevant, but unobservable input was not. However, when level measures were interacted with the corporate governance mechanisms, the impact was more on the unobservable input. Finally, findings regarding compliance with relevant accounting standards suggest low compliance, but compliance enhances the value relevance of the components of other comprehensive income. The results documented, herein, constitute a pioneering role on the relative and the incremental value relevance of comprehensive income reporting in Nigeria. One primary recommendation of the study is that reporting entities should pursue compliance with IFRS standards in order to increase reliability of financial process for investors.

Keywords: comprehensive income, corporate governance, net income, value relevance, Nigeria.

ABSTRAK

Peralihan kepada Piawaian Pelaporan Kewangan Antarabangsa (IFRS) menyebabkan syarikat di Nigeria bukan sahaja perlu menanda beberapa aset dan liabiliti kewangan ke pasaran, malahan syarikat perlu mengiktiraf laba dan rugi pemegangan yang berkaitan dengan proses peralihan ini sebagai item pendapatan komprehensif yang lain. Kajian ini mengandungi dua objektif, iaitu 1) menyelidik nilai relatif dan nilai tambahan yang berkaitan dengan pendapatan komprehensif dan komponennya dan 2) meneliti kesan faktor kebolehpercayaan terhadap kaitan nilai pendapatan komprehensif yang lain. Pemerhatian dilakukan terhadap 349 buah syarikat selama setahun dan dapatan regresi kuasa dua terkecil biasa memperlihatkan adanya kaitan nilai yang relatif pendapatan bersih dan pendapatan komprehensif. Walau bagaimanapun, pendapatan bersih mendominasi pendapatan komprehensif. Agregat pendapatan komprehensif yang lain dan nilai saksama laba dan rugi aset bukan semasa memberikan kaitan nilai tambahan dengan pekali yang lebih rendah berbanding pendapatan bersih yang tradisional. Dapatan ini tekal untuk kedua-dua firma kewangan dan firma bukan kewangan yang menggunakan model harga dan pulangan. Dapatan ujian kebolehpercayaan yang pertama menunjukkan pengaruh yang positif mekanisma urus tadbir korporat terhadap penentuan harga pelabur yang dibuat ke atas pendapatan komprehensif yang lain. Dapatan ujian kebolehpercayaan yang kedua memaparkan nilai saksama laba dan rugi yang diukur berdasarkan harga sebutan dan input yang diperhatikan adalah berkaitan nilai. Namun begitu, apabila urus tadbir dimasukkan, hanya input yang diperhatikan mempunyai kaitan nilai, dan tidak kepada input yang tidak diperhatikan. Impak urus tadbir lebih berat kepada input yang tidak diperhatikan. Akhir sekali, dapatan berhubung pematuhan standard perakaunan yang berkaitan memaparkan pematuhan yang rendah. Tetapi pematuhan ini meningkatkan kaitan nilai komponen pendapatan komprehensif yang lain. Dapatan yang diperoleh ini mengetengahkan peranan kaitan nilai relatif dan nilai tambahan pendapatan komprehensif di Nigeria. Kajian ini menyarankan agar entiti pelaporan mematuhi standard IFRS dan mengamalkan tadbir urus korporat yang baik untuk meningkatkan keyakinan pelabur terhadap kebolehpercayaan maklumat perakaunan.

Kata kunci: pendapatan yang komprehensif, urus tadbir korporat, pendapatan bersih, kaitan nilai, Nigeria.

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TABLES OF CONTENTS

	Page
TITLE PAGE	ii
CERTIFICATION OF THESIS	iii
PERMISSION TO USE	iv
ABSTRACT	v
ABSTRAK	vi
ACKNOWLEDGEMENTS	vii
TABLE OF CONTENTS	viii
LIST OF TABLES	xiii
LIST OF FIGURES	xvi
LIST OF APPENDICES	xvii
LIST OF ABBREVIATIONS	xviii
CHAPTER ONE	
1.0 Introduction	1
1.1 Background of the Study	1
1.2 Problem Statements	10
1.3 Research Questions	16
1.4 Research Objectives	17
1.5 Scope of the Research	18
1.6 Significance of the Study	20
1.7 Organization of the Thesis	23
CHAPTER TWO: LITERATURE REVIEW	
2.0 Introduction	26
2.1 General Overview of Financial Reporting Regulations and Capital Market in Nigeria	26
2.1.1 Financial Reporting Regulation in Nigeria	27
2.1.2 Capital Market in Nigeria (Nigerian Stock Exchange)	29
2.1.3 Transition from NG-GAAP to IFRS	31
2.4.1.1 Revaluation of Property, Plant and Equipment	35

	2.4.1.1	Employee Benefits– Pensions	36
	2.4.1.1	Financial Instruments: Disclosure	38
2.2		Equity Market Value Proxies and the Concept of Value Relevance	41
	2.2.1	Market Value of Equity Proxies	41
	2.2.2	The Concept of Value Relevance	44
2.3		The Value Relevance of Accounting Earnings	49
	2.3.1	The Concept of Net Income and Comprehensive Income	54
	2.3.2	Review of Relative Value Relevance of Net Income and Comprehensive Income	55
	2.3.3	Review of Incremental Value Relevance of Net Income and Other Comprehensive Income and Its Components	61
2.4		Reliability Factors Influencing Comprehensive Income Reporting	70
	2.4.1	Corporate Governance Mechanism as a Proxy for Reliability	73
	2.4.1.1	Audit Committee Effectiveness	75
	2.4.1.2	Auditor’s Reputation	78
	2.4.1.3	Internal Control System	80
	2.4.2	Empirical Studies on Fair Value Hierarchy Information	85
	2.4.3	Empirical Studies on the Level of Compliance	89
2.5		Firm-Specific Characteristics (Control Variables)	95
	2.5.1	Firm Size	95
	2.5.2	Leverage	97
	2.5.3	Industry	98
	2.5.4	Foreign Liberalization	100
2.6		Summary of the Chapter	102

CHAPTER THREE: THEORETICAL FRAMEWORK

3.0		Introduction	103
3.1		Underpinning Theory	103
	3.1.1	Valuation Theory	103
	3.1.2	Agency Theory	108
3.2		Hypotheses Development	111

3.2.1	The Relative Value Relevance of Net Income and Comprehensive Income	111
3.2.2	The Incremental Value Relevance of Net Income and Other Comprehensive Income Items and its Components	116
3.2.3	The Influence of Corporate Governance Mechanism on the Value Relevance of Other Comprehensive Income	122
3.2.4	Fair Value Hierarchy and the Influence of Corporate Governabce	126
3.2.5	The Value Relevance Compliance and its Influence on the Coponents of Other Comprehensive Income	128
3.3	Summary of Research Question, Hypotheses and Theory	130
3.4	Theoretical Frameworkn	132
3.5	Summary	135
 CHAPTER FOUR: RESEARCH METHODOLOGY		
4.0	Introduction	136
4.1	Research Approach/Design	136
4.2	Measurements of Variables	137
4.2.1	Measurement of the Dependent Variables	137
4.2.2	Measurements of the Independents Variables	139
4.2.3	Measurements of the Interacting and Control Variables	141
4.3	Data Collection	146
4.3.1	Population	147
4.3.2	Sampling Technique and Sample Size	147
4.3.3	Data Collection Procedure	152
4.4	Techniques of Data Analysis	153
4.4.1	Descriptive Statistics	153
4.4.2	Correlation Analysis	153
4.4.3	Regression Analysis	154
4.5	Estimation Procedure (Preliminary Tests Conducted)	154
4.6	Model Specifications	156

4.6.1	Modelling the Relative and Incremental Value Relevance	159
4.6.1.1	Modelling Relative Value Relevance of the Traditional Net Income and Comprehensive Income	159
4.6.1.2	Modelling the Incremental Value Relevance of the Traditional Net Income and Other Comprehensive Income	163
4.6.2	Modelling the Effect of Reliability Factors	169
4.6.2.1	Modelling the Influence of Corporate Governance Mechanisms on the Value Relevance of Other Comprehensive Income	170
4.6.2.2	Modelling Fair Value Hierarchy and Influence of Corporate Governabce	172
4.6.2.3	Modelling the Value Relevance of and its Influence on other Comprehensive Income Items	174
4.7	Summary of the Chapter	178
CHAPTER FIVE: FINDINGS AND ANALYSIS 1		
5.0	Introduction	179
5.1	The Pre-Tests Analyses	179
5.1.1	Normality Test	180
5.1.2	Homoscedasticity test	183
5.1.3	Multicollinearity test	184
5.1.4	No Specification Bias	187
5.2	Details of Full Sample and Magnitude of Earnings Components	188
5.3	Descriptive Statistics Related to the Regression Variables	200
5.4	Univariate Comparison for Accounting Regimes	205
5.5	Multivariate Analysis: Value Relevance of Earnings Components	210
5.5.1	Correlation Matrix for Variables Used in Price and Return Regressions	210
5.5.2	Regression Analysis of the Relative Value Relevance Tests	212
5.5.3	Regression Analysis of the Incremental Value Relevance Tests	226

5.6	Robustness Test	242
5.7	Summary of the Chapter	244
CHAPTER SIX: FINDINGS AND ANALYSIS 2		
6.0	Introduction	246
6.1	Descriptive Statistics	246
6.2	Multivariate Analysis	251
6.2.1	Correlation Matrix for Variables Used in Price Regressions	251
6.2.2	Effect of Corporate Governance Mechanism on the Value Relevance of Other Comprehensive Income	253
6.2.4	Regression Analysis on the Fair Value Hierarchy and the Effect of Corporate Governance Mechanism	266
6.2.6	Regression Analysis on the Value Relevance of Compliance and its Effects on the components of other Comprehensive Income	274
6.3	Robustness Test	283
6.4	Summary of the Chapter	283
CHAPTER SEVEN: SUMMARY, CONCLUSIONS, AND LIMITATION		
7.0	Introduction	286
7.1	Overview of the Thesis	287
7.2	Summary of the Findings	288
7.2.1	Findings on the Relative and the Incremental Value Relevance tests	288
7.2.2	Findings on the Impact of Reliability Factors	292
7.3	Contributions	295
7.4	Limitation	298
7.5	Recommendations for Future Research	300
7.6	Concluding Remarks	301
	REFERENCES	302

LIST OF TABLES

Tables	Pages	
Table 2.1	Summary of Relative Value Relevance Studies	60
Table 2.2	Summary of Incremental Value Relevance Studies	68
Table 3.1	Summary of Research Objectives, Hypotheses and Theories	131
Table 4.1	Components of the IFRS Disclosure Index	145
Table 4.2	Total Number of Listed Companies	147
Table 4.3	Sample Calculation	150
Table 5.1	Skewness and Kurtosis of Regression Variables.	182
Table 5.2	Multicollinearity Test by Correlations	185
Table 5.3	Multicollinearity Test by Tolerance and Variance Inflation Factors	186
Table 5.4	Frequency and Magnitude of Net Income, Comprehensive Income and Other Comprehensive Income Items by Year And Industry	190
Table 5.5	Frequency and Magnitude of Components of Other Comprehensive Income by Year and Industry	195
Table 5.6	The Frequency and Signs of Components of Other Comprehensive Income by Year and Type	198
Table 5.7	Descriptive Statistics Related to The Regression Variables Deflated by Outstanding Shares	201
Table 5.8	Descriptive Statistics Related to the Regression Variables Deflated by Beginning Price of Equity	200
Table 5.9	Frequency and Magnitude of Earning Components for Voluntary and Mandatory Periods	204
Table 5.10	Correlation Matrix and Pearson Correlation Coefficients for Relative Value Relevance	211
Table 5.11	Model Specification for Relative Value Relevant Estimations	214
Table 5.12	Relative Value Relevance of Net Income and Comprehensive Income Using the Price Model	216
Table 5.13	Relative Value Relevance of Net Income and Total Comprehensive Income Using the Return Model	218

Table 5.14	Value Relevance Difference of Comprehensive Income Between Voluntary and Mandatory Regimes	224
Table 5.15	The Summary of Predicted and Actual Results of Relative Value Relevance Models	226
Table 5.16	Correlation Matrix and Pearson Correlation Coefficients for Incremental Value Relevance	227
Table 5.17	Model Specification for Incremental Value Relevance Estimations	229
Table 5.18	Incremental Value Relevance of Other Comprehensive Income	231
Table 5.19	Incremental Value Relevance of Net Income and Components of Other Comprehensive	235
Table 5.20	Summary of Coefficient of Determination of Earnings Included in Regressions Estimates	238
Table 5.21	Value Relevance Differences of Other comprehensive income Between Voluntary and Mandatory Regimes	239
Table 5.22	Comparison Between Predicted and Actual Results of Incremental Value Relevance	241
Table 6.1	Descriptive Statistics Related to the Regression Variables for Earnings and Reliability Factors	249
Table 6.2	Correlation Matrix and Pearson Correlation Coefficients for Earnings Components and Reliability factors	252
Table 6.3	Results for the Extraction of Principal Component Factors Analysis	255
Table 6.4	Model Specification for Effect of Corporate Governance Mechanism	256
Table 6.5	Regressions Using Corporate Governance Mechanism	259
Table 6.6	The Effect of Specific Corporate Governance Variables on the Value Relevance of Other Comprehensive Income	263
Table 6.7	Model Specification for Fair Value Hierarchy Information	268
Table 6.8	The Effect of Corporate Governance Mechanism on the Value Relevance of Fair Value Hierarchy Information	269
Table 6.9	Model Specification for Level of Compliance	275
Table 6.10	Effect of Compliance on the Value Relevance of Components of Other Comprehensive Income	276
Table 6.11	Valuation Differences Between High and Low Compliance Firms	279

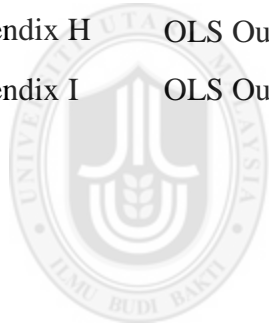


LIST OF FIGURES

Figures	Pages	
Figure 1.1	Graphical Presentation of Market Capitalization of NSE Market	5
Figure 1.2	Graphical Presentation of Share Price Index of NSE Market	6
Figure 1.3	Graphical Presentation of Foreign direct Investment into the NSE Market	7
Figure 2.1	The Roadmap for the Adoption	32
Figure 3.1	Conceptual Framework for Influence of Reliability Factors on the Relationship Between Earnings Components and Share Prices>Returns.	134
Figure 5.1A	Per Share and Per Beginning Price of Equity Mean Distribution on the Net Income, Comprehensive Income and Other Comprehensive Income for Financial Firms.	188
Figure 5.1B	Per Share and Per Beginning Price of Equity Mean Distribution on the Net Income, Comprehensive Income and Other Comprehensive Income for Nonfinancial Firms	189
Figure 5.2A	Per Share and Per Beginning Price of Equity Mean Distribution on the Components of Other Comprehensive Income for Financial Firms	192
Figure 5.2B	Per Share and Per Beginning Price of Equity Mean Distribution on The Components of Other Comprehensive Income for Nonfinancial Firms	196
Figure 5.3A	Fair Value on the Non-Current Assets	199
Figure 5.3B	Fair Value on the Available-for-Sale Financial Assets	199
Figure 5.3C	Fair Value on the Actuarial Gains and Losses	199
Figure 5.4A	Five Years Pooled Mean Distribution When Deflated by the Outstanding Shares	205
Figure 5.4B	Five Years Pooled Mean Distribution When Deflated by the Beginning Price of Equity	205
Figure 6.1	Five Years Mean Distribution for Earnings Components	248

LIST OF APPENDICES

Appendix		Pages
Appendix A	Summary of Variables Measurements	321
Appendix B	Disclosure Check List For Compliance Test	325
Appendix C	Detailed Sector Distribution of NSE Market	330
Appendix D	OLS Standard Errors Clustered at the Firm Level- Sensitivity Analysis	333
Appendix E	OLS Output Controlling For Firm Characteristics- Sensitivity Analysis	341
Appendix F	OLS Output for Deflator Selection- Sensitivity Analysis	345
Appendix G	OLS Output for the Effect of Corporate Governance	350
Appendix H	OLS Output for the Effect of Fair Value Hierarchy Information	352
Appendix I	OLS Output for the Effect of Level of Complianceg	354



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LIST OF ABBREVIATIONS

ACEXP	Audit Committee Financial Expertise
ACIND	Audit Committee Independent
ACMET	Audit Committee Meetings
ACSIZE	Audit Committee Size
AIC	Akaike's Information Criterion
AUDR	Auditor's Reputation
BCGSCORE	Best Corporate Governance Practice
BRC	Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees
CAMA	Company and Allied Matters Act 1990
CI	Comprehensive Income
COMPL	Firms' Level of Compliance with Accounting Requirement
FASB	Financial Accounting Standards Board
FLIB	Foreign Liberalization
FRCN	Financial Reporting Council of Nigeria
IASB	International Accounting Standard Board
ICFR	Internal Control Over financial Reporting
IIA	Institute of Internal Auditors
FDIs	Foreign Direct Investment
IAS	International Accounting Standard
IFRS	International Financial Reporting Standard
NASB	Nigerian Accounting Standard Board
NG-GAAP	Nigerian Generally Accepted Accounting Standard
NI	Net Income
NSE	Nigerian Stock Exchange
NMICW	No Material Internal Control Weakness
PCA	Principal Component Analysis
PCAOB	Public Company Accounting Oversight Board

PUC	Projected Unit Credit (PUC)
PEN	Pension Adjustments
PwC	PricewaterhouseCoopers
PPE	Property, Plant and Equipment
REV	Revaluation of Non-current assets
ROSC	Report on the Observance of Standards and Codes
SAS	Statement of Accounting Standards
SEC	Security and Exchange Commission
SEC	Gains and Losses on Available-for-Sale Marketable Securities
SFAS	Statement of Financial Accounting Standard
SME"s	Small and Medium Enterprise
SMEGA	Small and Medium-sized Entities Guidelines
UNCTAD	United Nations Conference on Trade and Development
VIF	Variance Inflation Factor



CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents the background of the study, which highlights the importance of accounting information on the valuation of business concern. The chapter also discusses the practical issues in financial reporting as they affect the reliability of reported accounting numbers to which investors turn. This is followed by the problem statement, the research objectives, scope of the study, significance of the study and the organization of the thesis.

1.1 Background of the Study

The extensive use of accounting information for valuation purposes underscores the importance of value relevance research (Beaver, 2002). On the wave of this interest, three interrelated issues regarding the value relevance of net income and comprehensive income¹ dominate the discussion of the accounting standard-setting bodies and contemporary researchers (Kanagaretnam, Mathieu, & Shehata, 2009; Mechelli & Cimini, 2014). The first issue is whether the periodic financial position and performance of a firm can be measured using historical-costs or fair value convention. The second issue of concern concerns about whether the value added to the owners' equity during the reporting period should be assessed using current operating performances or an all-inclusive income approach. The third critical issue relates to the disclosure location of the

¹ Net income is a bottom line earnings that measures the amount a firm earned during a period, typically quarterly or yearly (Subramanyam, 2014). Comprehensive income on the other hand is net income adjusted for other comprehensive income items (Kanagaretnam et al., 2009; Mechelli & Cimini, 2014).

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APPENDIX A: SUMMARY OF VARIABLES MEASUREMENTS



Appendix A

Summary of Variables Measurements

Notations	Measurements	Previous Scholars
<i>Dependent Variables</i>		
SP	Share prices of a company i four months after the end of the financial year t .	Barth et al. (2008), Tsalavoutas et al. (2012), Barth et al. (2012) and Lee and Park (2013).
RET	The cumulative annual stock return commencing eight months before and ending four months after a fiscal year.	Dhaliwal et al. (1999), Barth et al. (2012) and Lee and Park (2013).
<i>Independent Variables</i>		
BVE	Book value of equity is measured as the book value of common equity at the end of the fiscal year t deflated by the number of outstanding shares consistent..	Cahan et al. (2000), Kanagaretnam et al. (2009), and Mechelli and Cimini (2014).
NI	Net income after tax per share of company i deflated by the total outstanding shares and market price for price and return model at end of the financial year.	Cahan et al. (2000), Kanagaretnam et al. (2009), and Mechelli and Cimini (2014).
CI	Net income plus other comprehensive income components per share of firm i deflated by total outstanding shares and market price for price and return model at end of the financial year t .	Dhaliwal et al. (1999), Cahan et al. (2000), and Mechelli and Cimini (2014).
OCI	Denotes the sum of items of other comprehensive income per share of firm i deflated by total outstanding shares in the price model and beginning market price in the return model at the end of the financial year t . (items included are i , ii & iii).	Dhaliwal et al. (1999) Cahan et al. (2000), Wang et al. (2006), and Mechilli and Cimim (2014).
i. REV	Fair value gains and losses on non-current assets	Barth & Clinch (1998), Dhaliwal et al. (1999), Cahan et al. (2000) and ; Hlaing & Pourjalali 2012
ii. SEC	Gains and losses on available-for-sale financial securities.	Barth and Clinch (1998); Cahan et al. (2000) and Kanagaretnam et al. (2009),
iii. PEN	Actuarial gains and losses on defined benefit plan.	Dhaliwal et al. (1999), Mitra and Hossain (2009), and Jones and Smith (2011).

Note: Item i , ii and iii are measured as fair value gains and losses of firm i deflated by total outstanding shares in the price model and beginning market price in the return model at the end of the financial year t .

Appendix A (continued)

Notations	Measurement	Previous Scholars
Interacting variable		
Corporate Governance Variables		
ACIND	Audit committee independence, it is coded 1 if 51% or above AC members are independent directors and 0 otherwise	Rainsbury et al. (2009), Suárez et al (2013) and Woidtke and Yeh (2013).
ACSIZE	Audit committee size, a value of 1 is given for firms' with minimum of three members and 0 if less than three as required by CAMA 1990 and similar to previous studies (Xie et al., 2003).	Xie et al.(2003) and Zhang, Zhou, and Zhou (2007).
ACEXP	Audit committee expertise, it is coded 1 if the AC includes a member of a professional accounting body and 0 otherwise.	Zhang, Zhou, and Zhou (2007) and Rainsbury et al. (2009).
ACMET	Audit committee meetings, a value of 1 if the committee meets at least four times in a financial year as required by KPMG (2011) and CAMA (1990) and 0 otherwise.	Barua et al. (2010), Yasin and Nelson (2012) and Woidtke and Yeh (2013).
AUDR	Auditor's reputation, is a dummy variable coded 1 for firms audited by a Big4 and 0 for firms audited by non-Big4.	Song et al. (2010), Lee and Park (2013) and Mironiucă and Carp (2014).
NMICW	No material internal control weakness: an indicator variable given the value of 1 if a firm has not disclosed any material internal control weakness and 0 otherwise	Song et al. (2010) and Brown et al. (2014).
BCGSCORE	A composite measure of corporate governance mechanism using principal components analysis. PCA.The score is obtained by taking the average score from Audit committee Size (ACSIZE), AC Independence (ACIND), AC Expertise (ACEXP) and AC Meetings (ACMET), Auditor's Reputation (AUDR) and No material Control Weakness (NMICW).	Habib and Azim (2008), Song et al. (2010). Anandarajan and Hasan (2010) and Sheu & Lee 2012).

Appendix A (continued)

<i>Notations</i>	<i>Measurements</i>	<i>Previous Scholars</i>
<i>Fair Value hierarchy information Measurement</i>		
Fair value gains and losses RFA, AVFS and PENA	The variables are classified based on hierarchy level of measurement. Level 1 is valuation based on quoted prices in the active market; Level 2 measurements is based on the observable input and Level 3 measurements is based on unobservable input as IFRS 7 stipulated.	Song et al. (2010) Lee and Park (2013) and Lu and Mande (2014).
<i>Level of Compliance with IFRS</i>		
IAS 16, IAS 19 and IFRS 7	Cooke (1989) dichotomous approach for measuring compliance with disclosure requirements was used. The approach used unweighted disclosure index where “compliance is calculated as the ratio of the total items disclosed to the maximum possible score applicable for that company”	Cooke (1989); Street and Bryant (2000), Street and Gray (2001) and Glaum and Street (2003) and Hodgdon et al. (2008).
<i>Control Variables</i>		
FSIZE	Firm size, natural log of market capitalization of company <i>i</i> at end of the financial year <i>t</i> .	Chen and Jaggi (2000), Leventis and Weetman (2004)
LEV	Firm leverage, measured as total long-term debt per total assets of a firm during a financial year.	Habib (2008), Anandarajan and Hasan (2010) and Choi et al. (2011).
INDUS	Industry variable was coded using NSE industry classification code for Agriculture, Construction, Conglomerate, Consumer Goods, Healthcare, Industrial Goods, Oil and Gas and Services	
FLIB	Foreign Liberalization, is measured as the percentage of shares of firm <i>i</i> own by foreign companies.	Hasan and Marton (2003), Boubakri et al (2005) and Anandarajan and Hasan (2010).



APPENDIX B: CHECK LIST COMPLIANCE

Appendix B	
<i>The Disclosure Check List for Used for this Study</i>	
Panel A: Compliance with IAS 16:Property, Plant and Equipment	
Paragraph	Presentation/disclosure requirement
	This section of the checklist addresses the presentation and disclosure requirements relating to IAS 16 that prescribes the accounting treatment for property, plant and equipment.
IAS 16:74	The financial statements shall also disclose:
	a) the existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities
	b) the amount of expenditures recognised in the carrying amount of an item of property, plant and equipment in the course of its construction
	c) the amount of contractual commitments for the acquisition of property, plant and equipment; and
	d) if it is not disclosed separately in the statement of comprehensive income, the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in profit or loss.
IAS 16:77	Assets carried at revalued amounts
	If the entity carry any class of its property, plant or equipment under the revaluation model.
	If items of property, plant and equipment are stated at revalued amounts, the following shall be disclosed:
	a) the effective date of the revaluation;
	b) whether an independent valuer was involved;
	c) the methods and significant assumptions applied in estimating the items' fair values;
	d) the extent to which the items' fair values were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms or were estimated using other valuation techniques;
	e) for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model; and
	f) the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.
<i>Notes: compliance score for IAS 16 is maximum of 10 and minimum of 0</i>	
Panel B: Compliance with IAS 19:Employee benefits	
	Presentation/disclosure requirement
	Panel B of the checklist addresses the presentation and disclosure requirements of IAS 19, which prescribes the accounting for employee benefits. The issues relate to the determination of employee benefit liabilities, assets and expenses for short-term and long-term employee benefits.
IAS 19:120A	An entity shall disclose the following information about defined benefit plans:
	a) the entity's accounting policy for recognizing actuarial gains and losses;
	b) a general description of the type of plan
	c) a reconciliation of opening and closing balances of the present value of the defined benefit obligation showing separately, if applicable, the effects during the period attributable to (i) actuarial gains and losses, (ii) contributions by plan participants, and (iii) benefits paid

ppendix B (continued)	
	d) an analysis of the defined benefit obligation into amounts arising from plans that are wholly unfunded and amounts arising from plans that are wholly or partly funded;
	e) a reconciliation of the opening and closing balances of the fair value of plan assets and of the opening and closing balances of any reimbursement right recognised as an asset in accordance with paragraph 104A showing separately, if applicable, the effects during the period attributable to each of the following: (i) expected return on plan assets, (ii) actuarial gains and losses, (iii) foreign currency exchange rate changes on plans measured in a currency different from the entity's presentation currency, (iv) contributions by the employer, (v) contributions by plan participants, (vi) benefits paid, (vii) business combinations and (viii) settlements.;
	f) a reconciliation of the present value of the defined benefit obligation in (c) and the fair value of the plan assets in (e) to the assets and liabilities recognised in the balance sheet, showing at least: (i) the net actuarial gains or losses not recognised in the balance sheet (see paragraph 92); (ii) the past service cost not recognised in the balance sheet (see paragraph 96); (iii) any amount not recognised as an asset, because of the limit in paragraph 58(b); (iv) the fair value at the balance sheet date of any reimbursement right recognised as an asset in accordance with paragraph 104A (with a brief description of the link between the reimbursement right and the related obligation); and (v) the other amounts recognised in the balance sheet.
	g) the total expense recognised in profit or loss for each of the following, and the line item(s) in which they are included: (i) current service cost; (ii) interest cost; (iii) expected return on plan assets; (iv) expected return on any reimbursement right recognised as an asset in accordance with paragraph 104A; (v) actuarial gains and losses; (vi) past service cost; (vii) the effect of any curtailment or settlement; and (viii) the effect of the limit in paragraph 58(b).
	h) the total amount recognised in the statement of recognised income and expense for each of the following: (i) actuarial gains and losses; and (ii) the effect of the limit in paragraph 58(b).
	i) for entities that recognised actuarial gains and losses in the statement of recognised income and expense in accordance with paragraph 93A, the cumulative amount of actuarial gains and losses recognised in the statement of recognised income and expense.
	j) for each major category of plan assets (which shall include, but is not limited to, equity instruments, debt instruments, property, and all other assets), the percentage or amount that each major category constitutes of the fair value of the total plan assets.
	k) the amounts included in the fair value of plan assets for: (i) each category of the entity's own financial instruments; and (ii) any property occupied by, or other assets used by, the entity.
	l) a narrative description of the basis used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets.
	m) the actual return on plan assets, as well as the actual return on any reimbursement right recognised as an asset in accordance with paragraph 104A of IAS 19;
	the amounts included in the fair value of plan assets for:
	n) the principal actuarial assumptions used as at the balance sheet date, including, when applicable: i the discount rates; (ii) the expected rates of return on any plan assets for the periods presented in the financial statements; (iii) the expected rates of return for the periods presented in the financial statements on any reimbursement right recognised as an asset in accordance with paragraph 104A; (iv) the expected rates of salary increases (and of changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future benefit increases); (v) medical cost trend rates; and (vi) any other material actuarial assumptions used.

Appendix B (continued)		
	(o)	the effect of an increase of one percentage point and the effect of a decrease of one percentage point in the assumed medical cost trend rates on: (i) the aggregate of the current service cost and interest cost components of net periodic post-employment medical costs; and (ii) the accumulated post-employment benefit obligation for medical costs. For the purposes of this disclosure, all other assumptions shall be held constant. For plans operating in a high inflation environment, the disclosure shall be the effect of a percentage increase or decrease in the assumed medical cost trend rate of a significance similar to one percentage point in a low inflation environment.
	(p)	the amounts for the current annual period and previous four annual periods of: (i) the present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan; and (ii) the experience adjustments arising on: (A) the plan liabilities expressed either as (1) an amount or (2) a percentage of the plan liabilities at the balance sheet date and (B) the plan assets expressed either as (1) an amount or (2) a percentage of the plan assets at the balance sheet date.
	(q)	the employer's best estimate, as soon as it can reasonably be determined, of contributions expected to be paid to the plan during the annual period beginning after the balance sheet date.
<i>Notes: compliance score for IAS 19 is maximum of 17 and minimum of 0</i>		
Panel C: Compliance with IAS 39: Financial instrument Measurement and Recognition		
		Presentation/disclosure requirement
		Panel C of the checklist addresses the presentation and disclosure requirements of IAS 39. However, since IAS 39 does not include any presentation or disclosure, disclosure requirement as per IFRS 7 are used.
IFRS 7:8(d)	a	An entity shall disclose information that enables users of its financial statements to evaluate the significance of financial instruments (available-for-sale financial assets) for its financial position and performance.
IFRS 7:12(b)	b	An entity shall disclose information if reclassification (amount and reason) of a financial asset from one category to another was made during the reporting period in accordance with paragraphs 51 to 54 of IAS 39) and whether measured at fair value, rather than at cost or amortised cost.
IFRS 7:20(a)	c	The entity shall disclose net gains or net losses on available-for-sale financial assets, showing separately the amount of gain or loss recognised in other comprehensive income during the period and the amount reclassified from equity to profit or loss for the period.
IFRS 7:25	d	For each class of financial assets and financial liabilities, the entity shall disclose the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount.
IFRS 7:27	e	The entity shall disclose for each class of financial instruments the methods and, when a valuation technique is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities.
IFRS 7:27A	f	For there has been a change in valuation technique, the entity shall disclose that change and the reason for making it.
IFRS 7:27B	g	For fair value measurements recognised in the statement of financial position an entity shall disclose for each class of financial instruments:
IFRS 7:27B(a)	h	the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety, segregating fair value measurements to fair value hierarchy that reflects the significance of the inputs used in making the measurements.
IFRS 7:27B(b)	i	b) any significant transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for those transfers, separately for: i) transfers into each level; and ii) transfers out of each level.

Appendix B (continued)		
IFRS 7:27B(c)	j	for fair value measurements in Level 3 of the fair value hierarchy, a reconciliation from the beginning balances to the ending balances, disclosing separately changes during the period attributable to the following: i) total gains or losses for the period recognised in profit or loss, and a description of where they are presented in the statement of comprehensive income or the separate income statement (if presented); ii) total gains or losses recognised in other comprehensive income; iii) purchases, sales, issues and settlements (each type of movement disclosed separately); and iv) transfers into or out of Level 3 (e.g. transfers attributable to changes in the observability of market data) and the reasons for those transfers. For significant transfers, transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3;
IFRS 7:27B(d)	k	the amount of total gains or losses for the period in (c)(i) above included in profit or loss that are attributable to gains or losses relating to those assets and liabilities held at the end of the reporting period and a description of where those gains or losses are presented in the statement of comprehensive income or the separate income statement (if presented); and
IFRS 7:27B(e)	l	for fair value measurements in Level 3, if changing one or more of the inputs to reasonably possible alternative assumptions would change fair value significantly, the entity shall i) state that fact; ii) disclose the effect of those changes; and iii) disclose how the effect of a change to a reasonably possible alternative assumption was calculated.
IFRS 7:28	m	When the market for a financial instrument is not active, does a difference exist between the fair value at initial recognition and the amount that would be determined at that date using a valuation technique (see guidance)?
IFRS 7:30	n	The entity shall disclose information to help users of the financial statements make their own judgements about the extent of possible differences between the carrying amount of those financial assets or financial liabilities and their fair value, including: i) the fact that fair value information has not been disclosed for these instruments because their fair value cannot be measured reliably; ii) a description of the financial instruments, their carrying amount, and an explanation of why fair value cannot be measured reliably; iii) information about the market for the instruments; iv) information about whether and how the entity intends to dispose of the financial instruments; and v) if financial instruments whose fair value previously could not be reliably measured are derecognised, that fact, their carrying amount at the time of derecognition, and the amount of gain or loss recognised.
<i>Notes: compliance score for IAS 39 is maximum of 14 and minimum of 0</i>		

APPENDIX C: DETAILED SECTOR DISTRIBUTION OF NSE MARKET



Appendix C

List of the Companies Examined in this Study

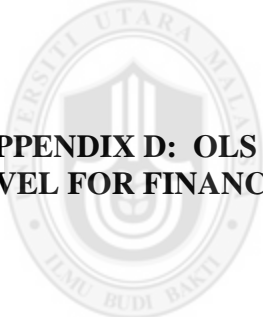
S/N	Name of Companies	S/N	Name of Companies
	Agriculture (4)	33	U T C Nig. Plc
1.	FTN Cocoa Processors Plc	34	Unilever Nigeria Plc
2.	Livestock Feeds Plc	35	Vitafoam Nig Plc
3.	Okomu Oil Palm Plc	36	Vono Products Plc
4.	Presco Plc		Financial- Banks (18)
	Conglomerate (5)	37	Access Bank Nig Plc
5.	A.G. Leventis Nigeria Plc	38	CitiBank Nigeria Plc
6.	Chellarams Plc	39	Daimond Bank Nig Plc
7.	John Holt Plc	40	FCMB Bank Nig Plc
8.	SCOA NIG. Plc	41	Fidelity Bank Nig Plc
9.	UAC Plc	42	First Bank Nig Plc
	Construction (6)	43	Guaranty Bank Plc
10.	Arbico Plc	44	Heritage Nigeria Plc
11.	Julius Berger NIG. Plc	45	Key Stone Bank Nigeria Plc
12.	Union Homes Real Estate Investment	46	MainStreet Bank Nigeria Plc
13.	UCAN Property Dev. Co. Limited	47	United Bank of Africa Plc
14.	Skye Shelter Fund Plc	48	Unity Bank PLc
15.	Smart Products Nigeria Plc	49	Union Bank Nig.Plc
	Consumer (21)	50	Sky Bank Nigeria Plc
16.	7-UP Bottling Company Plc	51	Stanbi IBTC Nigeria Plc
17.	Cadbury Nigeria Plc	53	Standard Chartered Bank Nigeria PLc
18.	Champion Breweries Plc	54	Wema Bank Nig Plc
19.	Dangote Flour Nig Plc	55	Zenith International Bank Plc
20.	Dangote Sugar Nig Plc		Insurance (14)
21.	Dangote Salt Nig Plc	56	African Alliance Insurance Nig Plc
22.	Flour Mills Nig Plc	57	AIICO Insurance Nig Plc
23.	Golden Guinea Brew. Nig Plc	58	Continental Insurance Nig Plc
24.	Guinness Nig Plc	59	Cornerstone Insurance Nig Plc
25.	Honeywell Flour Mill Plc	60	Custodian Insurance Nig Plc
26.	International Breweries Plc	61	Equity Ascscuran Nig Plc
27.	Nascon Allied Industries Plc	62	Great Nigerian Assurance Plc
28.	Nigerian Breweries Nig Plc	63	International Insurance Nig Plc
29.	Nigerian Enamelware Nig Plc	64	Leadway Assurance Company Ltd
30.	Nigeria. Flour Mills Plc	65	Linkages Insurance Nig Plc
31.	Premier Breweries Plc	67	Mansard Insurance Nig Plc
32.	PZ Cussons Nigeria Plc	68	Mutual Insurance Nig Plc

Appendix C

List of the Companies Examined in this Study (Continued)

S/N	Name of Companies	S/N	Name of Companies
68	Niger Insurance Nig Plc	92	Paints And Coatings Nig Plc
69	Wapic Insurance Plc	93	Portland Paints Nig Plc
	Investment and Financial Services (4)	94	Premier Paints Plc
70	Union Homes Savings And Loans Plc	95	P S Mandrides & CO Plc
71	NPF Microfinance Bank		Oil and Gas (7)
72	Resort Savings & Loans Plc	96	Capital Oil Plc
73	Sim Capital Alliance Value Fund Plc	97	Eterna PLC
	Health (4)	98	Exxo Mobil Oil Nig Plc
74	Evans Medical Nig	99	Forte Oil Plc services Plc
75	Fidson Healthcare Nig Plc	100	Japaul Oil & Maritime Plc
76	Nigeria-German Chemicals Nig Plc	101	MRS Oil Nigeria Plc
77	Glaxo Smithkline Consumer Nig. Plc	102	Oando Nigeria Plc
	Industrial Goods (19)		Services (15)
77	African Pants Plc	103	Academy Press Plc
78	Aluminium Extrusion Nig Plc	104	Afromedia Pl
79	Aluminium Manufacturing Company	105	Briscoe Plc
80	Austin Laz & Company Plc	106	C & I Leasing Plc
81	Avocrown Nig Plc	107	Capital Hotels Plc
82	Beger Paints Plc	108	Carvaton Offshore support GRP Plc
83	Beta Glass	109	Chams Plc
84	Curtix Nigeria Plc	110	Computer Warehouse Plc
85	Cement Co. of North.Nig. Plc	111	HIS Nigeria Plc
86	Dangote Cement Nig Plc	112	Ikeja Hotel Plc
87	DN Meyer Plc	113	Learn Africa Plc
88	First Aluminium Nig Plc	114	NCR Nigeria Plc
89	Lafarge Cement Africa Plc	115	Nigerian Airline Services
90	Multi-Trex Integrated foods Plc	116	Red Star Express Plc
91	Multiverse Nig Plc	117	University Press Plc

Source: NSE website



**APPENDIX D: OLS STANDARD ERRORS CLUSTERED AT THE FIRM
LEVEL FOR FINANCIAL AND NONFINANCIAL FIRMS- A SENSITIVITY
ANALYSIS**

Universiti Utara Malaysia

Appendix D
OLS Standard Errors Clustered at the Firm Level (Relative Value Relevance) for Financial Firms.

. regress SP BVE_S NI_S LNI LNI_NIS, robust cluster(code)

Linear regression Number of obs = 123
 F(4, 36) = 4.39
 Prob > F = 0.0054
 R-squared = 0.3263
 Root MSE = .42298

(Std. Err. adjusted for 37 clusters in code)

SP	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
BVE_S	.7374166	.3551139	2.08	0.045	.0172123	1.457621
NI_S	.3729088	.2202379	1.69	0.099	-.0737544	.8195721
LNI	-.0278658	.0283704	-0.98	0.333	-.0854035	.029672
LNI_NIS	-.0543161	.0692207	-0.78	0.438	-.1947023	.0860701
_cons	.1120795	.0597738	1.88	0.069	-.0091474	.2333063

. regress SP BVE_S CI_S LCI LCI_CIS, robust cluster(code)

Linear regression Number of obs = 123
 F(4, 36) = 3.13
 Prob > F = 0.0262
 R-squared = 0.3128
 Root MSE = .42723

(Std. Err. adjusted for 37 clusters in code)

SP	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
BVE_S	.821482	.3252554	2.53	0.016	.1618336	1.48113
CI_S	.2675519	.107187	2.50	0.017	.0501665	.4849372
LCI	.0043045	.0394378	0.11	0.914	-.0756791	.084288
LCI_CIS	-.0657704	.0970042	-0.68	0.502	-.262504	.1309632
_cons	.085127	.0589695	1.44	0.158	-.0344687	.2047227

```
. regress RET NI_MC CNI_MC LNI LCNI LNI_NIMC LCNI_NIM, robust cluster(code)
```

Linear regression

```
Number of obs = 110
F( 6, 35) = 5.89
Prob > F = 0.0003
R-squared = 0.2390
Root MSE = .61617
```

(Std. Err. adjusted for 36 clusters in code)

RET	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
NI_MC	.60535	.1739564	3.48	0.001	.2521997	.9585003
CNI_MC	.0716547	.5733844	0.12	0.901	-1.092377	1.235687
LNI	-.0854545	.1899309	-0.45	0.656	-.4710347	.3001258
LCNI	.349172	.3362005	1.04	0.306	-.3333514	1.031695
LNI_NIMC	-.1028503	.2552191	-0.40	0.689	-.6209726	.4152719
LCNI_NIMC	.5550898	.4742466	1.17	0.250	-.4076821	1.517862
_cons	.3002033	.1516403	1.98	0.056	-.0076429	.6080494

OLS Standard Errors Clustered at the Firm Level (Incremental Value Relevance) for Financial Firms.

```
. regress SP BVE_S NI_S OCI_S LNI LOCI LNI_NIS LOCI_OCIS, robust cluster(code)
```

Linear regression

```
Number of obs = 123
F( 7, 36) = 2.70
Prob > F = 0.0233
R-squared = 0.3656
Root MSE = .41579
```

(Std. Err. adjusted for 37 clusters in code)

SP	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
BVE_S	.6211636	.3391393	1.83	0.075	-.0666428	1.30897
NI_S	.3924262	.2188413	1.79	0.081	-.0514045	.8362568
OCI_S	.3509536	.1224188	2.87	0.007	.1026767	.5992305
LNI	-.0341665	.0291242	-1.17	0.248	-.0932332	.0249001
LOCI	.0372491	.0335562	1.11	0.274	-.0308061	.1053044
LNI_NIS	-.068431	.0709161	-0.96	0.341	-.2122555	.0753934
LOCI_OCIS	.1139308	.1130821	1.01	0.320	-.1154103	.3432719
_cons	.1158232	.061491	1.88	0.068	-.0088864	.2405327

```
. regress RET NI_MC CNI_MC OCI_MC LNI LOCI LNI_NIMC LOCI_OCI_MC, robust
cluster(code)
```

Linear regression

```
Number of obs = 110
F( 7, 35) = 7.46
Prob > F = 0.0000
R-squared = 0.2836
Root MSE = .60074
```

(Std. Err. adjusted for 36 clusters in code)

	RET	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
NI_MC		.5705228	.1719608	3.32	0.002	.2214239	.9196218
CNI_MC		-.0640111	.4719126	-0.14	0.893	-1.022045	.8940225
OCI_MC		.5901513	.1932122	3.05	0.004	.1979096	.982393
LNI		-.0771866	.1837568	-0.42	0.677	-.4502328	.2958596
LOCI		.0776055	.0441015	1.76	0.087	-.0119253	.1671363
LNI_NIMC		-.0756261	.2429357	-0.31	0.757	-.5688117	.4175595
LOCI_OCI_MC		-.0227611	.0538568	-0.42	0.675	-.1320961	.086574
_cons		.1811801	.1263991	1.43	0.161	-.0754238	.4377839

```
. regress SP BVE_S NI_S LNI LNI_NIS REV_S SEC_S PEN_S, robust cluster(code)
```

Linear regression

```
Number of obs = 110
F( 7, 35) = 4.04
Prob > F = 0.0024
R-squared = 0.3233
Root MSE = .43423
```

(Std. Err. adjusted for 36 clusters in code)

	SP	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
BVE_S		.3210017	.1677041	1.91	0.064	-.0194557	.6614591
NI_S		.5003483	.2174143	2.30	0.027	.0589738	.9417229
LNI		-.0302581	.0299855	-1.01	0.320	-.091132	.0306158
LNI_NIS		-.0508567	.0679516	-0.75	0.459	-.1888058	.0870924
REV_S		.3159409	.1180027	2.68	0.011	.5554992	.0763826
SEC_S		-.1019732	.064641	-1.58	0.124	-.2332015	.029255
PEN_S		.118356	.129755	0.91	0.368	-.1450607	.3817727
_cons		.2043884	.0681211	3.00	0.005	.0660951	.3426816

```
. regress RET NI_MC CNI_MC LNI LCNI_NIMC REV_MC PEN_MC SEC_MC, robust
cluster(code)
```

Linear regression

Number of obs = 110
 F(7, 35) = 5.06
 Prob > F = 0.0005
 R-squared = 0.3673
 Root MSE = .56458

(Std. Err. adjusted for 36 clusters in code)

	RET	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
NI_MC		.6487996	.2368256	2.74	0.010	.1680181	1.129581
CNI_MC		-.0232109	.5255485	-0.04	0.965	-1.090131	1.043709
LNI		-.0107499	.0545858	-0.20	0.845	-.1215649	.1000651
LCNI_NIMC		.1204801	.1521929	0.79	0.434	-.188488	.4294482
REV_MC		.3870168	.1510804	2.56	0.015	.0803073	.6937263
PEN_MC		.1764133	.1002118	1.76	0.087	-.0270274	.379854
SEC_MC		-.3125282	.1302437	-2.40	0.022	-.0481194	.5769369
_cons		.1977949	.070701	2.80	0.008	.0542643	.3413256

OLS Standard Errors Clustered at the Firm Level (Relative Value Relevance) for Nonfinancial Firms.

```
.reg SP BVE_S NI_S LNI LNI_NIS, robust cluster(code)
```

Linear regression

Number of obs = 226
 F(4, 79) = 6.35
 Prob > F = 0.0002
 R-squared = 0.2350
 Root MSE = 2.2643

(Std. Err. adjusted for 80 clusters in code)

	SP	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
BVE_S		.6861752	.2927809	2.34	0.022	.1034094	1.268941
NI_S		.5182988	.1715721	3.02	0.003	.1767931	.8598044
LNI		-.1433935	.1272821	-1.13	0.263	-.3967422	.1099552
LNI_NIS		-.1509744	.0992237	-1.52	0.132	-.3484743	.0465255
_cons		.534914	.2638343	2.03	0.046	.009765	1.060063

```
.regress SP BVE_S CI_S LCI LCI_CIS, robust cluster(code)
```

Linear regression

```
Number of obs = 226
F( 4, 79) = 4.41
Prob > F = 0.0028
R-squared = 0.1979
Root MSE = 2.3185
```

(Std. Err. adjusted for 80 clusters in code)

SP	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
BVE_S	.7412035	.2894759	2.56	0.012	.1650162	1.317391
CI_S	.3670164	.1545014	2.38	0.020	.059489	.6745439
LCI	-.0915781	.1182074	-0.77	0.441	-.326864	.1437078
LCI_CIS	-.1100505	.081556	-1.35	0.181	-.2723837	.0522827
_cons	.5333521	.2793958	1.91	0.060	-.0227714	1.089476

```
.regress RET NI_MC CNI_MC LNI LNI_NIMC, robust cluster(code)
```

Linear regression

```
Number of obs = 152
F( 4, 79) = 9.56
Prob > F = 0.0000
R-squared = 0.1805
Root MSE = 1.9757
```

(Std. Err. adjusted for 80 clusters in code)

RET	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
NI_MC	.6290445	.1369419	4.59	0.000	.3564684	.9016205
CNI_MC	.5742195	.4958616	1.16	0.250	-.4127684	1.561207
LNI	-.1550484	.1619103	-0.96	0.341	-.4773227	.1672259
LNI_NIMC	-.0743013	.0453628	-1.64	0.105	-.1645938	.0159912
_cons	1.937907	.224656	8.63	0.000	1.490741	2.385074

```
.reg RET CI_MC CCI_M LCI LCI_CIMC, robust cluster(code)
```

Linear regression

```
Number of obs = 152
F( 4, 79) = 8.94
Prob > F = 0.0000
R-squared = 0.1576
Root MSE = 1.9987
```

(Std. Err. adjusted for 80 clusters in code)

RET	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
CI_MC	.5752119	.1563624	3.68	0.000	.2639803	.8864435
CCI_MC	.5908337	.7842957	0.75	0.453	-.9702679	2.151935
LCI	-.4165822	.1252328	-3.33	0.001	-.6658518	-.1673125
LCI_CIMC	-.2186443	.0754202	-2.90	0.005	-.3687645	-.0685241
_cons	1.973031	.1777573	11.10	0.000	1.619214	2.326848

OLS Standard Errors Clustered at the Firm Level (Incremental Value Relevance) for Nonfinancial Firms.

regress SP BVE_S NI_S OCI_S LNI LOCI LNI_NIS LOCI_OCIS, robust cluster(code)

Linear regression Number of obs = 226
F(7, 79) = 6.43
Prob > F = 0.0000
R-squared = 0.2394
Root MSE = 2.2732

(Std. Err. adjusted for 80 clusters in code)

SP	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
BVE_S	.6754711	.297512	2.27	0.026	.0832882	1.267654
NI_S	.5043385	.1706825	2.95	0.004	.1646035	.8440736
OCI_S	.4716237	.1671767	2.82	0.006	.1388667	.8043806
LNI	-.1538357	.1314196	-1.17	0.245	-.4154199	.1077485
LOCI	.0354926	.1294961	0.27	0.785	-.222263	.2932481
LNI_NIS	-.1525801	.1008783	-1.51	0.134	-.3533733	.0482131
LOCI_OCIS	-.023454	.1590223	-0.15	0.883	-.3399799	.2930718
_cons	.6004807	.281789	2.13	0.036	.0395937	1.161368

regress RET NI_MC CNI_MC OCI_MC LNI LOCI LNI_NIMC LOCI_OCIMC, robust cluster(code)

Linear regression Number of obs = 152
F(7, 79) = 5.95
Prob > F = 0.0000
R-squared = 0.1835
Root MSE = 1.9924

(Std. Err. adjusted for 80 clusters in code)

RET	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
NI_MC	.6129356	.1376806	4.45	0.000	.3388893	.886982
CNI_MC	.6028349	.496768	1.21	0.229	-.3859571	1.591627
OCI_MC	.2163627	.6436263	0.34	0.738	-1.064743	1.497469
LNI	-.1554867	.1645234	-0.95	0.348	-.4829624	.1719889
LOCI	.0237577	.1448128	0.16	0.870	-.2644849	.3120003
LNI_NIMC	-.0780675	.047974	-1.63	0.108	-.1735573	.0174223
LOCI_OCIMC	.1143385	.2581427	0.44	0.659	-.3994817	.6281587
_cons	1.954247	.2268065	8.62	0.000	1.5028	2.405694

```
. regress SP BVE_S NI_S LNI LNI_NIS REV_S SEC_S PEN_S, robust cluster(code)
```

Linear regression

```
Number of obs = 226
F( 7, 79) = 5.52
Prob > F = 0.0000
R-squared = 0.2416
Root MSE = 2.27
```

(Std. Err. adjusted for 80 clusters in code)

	SP	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
BVE_S		.665601	.2964612	2.25	0.028	.0755097	1.255692
NI_S		.5048492	.172372	2.93	0.004	.1617513	.8479471
LNI		-.1651111	.1308059	-1.26	0.211	-.4254737	.0952514
LNI_NIS		-.156878	.0977452	-1.60	0.112	-.3514349	.0376788
REV_S		.5861194	.2726373	2.15	0.035	-1.12879	.0434485
SEC_S		-.3752905	.3023021	-1.24	0.218	-.9770079	.2264269
PEN_S		-.6811012	.3410495	-2.00	0.049	-1.359943	-.0022591
_cons		.6254707	.2904189	2.15	0.034	.0474063	1.203535

```
. regress RET NI_MC CNI_MC LNI LNI_NIMC REV_MC SEC_MC PEN_MC, robust cluster(code)
```

Linear regression

```
Number of obs = 151
F( 7, 79) = 6.69
Prob > F = 0.0000
R-squared = 0.1946
Root MSE = 1.983
```

(Std. Err. adjusted for 80 clusters in code)

	RET	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
NI_MC		.6280681	.1385891	4.53	0.000	.3522134	.9039228
CNI_MC		.6595133	.5173831	1.27	0.206	-.370312	1.689338
LNI		-.131726	.1702625	-0.77	0.441	-.470625	.207173
LNI_NIMC		-.0778616	.0467685	-1.66	0.100	-.1709519	.0152288
REV_MC		.7519027	.690287	1.09	0.279	-.6220793	2.125885
SEC_MC		-.6070435	.2758191	-2.20	0.031	-1.156048	-.0580393
PEN_MC		.106811	.5458493	0.20	0.845	-.9796749	1.193297
_cons		1.958968	.2326404	8.42	0.000	1.495909	2.422027

**APPENDIX E: CONTROLLING FOR FIRM CHARACTERISTICS- A
SENSITIVITY ANALYSIS**



Appendix E

Controlling for Firm Characteristics for Financial Firms

```
regress SP BVE_S NI_S LNI LNI_NIS IND MCAP AUDR FLIB, robust cluster (code)
```

Linear regression

Number of obs = 123
 F(8, 36) = 2.64
 Prob > F = 0.0218
 R-squared = 0.4019
 Root MSE = .40549

(Std. Err. adjusted for 37 clusters in code)

SP	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
BVE_S	.675402	.3066883	2.20	0.034	.0534092	1.297395
NI_S	.3829828	.2161727	1.77	0.085	-.0554359	.8214014
LNI	-.0332973	.0249552	-1.33	0.190	-.0839089	.0173143
LNI_NIS	-.0426692	.0619081	-0.69	0.495	-.1682246	.0828863
IND	.0160119	.0555125	0.29	0.775	-.0965726	.1285965
MCAP	.0522595	.0265653	1.97	0.057	-.0016175	.1061364
AUDR	.3000584	.2914975	1.03	0.310	-.2911259	.8912427
FLIB	.5399794	.218038	2.48	0.018	.982181	.0977778
_cons	-.8285601	.7296206	-1.14	0.264	-2.308299	.651179

```
. est store modA
```

```
. regress SP BVE_S CI_S LCI LCI_CIS IND MCAP AUDR FLIB, robust cluster (code)
```

Linear regression

Number of obs = 123
 F(8, 36) = 3.17
 Prob > F = 0.0080
 R-squared = 0.3835
 Root MSE = .41167

(Std. Err. adjusted for 37 clusters in code)

SP	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
BVE_S	.7709687	.2781507	2.77	0.009	.2068529	1.335084
CI_S	.2680215	.0942514	2.84	0.007	.0768708	.4591723
LCI	.0041578	.0397863	0.10	0.917	-.0765324	.0848481
LCI_CIS	-.0736999	.0889663	-0.83	0.413	-.254132	.1067321
IND	.0438876	.0728707	0.60	0.551	-.103901	.1916761
MCAP	.056277	.0241757	2.33	0.026	.0072464	.1053076
AUDR	.2323697	.2668367	0.87	0.390	-.3088001	.7735396
FLIB	.4637531	.2191402	2.12	0.041	.9081899	.0193163
_cons	-1.070574	.6742459	-1.59	0.121	-2.438008	.2968602

```
. est store modB
```

```
. vuong modA modB
```

	Model 1	Model 2
R-Squared	0.4019	0.3835
Vuong Z-Statistic	0.2808	
p-value	0.7789	

```
. regress SP BVE_S NI_S OCI_S LNI LOCI LNI_NIS LOCI_OCIS IND MCAP AUDR FLIB,
robust cluster (code)
```

Linear regression

```
Number of obs = 123
F( 11, 36) = 2.39
Prob > F = 0.0244
R-squared = 0.4315
Root MSE = .40062
```

(Std. Err. adjusted for 37 clusters in code)

SP	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
BVE_S	.5850905	.2994124	1.95	0.058	-.0221459	1.192327
NI_S	.4086465	.2148129	1.90	0.065	-.0270143	.8443072
OCI_S	.292769	.1173836	2.49	0.017	.054704	.530834
LNI	-.0354928	.0256498	-1.38	0.175	-.087513	.0165275
LOCI	.0159932	.0363173	0.44	0.662	-.0576618	.0896481
LNI_NIS	-.0572304	.0649109	-0.88	0.384	-.1888757	.0744149
LOCI_OCIS	.1148011	.1086817	1.06	0.298	-.1056155	.3352177
IND	.0381076	.0521609	0.73	0.470	-.0676796	.1438949
MCAP	.0499089	.0271069	1.84	0.074	-.0050665	.1048842
AUDR	.2675198	.2772711	0.96	0.341	-.2948122	.8298517
FLIB	.56813	.2213243	2.57	0.015	-1.016996	.1192635
_cons	-.8339959	.7249946	-1.15	0.258	-2.304353	.6363612

Controlling for Firm Characteristics for Nonfinancial Firms

```
. regress SP BVE_S NI_S LNI LNI_NIS IND MCAP AUDR FLIB, robust cluster (code)
```

Linear regression

```
Number of obs = 226
F( 8, 79) = 5.94
Prob > F = 0.0000
R-squared = 0.2722
Root MSE = 2.2288
```

(Std. Err. adjusted for 80 clusters in code)

SP	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
BVE_S	.634825	.2871346	2.21	0.030	.0632979	1.206352
NI_S	.502501	.1637523	3.07	0.003	.1765601	.8284418
LNI	-.1221958	.1234542	-0.99	0.325	-.3679252	.1235335
LNI_NIS	-.1485034	.0962898	-1.54	0.127	-.3401635	.0431566
IND	.00447	.0020001	2.23	0.028	.0004889	.0084511
MCAP	.0531707	.0915733	0.58	0.563	-.1291014	.2354428
AUDR	.6561011	.2792746	2.35	0.021	.1002189	1.211983
FLIB	.0922146	.9344526	0.10	0.922	-1.767767	1.952196
_cons	-2.781999	2.503308	-1.11	0.270	-7.764709	2.20071

est store modA

```
. regress SP BVE_S CI_S LCI LCI_CIS IND MCAP AUDR FLIB, robust cluster (code)
```

Linear regression

```
Number of obs = 226
```


**APPENDIX F: DEFLATOR SELECTION FOR FINANCIAL AND
NONFINANCIAL FIRMS- A SENSITIVITY ANALYSIS**



Appendix F
The Relative Value Relevance of Net Income and Comprehensive Income for Financial Firms When Beginning Price of Equity is the Deflator

```
.regress SP BVE_S NI_MC LNI LNI_NIMC, vce (robust)
```

```
Linear regression                               Number of obs =    123
                                                F( 4, 118) =    10.72
                                                Prob > F      =    0.0000
                                                R-squared    =    0.3712
                                                Root MSE    =    .40866
```

	SP	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
BVE_S		.88477	.1891028	4.68	0.000	.5102951	1.259245
NI_MC		.3786597	.091537	4.14	0.000	.1973915	.559928
LNI		-.0083502	.0587071	-0.14	0.887	-.1246063	.1079058
LNI_NIMC		-.0041487	.0760498	-0.05	0.957	-.154748	.1464506
_cons		.0309139	.0482081	0.64	0.523	-.0645513	.126379

```
. est store modA
```

```
. regress SP BVE_S CI_MC LCI LCI_CIMC, vce (robust)
```

```
Linear regression                               Number of obs =    123
                                                F( 4, 118) =     9.05
                                                Prob > F      =    0.0000
                                                R-squared    =    0.3000
                                                Root MSE    =    .43117
```

	SP	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
BVE_S		.7599481	.1887643	4.03	0.000	.3861434	1.133753
CI_MC		.1441245	.0491537	2.93	0.004	.0467868	.2414622
LCI		-.0346868	.0868532	-0.40	0.690	-.2066797	.1373062
LCI_CIMC		-.0043979	.0947264	-0.05	0.963	-.191982	.1831862
_cons		.1111901	.0576745	1.93	0.056	-.0030211	.2254013

```
. est store modB
```

```
. vuong modA modB
```

	Model 1	Model 2
R-Squared	0.3712	0.3000
Vuong Z-Statistic	0.7738	
p-value	0.4391	

Incremental Value Relevance of Other Comprehensive Income and its Components for Financial Firms When Beginning Price of Equity is the Deflator

```
. regress SP BVE_S NI_MC OCI_S LNI LOCI LNI_NIMC LOCI_OCI_MC, vce (robust)
```

Linear regression

Number of obs = 123
 F(7, 115) = 7.37
 Prob > F = 0.0000
 R-squared = 0.3936
 Root MSE = .40651

	SP	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
BVE_S		.7963282	.1899964	4.19	0.000	.4199819	1.172675
NI_MC		.3663727	.0896207	4.09	0.000	.1888514	.543894
OCI_MC		.2734162	.0928231	2.95	0.004	.0895516	.4572809
LNI		-.0187559	.0624515	-0.30	0.764	-.1424602	.1049485
LOCI		.042072	.038562	1.09	0.278	-.0343118	.1184559
LNI_NIMC		-.0115042	.0802493	-0.14	0.886	-.1704627	.1474544
LOCI_OCI_MC		-.011872	.0368671	-0.32	0.748	-.0848986	.0611547
_cons		.0125446	.0478943	0.26	0.794	-.0823248	.107414

```
. regress SP NI_MC LNI LNI_NIMC REV_MC SEC_MC PEN_MC, vce(robust)
```

Linear regression

Number of obs = 123
 F(6, 116) = 5.52
 Prob > F = 0.0000
 R-squared = 0.2509
 Root MSE = .44987

	SP	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
NI_MC		.3977692	.1005633	3.96	0.000	.1985908	.5969475
LNI		-.0958595	.0651008	-1.47	0.144	-.2247998	.0330808
LNI_NIMC		-.0771235	.083054	-0.93	0.355	-.2416225	.0873755
REV_MC		.0818079	.1274932	0.64	0.522	-.1707086	.3343243
SEC_MC		-.2650156	.1192435	-2.22	0.028	-.0288389	.5011923
PEN_MC		.1595737	.1120251	1.42	0.157	-.0623061	.3814534
_cons		.1816045	.0606896	2.99	0.003	.061401	.301808

The Relative Value Relevance of Net Income and Comprehensive Income for Nonfinancial Firms When Beginning Price of Equity is the Deflator

```
.regress SP BVE_S NI_MC LNI LNI_NIMC, vce (robust)
```

Linear regression

Number of obs = 226
 F(4, 221) = 6.62
 Prob > F = 0.0000
 R-squared = 0.2285
 Root MSE = 2.2738

SP	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
BVE_S	.7196417	.1788279	4.02	0.000	.3672154	1.072068
NI_MC	.5033795	.2250878	2.24	0.026	.0597864	.9469727
LNI	-.0097647	.1224877	-0.08	0.937	-.2511582	.2316288
LNI_NIMC	.051433	.0461252	1.12	0.266	-.0394685	.1423344
_cons	.7144912	.188317	3.79	0.000	.3433644	1.085618

```
. est store modA
```

```
.regress SP BVE_S CI_MC LCI LCI_CIMC, vce (robust)
```

Linear regression

Number of obs = 226
 F(4, 221) = 5.10
 Prob > F = 0.0006
 R-squared = 0.1825
 Root MSE = 2.3407

SP	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
BVE_S	.6512641	.2084196	3.12	0.002	.24052	1.062008
CI_MC	.4678294	.2081411	2.25	0.026	.0576341	.8780248
LCI	-.0406923	.1106209	-0.37	0.713	-.2586992	.1773146
LCI_CIMC	-.0441873	.1118636	-0.40	0.693	-.2646432	.1762686
_cons	.7240307	.2084481	3.47	0.001	.3132304	1.134831

```
. est store modB
```

```
. vuong modA modB
```

	Model 1	Model 2
R-Squared	0.2285	0.1825
Vuong Z-Statistic	0.8934	
p-value	0.3717	

Incremental Value Relevance of Other Comprehensive Income and its Components for Nonfinancial Firms When Beginning Price of Equity is the Deflator

```
.regress SP BVE_S NI_MC OCI_MC LNI LOCI LNI_NIMC LOCI_OCI_MC, vce (robust)
```

```
Linear regression                               Number of obs =    226
                                                F( 7, 218) =    3.97
                                                Prob > F      =  0.0004
                                                R-squared    =  0.2346
                                                Root MSE    =  2.2804
```

SP	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
BVE_S	.7279976	.1831788	3.97	0.000	.3669696	1.089026
NI_MC	.463267	.2116393	2.19	0.030	.0461459	.880388
OCI_MC	.1509844	.9040289	0.17	0.868	-1.630771	1.93274
LNI	-.0270645	.130836	-0.21	0.836	-.28493	.2308009
LOCI	.1358251	.166931	0.81	0.417	-.1931801	.4648303
LNI_NIMC	.0545592	.0476081	1.15	0.253	-.039272	.1483903
LOCI_OCI_MC	-.1436267	.2201846	-0.65	0.515	-.5775897	.2903363
_cons	.6700622	.2040543	3.28	0.001	.2678903	1.072234

```
regress SP BVE_S NI_MC LNI LNI_NIMC REV_MC SEC_MC PEN_MC, vce(robust)
```

```
Linear regression                               Number of obs =    226
                                                F( 7, 218) =    4.39
                                                Prob > F      =  0.0001
                                                R-squared    =  0.2383
                                                Root MSE    =  2.2748
```

SP	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
BVE_S	.7129589	.1810134	3.94	0.000	.3561986	1.069719
NI_MC	.4734039	.2111434	2.24	0.026	.0572603	.8895476
LNI	.0109049	.122431	0.09	0.929	-.2303951	.2522048
LNI_NIMC	.0501161	.0464817	1.08	0.282	-.041495	.1417271
REV_MC	.2823789	.4618639	0.61	0.542	-.6279113	1.192669
SEC_MC	-.3904919	.2458478	-1.59	0.114	-.8750347	.0940509
PEN_MC	.8257463	.7010429	1.18	0.240	-.555943	2.207436
_cons	.7092775	.1958226	3.62	0.000	.3233297	1.095225

**APPENDIX G: OLS STANDARD ERRORS CLUSTERED AT FIRM LEVEL FOR
CORPORATE GOVERNANCE MECHANISMS**



Appendix G

OLS Standard Errors Clustered at the Firm Level for Corporate Governance Mechanisms

```
. regress SP BVE_S NI_S OCI_S BCGSCORE BCGSCORE_OCI_S LNI LOCI LNI_NIS LOCI_OCI_S
FSIZE IND FLIB, robust cluster (code)
```

Linear regression

Number of obs = 327
 F(12, 108) = 6.56
 Prob > F = 0.0000
 R-squared = 0.3508
 Root MSE = 1.7436

(Std. Err. adjusted for 109 clusters in code)

SP	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
BVE_S	.6686441	.2447659	2.73	0.007	.1834755	1.153813
NI_S	.7045426	.1579487	4.46	0.000	.3914609	1.017624
OCI_S	.3196815	.1842905	1.73	0.086	-.0456142	.6849772
BCGSCORE	-.021578	.0645723	-0.33	0.739	-.1495715	.1064155
BCGSCORE_OCI	.1551359	.0761887	2.04	0.044	.0041165	.3061552
LNI	.0026091	.1020772	0.03	0.980	-.1997257	.2049438
LOCI	-.0111728	.1353587	-0.08	0.934	-.2794772	.2571317
LNI_NIS	.109271	.0759743	1.44	0.153	-.0413233	.2598652
LOCI_OCI_S	.0560842	.0938383	0.60	0.551	-.1299196	.2420879
FSIZE	.1552655	.0548673	2.83	0.006	.0465091	.2640219
IND	.0001261	.0000866	1.46	0.148	-.0000456	.0002977
FLIB	.1427406	.0401577	3.55	0.001	.063141	.2223402
_cons	-3.490171	1.283511	-2.72	0.008	-6.034313	-.9460299

```
. regress SP BVE_S NI_S OCI_S_RANK OCI_S_RANK LNI LOCI LNI_NIS LOCI_OCI_S FSIZE IND
FLIB, robust cluster (code)
```

Linear regression

Number of obs = 324
 F(12, 108) = 6.31
 Prob > F = 0.0000
 R-squared = 0.3586
 Root MSE = 1.7395

(Std. Err. adjusted for 109 clusters in code)

SP	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
BVE_S	.641129	.2133007	3.01	0.003	.2183301	1.063928
NI_S	.7317852	.1620471	4.52	0.000	.4105798	1.052991
OCI_S	.3251828	.1860037	1.75	0.083	-.0435089	.6938745
RANK	-.0076715	.2199665	-0.03	0.972	-.4436833	.4283403
OCI_S_RANK	.5621015	.3338094	1.68	0.095	-.0995666	1.22377
LNI	.0139067	.1071123	0.13	0.897	-.1984085	.2262219
LOCI	.0405209	.134175	0.30	0.763	-.2254372	.3064791
LNI_NIS	.1635156	.0853901	1.91	0.058	-.0057424	.3327736
LOCI_OCI_S	.0326509	.0915365	0.36	0.722	-.1487903	.2140921
FSIZE	.1614817	.0550467	2.93	0.004	.0523697	.2705938
IND	.0001159	.0000854	1.36	0.178	-.0000535	.0002852
FLIB	.1420959	.0403079	3.53	0.001	.0621986	.2219932
_cons	-3.887756	1.281359	-3.03	0.003	-6.427631	-1.347881

**APPENDIX H: OLS STANDARD ERRORS CLUSTERED AT FIRM LEVEL FOR
FAIR VALUE HIERARCHY INFORMATION**



Appendix H

OLS Standard Errors Clustered at the Firm Level for Fair Value Hierarchy Information

```
regress price BVE_S NI_S LNI LNI_NIS FVAL1 FVAL2 FVAL3, robust cluster (code)
```

```
Linear regression                               Number of obs =      327
                                                F( 7, 108) = 11.00
                                                Prob > F = 0.0000
                                                R-squared = 0.2138
                                                Root MSE = 1.3295
```

(Std. Err. adjusted for 109 clusters in code)

price	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
BVE_S	.2399398	.1121946	2.14	0.035	.0175507	.462329
NI_S	.2998396	.1321126	2.27	0.025	.0379695	.5617098
LNI	-.0902847	.0598825	-1.51	0.135	-.2089821	.0284128
LNI_NIS	.0094951	.0641448	0.15	0.883	-.117651	.1366412
FVAL1	.0502927	.0130184	3.86	0.000	.0244879	.0760974
FVAL2	.0561316	.026294	2.13	0.035	.0040124	.1082509
FVAL3	.1202733	.1240851	0.97	0.335	-.1256849	.3662316
_cons	.3637997	.0941093	3.87	0.000	.1772589	.5503406

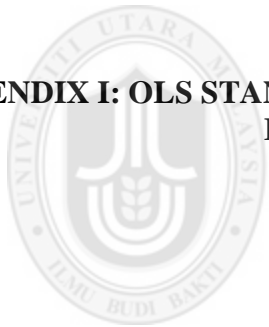
```
. regress price TCI_S NI_S FVAL1 FVAL2 FVAL3 BCG BCG_FVAL1 BCG_FVAL2
BCG_FVAL3 IND MCAP FLIB LNI LNI_NIS, robust cluster (code)
```

```
Linear regression                               Number of obs =      326
                                                F( 14, 108) = 8.26
                                                Prob > F = 0.0000
                                                R-squared = 0.2736
                                                Root MSE = 1.2936
```

(Std. Err. adjusted for 109 clusters in code)

price	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
TCI_S	.2292243	.1117818	2.05	0.043	.0076533	.4507953
NI_S	.2570337	.1321167	1.95	0.054	-.0048445	.5189119
FVAL1	.0359333	.0134094	2.68	0.009	.0093535	.0625132
FVAL2	.056814	.0251663	2.26	0.026	.0069301	.1066979
FVAL3	.1037681	.1167859	0.89	0.376	-.1277218	.335258
BCG	.3627726	.4159511	0.87	0.385	-.4617147	1.18726
BCG_FVAL1	.1666233	.2745637	0.61	0.545	-.3776096	.7108562
BCG_FVAL2	.0690874	.028787	2.40	0.018	.0120265	.1261483
BCG_FVAL3	.4948197	.2386574	2.07	0.041	.0217593	.9678801
IND	.000136	.0006832	0.20	0.843	-.0012182	.0014902
MCAP	.1186805	.0336035	3.53	0.001	.0520726	.1852884
FLIB	.4266382	.3732489	1.14	0.256	-.3132058	1.166482
LNI	-.1190915	.0600542	-1.98	0.050	-.2381294	-.0000537
LNI_NIS	-.0018879	.0570032	-0.03	0.974	-.1148781	.1111023
_cons	-2.482909	.864912	-2.87	0.005	-4.197315	-.7685039

**APPENDIX I: OLS STANDARD ERRORS CLUSTERED AT THE FIRM LEVEL
FOR LEVEL OF COMPLIANCE**



Appendix I

OLS Standard Errors Clustered at the Firm Level for Level of Compliance

```
regress SP BVE_S NI_S REV_S SEC_S PEN_S IND FLIB AUDR FSIZE DEBT LNI
LNI_NIS, robust cluster (code)
```

Linear regression

Number of obs = 259
 F(12, 98) = 8.00
 Prob > F = 0.0000
 R-squared = 0.3054
 Root MSE = 1.0769

(Std. Err. adjusted for 99 clusters in code)

SP	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
BVE_S	.5093841	.2135473	2.39	0.019	.0856064	.9331618
NI_S	.2560245	.0924231	2.77	0.007	.072614	.4394351
REV_S	.2449413	.0706797	3.47	0.001	.1046797	.3852029
SEC_S	-.0325909	.1051669	-0.31	0.757	-.2412913	.1761094
PEN_S	.1881389	.1331661	1.41	0.161	-.0761249	.4524028
IND	.0001587	.0000809	1.96	0.052	-1.74e-06	.0003192
FLIB	.0322442	.0672112	0.48	0.632	-.1011342	.1656225
AUDR	.7143588	.1729134	4.13	0.000	.3712178	1.0575
FSIZE	.0160589	.0243309	0.66	0.511	-.032225	.0643429
DEBT	-.0892802	.0488286	-1.83	0.071	-.1861789	.0076186
LNI	-.0282163	.0632643	-0.45	0.657	-.1537622	.0973296
LNI_NIS	-.0849358	.0602486	-1.41	0.162	-.2044971	.0346256
_cons	1.314812	.9732983	1.35	0.180	-.616667	3.246291

```
regress SP BVE_S NI_S REV_S SEC_S PEN_S COMPL FLIB AUDR FSIZE DEBT LNI
LNI_NIS, robust cluster (code)
```

Linear regression

Number of obs = 259
 F(12, 98) = 8.17
 Prob > F = 0.0000
 R-squared = 0.3217
 Root MSE = 1.0641

(Std. Err. adjusted for 99 clusters in code)

SP	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
BVE_S	.8131006	.2699195	3.01	0.003	.2774541	1.348747
NI_S	.2644066	.0823916	3.21	0.002	.1009031	.4279101
REV_S	.2777633	.0655735	4.24	0.000	.1476348	.4078919
SEC_S	-.0531331	.0755622	-0.70	0.484	-.2030839	.0968177
PEN_S	.2000198	.1527518	1.31	0.193	-.1031112	.5031508
COMPL	.7314577	.3541468	2.07	0.042	.0286649	1.43425
FLIB	.0521634	.0574126	0.91	0.366	-.0617702	.1660969
AUDR	.5478028	.141729	3.87	0.000	.2665463	.8290593
FSIZE	.0133612	.024607	0.54	0.588	-.0354706	.062193
DEBT	-.1023557	.0490415	-2.09	0.039	-.1996769	-.0050345
LNI	-.0415989	.0652422	-0.64	0.525	-.171107	.0878722
LNI_NIS	-.1334543	.0674943	-1.98	0.051	-.2673946	.000486
_cons	1.084256	.8671371	1.25	0.214	-.6365491	2.805062

by RANK, sort: regress SP BVE_S NI_S REV_S SEC_S PEN_S COMPL FLIB AUDR
 FSIZE DEBT LNI LNI_NIS, robust cluster (code)

-> RANK = 0

Linear regression

Number of obs = 72
 F(12, 62) = 6.14
 Prob > F = 0.0000
 R-squared = 0.3095
 Root MSE = .90302

(Std. Err. adjusted for 63 clusters in code)

SP	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
BVE_S	.5627869	.2369098	2.38	0.021	.089211	1.036363
NI_S	.4115011	.0819381	5.02	0.000	.2477092	.575293
REV_S	.0665766	.0867541	0.77	0.446	-.1068423	.2399955
SEC_S	.0094682	.0941604	0.10	0.920	-.1787557	.1976921
PEN_S	.0269276	.1354196	0.20	0.843	-.2437724	.2976275
COMPL	.541964	.3874722	1.40	0.167	-.232582	1.31651
FLIB	-.0847876	.0867729	-0.98	0.332	-.2582441	.0886689
AUDR	.306304	.1869392	1.64	0.106	-.0673822	.6799901
FSIZE	-.0902845	.0573762	-1.57	0.121	-.2049779	.024409
DEBT	-.0273481	.0695748	-0.39	0.696	-.1664261	.1117299
LNI	.0390428	.1272157	0.31	0.760	-.2152577	.2933433
LNI_NIS	-.1422125	.0774394	-1.84	0.071	-.2970117	.0125866
_cons	-2.999918	1.433285	-2.09	0.040	-5.865015	-.1348221

-> RANK = 1

Linear regression

Number of obs = 187
 F(12, 91) = 8.06
 Prob > F = 0.0000
 R-squared = 0.3787
 Root MSE = 1.0986

(Std. Err. adjusted for 92 clusters in code)

SP	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
BVE_S	.9014469	.4602844	1.96	0.053	-.0128515	1.815745
NI_S	.2378863	.095105	2.50	0.014	.048972	.4268007
REV_S	.3654468	.0896941	4.07	0.000	.1872806	.5436131
SEC_S	.018933	.0987948	0.19	0.848	-.1773107	.2151767
PEN_S	.1800602	.1800129	1.00	0.320	-.1775133	.5376337
COMPL	.93672	.3665377	2.56	0.012	.208638	1.664802
FLIB	.1119597	.0720713	1.55	0.124	-.0312011	.2551205
AUDR	.6532661	.1789511	3.65	0.000	.2978017	1.00873
FSIZE	.0458014	.0292338	1.57	0.121	-.0122679	.1038708
DEBT	-.1429123	.059705	-2.39	0.019	-.261509	-.0243156
LNI	-.0830074	.0763908	-1.09	0.280	-.2347484	.0687336
LNI_NIS	-.0887558	.0818406	-1.08	0.281	-.2513222	.0738105
_cons	2.649838	1.116076	2.37	0.020	.4328893	4.866786

```
reg SP BVE_S NI_S REV_S SEC_S PEN_S COMPL REV_S_CMPL SEC_S_COMPL PEN_S_COMPL
LNI
```

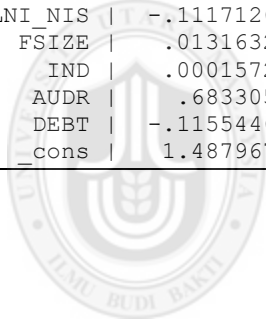
```
LNI_NIS FSIZE IND AUDR DEBT, robust cluster (code)
```

```
Linear regression
```

```
Number of obs = 259
F( 15, 98) = 6.18
Prob > F = 0.0000
R-squared = 0.3506
Root MSE = 1.0473
```

```
(Std. Err. adjusted for 99 clusters in code)
```

SP	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
BVE_S	.5384774	.2229394	2.42	0.018	.0960615	.9808933
NI_S	.2420788	.089263	2.71	0.008	.0649392	.4192183
REV_S	.2558628	.0700586	3.65	0.000	.1168339	.3948917
SEC_S	-.0083733	.0987734	-0.08	0.933	-.204386	.1876393
PEN_S	.1774554	.1123034	1.58	0.117	-.045407	.4003178
COMPL	.6817123	.3396861	2.01	0.048	.0076163	1.355808
REV_S_CMPL	.292201	.1400785	2.09	0.040	.0142198	.5701822
SEC_S_COMPL	-.0573215	.4623446	-0.12	0.902	-.9748294	.8601864
PEN_S_COMPL	.3679246	.2037896	1.81	0.074	.7723386	.0364893
LNI	-.0539444	.0667405	-0.81	0.421	-.1863887	.0784999
LNI_NIS	-.1117126	.0698424	-1.60	0.113	-.2503126	.0268873
FSIZE	.0131632	.0236282	0.56	0.579	-.0337263	.0600526
IND	.0001572	.0000769	2.04	0.044	4.60e-06	.0003099
AUDR	.683305	.1644805	4.15	0.000	.3568987	1.009711
DEBT	-.1155446	.0510288	-2.26	0.026	-.2168095	-.0142796
_cons	1.487967	.8206694	1.81	0.073	-.1406243	3.116559



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