



EFFECT OF AUDIT QUALITY ON VALUE RELEVANCE OF ACCOUNTING INFORMATION OF LISTED NON-FINANCIAL SERVICE FIRMS IN NIGERIA

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Abstract

The importance for high quality audit and accounting information to investor at the stock market has long been established by the signaling theory. Accordingly, high quality audit tends to improve the quality of accounting information signaled to the stakeholders outside the firms. Hence, audit quality is expected to have significant influence on the value relevance of accounting information. This study followed the correlational research designed to examine the effect of audit quality on value relevance of accounting information for the period of five (5) years (2015-2019). The population of the study is made up of 74 listed non-financially service firms in the Nigerian stock exchange. All the 74 firms were used as sample of the study based on census sampling. Audit quality represented as BIG-4 and Non-BIG-4, was measure using dummy variable 1 and 0, respectively. While accounting information were represented with Book value per share (BVP) and Earning per share (EPS). Ordinary least square regression was used to analyse the data. The result shows that audit quality has a significant influence on the value relevance of the accounting information. The study recommends that non- financial service firms should appoint highly qualified and experienced auditor as doing so has the ability improve shareholders' confidence in the quality of the financial statements issued by the company.

Keywords: *Audit Quality; Accounting Information; Value Relevance; Non-financial Service firms; Book value; Earning per share*

1. Introduction

The bid to improve the quality of accounting information contained in the financial statement has been an issue of serious concern to the accounting profession. Financial statements prepared, presented and audited by reputable audit firms are presumed to be free from all forms of unethical accounting practices that may undermine the quality of information contained therein. This implies



that investors and other stakeholders outside the organization can rely on and use the accounting information presented in the financial statement believing its predictability of future performance or the future market price of the equity of the business.

Value relevance of accounting data is one of the features of accounting information indices that is used to explain the quality of financial statement information passed to the stock market for investors to take relevant decisions. Value relevance is the power of accounting data to affect investors' perception about the future earnings of a corporate entity. The efficient capital market hypothesis explains how share prices respond to all available information (Barth, Beaver & Landsman, 2001). It demonstrates how share prices respond to the release of new accounting information and therefore supports the claim that accounting information is value relevant.

Investors lookout for quality financial information in order to make viable economic decisions. However, considering the fact that they do not have direct access to documents used to prepare corporate financial statement (to know whether all the accounting principles and procedures have been strictly adhered to) to make their own independent assessment, they are force to rely on the reports given by the independent auditors. Given this presumption, it becomes obvious that auditors have influence on investors' decision. From the agency theory perspective, audited financial statement is an effective monitoring mechanism that provides assurance to stakeholders - that financial statements are free of material misstatements. In this view, increase in audit quality may improve corporate disclosure, which is expected to reduce information asymmetry and protect the interest of both current and potential investors (Glosten & Milgrom, 1985). Audit is expected to reduce the information gap between managers and external financial statement users especially investors.

Audit quality is a phenomenon that cannot be easily observed and for that reason academic researchers use different measures as proxies for audit quality. These include the number of clients, the big-4 versus non-big-4 and the audit fees (Khaled, 2009). Khalid (2009) further argues that stock market's ability to anticipate future earnings is expected to be greater for companies with financial statements audited by the big auditing firms. The auditing of financial statements carried out by a company in the Big 4 category can also represent an influencing factor on the stock price. Investors appreciate the quality of the auditing service in terms of image, reputation and size of the auditing company. Going by this submission, if a listed company wishes to increase its stock price, it may choose a famous auditing company known by investors.

At this juncture, accounting information numbers are fundamental for investment decisions. However, at the same time, any accounting information that fails to capture what it ought to have captured for the benefits of financial statement users especially investors in making a prudent economic decision is said to have no relevance (Sutton, 1997). The quality of accounting information is determined by how well it meets the needs of users (Khanagha, 2011). Many corporate failures in the past have been associated with (among other things) accounting and audit that failed to report beforehand the imminent failure (Ibrahim, 2017). This has brought doubt and raised question about the quality and reliability of the information contained in the financial statement. This therefore, call for enquiry to ascertain the level at which audit quality influences the value relevance of accounting information.



In this regard, researchers have conducted studies to unravel the relation between value relevance of accounting information and audit quality. Review of the extant literatures revealed that majority of the studies were conducted in countries other than Nigeria. These studies include Lee and Lee (2013); Abdollahi, Pitenoei and Gerayli (2020); Alina and Bogdan (2015); Wickramasingha and Nanayakkara (2015); and Solikha and Mardijuwono (2020). However, given the legal, political and economic system differences between Nigeria and other countries where those studies were carried out, their findings may not be applicable to the Nigerian situation. Although, Okolie and Izedonmi (2014), Chidi, Ogbonna and Micah (2021) and Abubakar, Nasiru, Badara, and Chechet (2021) have attempted to study the value relevance of auditing within the Nigerian context, all the studies were specifically absorbed in studying the value relevance of accounting and the value relevance of audit quality rather than the effect of audit quality on value relevance of accounting information. Considering this identified gap, this study examines the impact of audit quality on the value relevance of accounting information.

Furthermore, most of the previous studies earlier identified were conducted in the financial and manufacturing sectors of the economy. However, considering the important role played by the non-financial service firm of the economy and the relative dearth of value relevance literatures in this sector, this present study focuses on the listed non-financial sector of the Nigerian Stock Exchange.

The main objective of this study is to examine the effect of audit quality on the value relevance of accounting information of listed non-financial service firms in Nigeria. Hence, the following are the specific objectives of the study:

- i. To examine the effect of low-quality audit on value relevance of accounting information in non-financial service firms listed in Nigeria.
- ii. To assess the effect of high-quality audit on value relevance of accounting information in non-financial service firms listed in Nigeria.
- iii. To determine the effect of audit quality on value relevance of accounting information in non-financial service firms listed in Nigeria.

Hypotheses of the study

To address the above research objectives, the following hypotheses are formulated in null forms.

H₀₁: Low quality audit has no significant effect on the value relevance of accounting information of non-financial service firms listed in Nigeria.

H₀₂: High quality audit has no significant effect on the value relevance of accounting information of non-financial service firms listed in Nigeria.

H₀₃: Audit quality has no significant effect on the value relevance of accounting information of non-financial service firms listed in Nigeria.

2. Literature Review and Theory

2.1 Value Relevance.

Nilson (2003) refers to value relevance as the usefulness of financial statement (information) in equity valuation. Beisland (2009) defines value relevance as the ability of financial statement information to capture and summarise firm value. Value relevance is measured as the statistical association between financial statement information and stock market values or returns. Klimczak (2009) explains that value relevance is seen as proof of the quality and usefulness of accounting



numbers. The key point deductible from these definitions is that a piece of accounting information is deemed value relevant if it has a significant association with security market value. For the purposed of the study, value relevance is defined as the level at which of the accounting numbers explain changes in share price.

2.2 Audit Quality

The demand for auditing arises from the auditor's monitoring role in the principal-agent relationship (Eilifsen & Messier, 2000). Agency theory explains that the auditor serves as the monitoring mechanism of the principal, employed to monitor or supervise the activity of the agent on behave of the principal. It is a common believe that audited financial serve as monitoring mechanism that helps reduce information asymmetry and protect the interests of the principals, specifically, stockholders and potential stockholders, by providing reasonable assurance that financial statements are free from material misstatements (Watts & Zimmerman, 1986). High audit quality should be associated with high information quality of financial statements because financial statements audited by high quality auditors should be less likely to contain material misstatements (Khaled, 2009).

One of most popular definitions of audit quality is that of DeAngelo (1981) who defines audit quality as the probability that an auditor detects and reports breach in clients' accounting process. His definition sees audit quality as a function of the auditor's ability to detect and report material misstatements (auditor competence).

2.3 Review of Empirical Literatures

Lee and Lee (2013) examined the association between audit quality and value relevance of accounting measurements such as earnings and book value of equity. The data set used for the study comprised of 3711 observations from 792 UK firm for the period of 1996 to 2004. The study used estimates from standard value relevance equations and the modified equations ordinary least square regressions in order to have two ways to compare the difference in the value relevance of earnings and book value of equity audited by Big 4 auditors and non-Big-4 auditors, as characterized by the coefficient of determination, R². The study found that both earnings and book value audited by Big 4 audit firms are generally more relevant than those audited by non-Big 4 audit firms.

Okolie and Izedonmi (2014) conducted a study with a view to determine whether audit quality has any significant relationship with market value per share of companies in Nigeria. They extracted data from annual reports of 57 non – financial firms, quoted on the Nigerian Stock Exchange (NSE) over the period of six years from 2006 to 2011. In the study, audit quality was estimated using audit firm size, audit fees, auditor tenure and audit client importance. Market Price per Share (MPS) was derived directly from Central Securities Clearing System (CSCS). Regression analyses were conducted using the Pooled Ordinary Least square (OLS) and the Panel OLS. The results of the tests showed that audit quality exerts significant influence on the EPS of quoted companies in Nigeria.

Alina and Bogdan (2015) conducted a study to analyse the influence of audit report on the investors' decision in the financial market regarding the stock acquisition or sale. In order to achieve their stated objectives, they used a sample of 59 companies listed on the Bucharest Stock



Exchange (BSE), during the 2012 reporting period. The data were collected from the yearly financial statements (the balance sheet and the income statement). The accounting information variables include Return on Equity (ROE), Return on Assets (ROA), Net Margin (NM) and Financial Autonomy Ratio (FAR). The results from the regression analysis indicated that information provided in the audit reports regarding the audit opinion, influenced stock return.

Wickramasingha and Nanayakkara (2015) investigated the effect of audit opinions on investors' decision-making in Sri Lanka. The study examined the relationship using a sample of 31 listed manufacturing companies on the Colombo Stock Exchange; the dependent variable "stock return" was used as proxy for Investors' Decisions and independent variables were the "audit opinions" published in Sri Lanka. The data used for the study were collected from secondary sources by using a selected sample during the time period of 2008-2011. Anova test was used to analyse the data for the study. The study found that audit report is not value relevant.

Solikha and Mardijuwono (2020) studied the relationship between earnings and equity book value relevance using listed manufacturing firms on the Indonesian Stock Exchange for the period between 2014 to 2016. Big 4 and non-Big 4 public accounting firms were used as proxy of audit quality. Ordinary least squares regression used as a tool for data analysis. The result shows that audit quality has a positive relationship with value relevance of earnings and to equity book.

Abubakar, Nasiru, Badara, and Chechet (2021) Studied the moderating role of audit quality on the value relevance of accounting information of listed firms using 161 publicly traded firms in Nigeria for the period of five (5) years (2014 - 2019). In the study, two distinctive multiple regression were used to examine the moderating role of audit quality on the value relevance of accounting information. The first model captured the impacts of earnings per share (EPS), book value per share (BVPS), cash flow per share (CFPS), dividend per share (DPS) on Share price (SP). while the second model incorporated the moderating role of audit quality on accounting information (BVPS, EPS, CFPS, and DPS) on the share price. The study found that audit quality had significant interaction with BVPS, EPS, CFPS, and DPS impact on the share price of listed companies in Nigeria.

Abdollahi, Pitenoey and Gerayli (2020) examined the effect of auditor's report and audit firm size on the value relevance of accounting information of the companies listed on the Tehran Stock Exchange for the period of ten (10) years (2008–2017). The study was conducted using 1530 observations drawn from the companies listed in the Bahrain stock exchange. The data was analysed using multivariate regression model based on panel data analysis. The result reveals that auditor report and audit firm size are positively and significantly correlated with value relevance of accounting (earnings and book value per share) information.

Chidi, Ogbonna and Micah (2021) investigated the relationship between internal audit quality and value relevance of listed manufacturing firms in Nigeria for a period ten (10) years (2008 to 2017). Their sample size was made up of 65 quoted manufacturing companies. The independent variable is audit quality while the dependent variable is value relevance based on Olson model (1991). The two-control variable which include Board of Directors' independence (BDI) and Accrual quality (ACQ) were deployed. Multivariate regression analysis was used to analyse the data. The result showed internal audit quality and value relevance had a positive and significant relationship; board



of directors' independence and auditor independence which were control variables shows a positive and significant relationship with audit quality.

2.4 Signaling Theory

This theory is used to describe a situation in which two parties (individuals or organizations) have access to different information. Typically, one party, the sender, must choose whether or not and how to communicate (or signal) that information, and the other party, the receiver, must choose how to interpret the signal (Connelly, Certo & Reutzel, 2011). The signaling theory addresses problems of information asymmetry in the markets and explains how this asymmetry can be reduced if the party with more information signals it to other party (Alfaraih, 2009). Morris and Gray (2009) explains that managers of greater quality companies tend to incur opportunity loss because their company might be valued at a higher price if investors know about the company's superior quality information, while managers of lower-quality companies have an opportunity gain. Companies with high audit have an incentive continue to communicate their superior qualities to investors and increase the share price. This communication is done by signaling the right information through accounting statements.

In a corporate arena, individual investors rely on information from the management in form of accounting data to analyse the market prospects. As a result, audit quality is expected to affect the quality of the information sent by the management through financial statement and subsequently influences the investors' confidence the information on the financial statement. For instance, investors may rely on information such as earning per share to decide which investment to go for. Usually, the predictive ability of the accounting information determines the extent to which its signal can be used to make investment decision. Hence, the signaling theory buttress the claim that audit quality tends to explain the investors decision (Musyoki, 2011).

3. Research Methodology

The study followed correlational and export-facto research design as it was intended to describe the statistical associations between two or more variables (The dependent and the independent variables). The research design gives room for predictions by testing of expected relationship between variables.

The population of the study consist of all 74 non-financial service firms listed on the floor of Nigerian stock exchange as at 31st December 2019. The study was limited 2019 to avoid economic impact of COVID 19 which started in Nigeria in year 2020. The sample size of the study is the entire non-financial service firms listed on the floor of Nigeria Stock Exchange as at 31st December, 2019.

The data with respect of both dependent and independent variables were extracted from the audited annual reports of the firms for the period of five (5) years. Multiple regression technique was used to analyse the statistical relationship between the data.

3.1 Variable Measurement

The following Table describes and measures both the dependent and independent variables of the study.



Table 3.1 Variable Measurement and Definition

S/No	Variables	Measurement	Source
1	Share Price (SP)	This is measured by the market value of the firm’s share price as at 31 st March, each year	(Manaje, 2012)
2	Book Value (BVP)	$\frac{\text{Paid-up Share capital} + \text{Reserve/Surplus}}{\text{Outstanding Equity Shares}}$	(Mamuda, 2015)
3	Earnings per Share (EPS)	$\frac{\text{Net Profit} - \text{Preference Shares Dividend}}{\text{Number of Ordinary Shares}}$	(Shehu, 2015)
4	Audit Quality (AQ)	Dummy variable, where a value of 0 represent firm audited by non- big 4 auditing firm and 1 otherwise	(Solikha <i>et al.</i> 2020)

Source: Compiled by the Researchers

3.2 Model specification

The following are the models used to empirically test the hypotheses formulated.

$$SP_{it} = a_0 + \beta_{1l}BV_{it} + \beta_{2l}EPS_{it} + \epsilon_{it} \dots\dots\dots \text{i}$$

$$SP_{hit} = a_0 + \beta_{1h}BV_{it} + \beta_{2h}EPS_{it} + \epsilon_{it} \dots\dots\dots \text{ii}$$

$$SP_{it} = a_0 + \beta_1BV_{it} + \beta_2EPS_{it} + \beta_3D_{it} + \epsilon_{it} \dots\dots\dots \text{iii}$$

Three (3) models were used to study the impact of audit quality on the value relevance of accounting information. The first model (only firms audited by non-Big-4 audit companies) explains the relationship between low-audit quality and value relevance of accounting information. The second model (firms audited by the Big-4 audit companies) was used to explain the relationship high- audit quality and value relevance of accounting information. The third model explains the overall relationship between audit quality and value relevance of accounting information.

In the study, low audit quality firms are the collection of listed non-financial service firms that are audited by non-big-4 audit firms. But high audit quality firms are the collection of non-financial service firms that are audited by big-4 audit firms. The big-4 audit firms in Nigeria are Deloitte, pricewaterhousecooper, KPMG and Ernts & Young.

Where:

- SP_{it} = Market value of Equity per share of firm i at time t
- a₀ = Constant Intercept
- BV_{it} = Book value per share of firm i at time t
- EPS_{it} = Computed Earnings per share of firm i at time t
- D_{it} = Dummy of firm i at time t
- ε_{it} = Stochastic error term of firm i at time t
- β₁- β₃ = Coefficients of explanatory variables
- _{l,h} = Subscripts for low and high quality audit



4. Results and Discussions

4.1 Correlation Matrix

The following Table 4.1 presents the correlation matrix between independent variable and the dependent variable.

Table 4.1: Pearson Correlation Matrix

Variables	Overall				High Quality Audit			Low Quality Audit		
	SP	BVPS	EPS	Dummy	SP	BVPS	EPS	SP	BVPS	EPS
SP	1.00				1.00			1.00		
BVPS	0.53	1.00			0.26	1.00		0.43	1.00	
EPS	0.55	0.63	1.00		0.16	0.50	1.00	0.64	0.48	1.00
Dummy	0.58	0.54	0.51	1.00						

Significant at 5%

Source: Output from data analysis using STATA

The results in Table 4.1 shows the degree of association between share price (SP) and all pairs of independent variables. With respect to the overall model, the table presents a positive relation between share price (SP) and book value (BV) with a correlation coefficient of 0.53. This relation implies that as the share price increases the book value also increase. Likewise, earning per share also maintained a positively related to share price with the correlation coefficients of 0.55 as presented in table 4.1 above. This result suggests that as the overall share price of both high and law quality audit increases, the earning per share of those firms will also increases positively. Similarly, the dummy variable which distinguishes high quality and law quality audit is also positively related to share price of both the law and the high-quality audit firms listed in Nigeria. This result is with respect to overall correlation of both the high and the law quality audit of non-financial service firms listed in Nigeria.

Similarly, Table 4.1 also present the correlation result of high-quality audit non-financial service firms listed in Nigeria. The table revealed that share price is positively related to book value, meaning that as the share prices of high-quality audit firms increase, the book value of the shares will also increase relatively with the increase in share price. In the same manner, share price is also positively related to earning per share from the correlation coefficients of 0.1647 as provided in Table 4.1.

Further, Table 4.1, presents a correlation result of firms with law quality audit. It indicates a positive correlation between SP and book value from the correlation coefficient of 0.4290. This relationship implies that, an increase in the share price of law quality audit of non-financial service firms' leads to an increase in the book value of the shares. Table 4.1 also shows a positive relationship between SP and earning per share (EPS) of listed non-financial service firms.

Table 4.2 Heteroscedasticity Test

Test	Overall		High Quality		Law Quality	
	Chi	P-value	Chi	P-value	Chi	P-value
Hetttest	9.35	0.2200	1.04	0.3070	0.10	0.7546

Source: Summary of STATA Output



Heteroscedasticity test is conducted to check whether the variability of error terms is constant or not. The presence of heteroscedasticity indicates that the variation of the error term is not constant which would affect the Best Linear Unbiased Estimators (BLUE) of the study. The result of the test reveals that there is no presence of heteroscedasticity because the probability of the chi-square is statistically insignificant at any level of significant indicating that the data are homoscedastic for the overall model, high quality audit and low-quality audit result. This suggests that the original OLS regression from all the results will best suit the study.

4.2 Regression Results

Table 4.3 Summary of Regression Result.

Variables	Overall Result		High Quality Audit		Low Quality Audit	
	Coeff	P-Value	Coeff	P-Value	Coeff	P-Value
intercept	0.3357264	0.000	0.293853	0.000	0.528009	0.000
BV	0.15855	0.000	0.037042	0.000	0.0043454	0.045
EPS	0.109931	0.000	0.024874	0.490	0.207947	0.000
COMP	0.4614602	0.000				
R2	0.4378		0.4256		0.0709	
Adj. R2	0.4339		0.4163		0.0650	
F	114.2	0.000	12.03 .78	0.000	4.57	0.000

Source: Regression Output using STATA

Low Quality Audit and Value Relevance

The results in Table 4.3 present the multiple linear regression analysis of low-quality audit, high quality audit and overall result of non-financial service firms listed in Nigeria.

The result of the low-quality audit firms as presented in Table 4.3 above reveals a coefficient of 0.0043454, suggesting significant increase in value relevance of Book Value (BV) in determining share price for low quality audit of non-financial service firms. This is considering the p-value of 0.045, meaning the book value has significant positive impact on share price of low-quality audit of non-financial service firms listed in Nigeria. This implies that a change in the proportion of BVP of low-quality audit will have significant influence on the value relevance of non-financial service firms.

The regression results also report coefficient of 0.207947, which indicates that earnings per share have a significant positive association with share price of low-quality audit in non-financial service firms and also improves value relevance of the financial statements; given the p-value of 0.000, which shows increase in earnings per share will lead to a significant change in the share price for low quality audit firms. It is expected that any increase in earnings per share will have an influence on the investor’s decision to invest more in non-financial service firms listed in Nigeria.

The cumulative association between dependent variable and all the independent variables of low-quality audit non-financial service firms is reveals in coefficient of determination (R^2) of 0.0709. The result indicates both book value and earnings per share of low-quality audit quality of non-financial service firms contributed 7% of the changes in market value of share price.



High Quality and Value Relevance

With respect to high quality of audit non-financial service firms, the result of the book value and share price shows a coefficient value of 0.0370426, which is statistically significant at 1%. This shows that book value has significance influence on share price. This result implies that an increase in the book value per share will lead to a positive increase in the share price. In addition, the result signifies that the book value of high-quality audit helps influence the share price of non-financial service firms in Nigeria. The findings of this study validate signaling theory, as unqualified audit report tend to signal prospective and potential rational investors that, the firm is doing better, which may attract heavy investment, thereby, improving the value relevance of non-financial service firms with high quality audit.

The regression result also reveals that the earnings per share of non-financial service firms with high quality audit has a coefficient of 0.0248743, which is statistically significant at 1%. This signifies that earning per share help improve the value relevance of accounting information of such firms. The implication here is that for any increase in the earnings, there will be a significance change in the share price (value relevance).

The cumulative association between dependent variable and all the independent variables of high-quality audit of non-financial service firms as revealed by the (R^2) is 0.4256. The result signifies that both book value and earnings per share are significant in improving the value relevance of accounting information of non-financial service firms, the result shows a relative improvement in the value relevance of non-financial service firms listed in Nigeria.

Audit Quality and Value Relevance

Table 4.3 also presents result of the overall model that combine low-quality audit and high-quality audit of non-financial service firms listed in Nigeria. It can be observed from the table that book value has a beta coefficient of 0.015855 with a p-value value of 0.000. This signifies that book value has strong statistical influence share price non-financial service firms. This implies that for every 1% increase in the book value of high/low quality audit of non-financial service firms, the value relevance of non-financial service firms will also improve by 0.015855. This result signifies that for every single increase in the book value of high/low quality audit non-financial service firms, there will be a corresponding increase in the value relevance of these firms. This result supports the rational view that investors will invest in firms with unqualified audit report as it gives them confidence on the safety of their funds and also return on their investment.

Similarly, Table 4.3 present the result in respect of earning per share. It shows that earning per share has a coefficient beta value of 0.109931 and a p-value of 0.000 (significant at 1%). This signifies that the higher the earning per share the higher the value relevance of high/low quality audit non-financial service firms listed in Nigeria. The result further indicates that firms with unqualified audit report tends to enjoy higher value relevance of accounting information.

The cumulative association between dependent variable and all the independent variables for the overall result is indicated by the value of R^2 of 0.4378 (see Table 4.3) indicating that the association between audit quality and value relevance of accounting information of non-financial service firms used in this study is 43%, which is positively and strongly associated.



Furthermore, the regression output of the overall model shows that the coefficient of audit quality as denoted by dummy variable 1 and 0 is 0.4614602 and significant at 1%. This indicates that audit quality has significant influence on the value relevance of accounting information of non-financial service firms. It shows that for every unit improvement in audit quality, there will be positive and significant improvement on the value relevance of accounting information of non-financial service firms in Nigeria.

Hypotheses Testing

Table 4.4: Regression Coefficients

Variables	Coefficient of F-statistics	p-value of F-statistic
Low quality audit	45.57	0.0000
High quality audit	12.03	0.0000
Audit quality	114.20	0.0000

SOURCE: Regression Output

It can be observed from the Table (4.4) that the entire independent variables are statistically significant at 1%. Thus, the implication here is that, the models are fit; variables are properly selected, combined and used for the study. Therefore, the test of individual hypothesis is presented as follows:

Hypothesis 1

H₀₁: Low quality audit has no significance effect on the value relevance of accounting information of non-financial service firms listed in Nigeria.

Low quality as measured by dichotomous value of 0 representing those firm audited by non-big-4 auditing firms, the result reveals a positive and statistical relationship at 1% level of significance as represented by the coefficients and their respective p-values. The result provides enough statistical evidence to reject the null hypothesis. Therefore, in line with the result, Hypothesis 1 (**H₀₁**) is rejected.

Hypothesis 2

H₀₂: High quality audit has no significance effect on the value relevance of accounting information of non-financial service firms listed in Nigeria.

With respect to the high quality measured by the dichotomous value of 1 representing firms audited by big-4 auditing firms are positively and statistically related to value relevance of accounting information at 1% level of significance. Thus, this provides statistical evidence for rejecting hypothesis two (2) of the study. Thus, Hypothesis 2 (**H₀₂**) is rejected.

Hypothesis 3

H₀₃: Audit quality has no significance effect on the value relevance of accounting information of non-financial service firms listed in Nigeria.

The result reveals Audit quality positive statistical association at 1% with value relevance of accounting information of non-financial service firms listed in Nigeria. Therefore, this finding provides evidence for rejecting null hypothesis 3 of the study. Thus, Hypothesis 3 (**H₀₃**) is rejected.



5. Conclusion and Recommendation

5.1 Conclusion

This study provides empirical and statistical evidence on the usefulness of three explanatory variables of low-quality audit, high quality audit and overall audit quality in explaining the value relevance of the non-financial service firms in Nigeria.

Firstly, low quality audit has statistical relevance in explaining the value relevance of accounting information of non-financial service firms listed in Nigeria. Therefore, it is concluded that low quality audit plays an important role in improving the value relevance of accounting information of non-financial service firms listed in Nigeria. This finding is in line with the studies of Okolie and Izedonmi (2014), Abdollahi *et. al.* (2020). Abubakar, *et. al.* (2021), Chidi *et.al.* (2021).

Secondly, it was found that positive association exists between high quality audit and value relevance of accounting information of non-financial service firms listed in Nigeria. Thus, it is concluded that high quality audit plays a prominent role in improving the value relevance of accounting information of non-financial service firms listed in Nigeria. This finding is in agreement with the findings of Solikha and Mardijuwono (2020), and Lee and Lee (2013).

Finally, a positive and significant association was discovered between audit quality and value relevance of accounting information. Hence, it was concluded that when audit quality is high, there is a greater likelihood that the value relevance of accounting information of non-financial service firms will improve. The finding is in conformity with those of Solikha and Mardijuwono (2020), Abubakar, *et. al.* (2021), Alina and Bogdan (2015).

5.2 Recommendations

In line with the findings and conclusion of the study, the following recommendations are proffered:

- i. Non-financial service companies, should focus on appointing big-4 auditors because big-4 auditors are generally perceived as highly qualified, experienced and well-known. Doing this may improve outsiders' confidence in the quality of the financial statements issued by the company.
- ii. Shareholders of Nigerian listed non-financial service firms should ensure strict compliance of their firms with the Companies and Allied Matters Act (CAMA) provisions as regard the appointment of auditors and should prioritize the appointment big-4 auditors, with industry experience, where they cannot appoint from the big-4, a joint audit should be considered with a big 4 auditors. This will surely help improve value relevance of accounting information of non-financial service firms listed in Nigeria.

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