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Sequence of Manuscript

I. Title page
II. Abstract (150-250 words)
III. Keywords (3-5)
IV. Introduction
V. Literature Review
VI. Methodology
VII. Results and Discussion
VIII. Conclusion and Recommendations
IX. References (APA 7th Edition)
X. Appendices (if necessary)
XI. Author Biographies (optional)

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EFFECT OF EARNINGS MANAGEMENT ON VALUE RELEVANCE OF LISTED INDUSTRIAL GOODS FIRMS IN NIGERIA.

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ABSTRACT

This study investigated the relationship between earnings management and value relevance of accounting information among listed industrial goods firms in Nigeria. Unlike prior studies that incorporated financial leverage as a moderating variable, this research focuses purely on the direct association between earnings management and value relevance, proxied by Market Price per Share and Price Earnings Ratio (P/E). Secondary data were obtained from the annual reports of ten (7) listed industrial goods firms for the period 2018–2024. The modified Jones model was used to estimate discretionary accruals as a measure of earnings management. Multiple regression analysis was conducted to evaluate the relationship between the study variables. The study examined how earnings management affects the value relevance of listed industrial goods firms in Nigeria, using Market Price per Share (MPS) and Price-Earnings Ratio (PER) as measures of value relevance, and Discretionary Accruals (DACC) and Income Smoothing (ISM) as indicators of earnings management. Based on 35 firm-year observations and controlling for Leverage (LEV) and Profitability (PTY), the results revealed that DACC and ISM had no statistically significant effect on MPS, with p-values. However, leverage showed a significant moderating influence, indicating that higher leverage strengthens the relationship between earnings management and value relevance. The results are revealed earnings management practices to significantly affect the market-based indicators of firm value. Similarly, Diagnostic tests confirmed the reliability of the regression results, showing no signs of multicollinearity or heteroskedasticity. The study contributes to the literature on financial reporting quality by providing empirical evidence on how accounting manipulation influences investor valuation decisions in emerging economies.

Keywords: Earnings management, Value relevance, Market price per share, Price earnings ratio, Industrial goods firms

1.0 Introduction

Financial statements play a crucial role in providing relevant and reliable information that enables investors and other stakeholders to make informed economic decisions. The *value relevance* of accounting information reflects the extent to which reported financial figures, such as earnings and book values, explain stock prices and market valuations. In a well-functioning capital market, high-quality financial reporting should align closely with share prices, thereby signaling transparency and accountability to investors.

However, the credibility of financial statements can be undermined by *earnings management*, which involves the intentional manipulation of accounting figures within the limits of Generally Accepted Accounting Principles (GAAP) to achieve specific financial outcomes. Managers may engage in earnings management to influence reported earnings, meet earnings targets, or present a favorable picture of firm performance to investors. While such practices may appear harmless in the short run, they often distort the reliability of accounting information, thereby diminishing its value relevance.

In Nigeria, the industrial goods sector contributes significantly to economic development through production, employment, and investment. Yet, firms within the sector are often subjected to intense competition and macroeconomic instability, which may motivate managers to manipulate earnings to sustain investor confidence. Given the central role of accounting numbers in determining share prices and investment decisions, understanding how earnings management practices affect the value relevance of accounting information is essential.

Although financial statements are intended to reflect the true financial position and performance of firms, several corporate scandals and restatements have raised concerns about the credibility of accounting information in Nigeria. Studies have shown mixed evidence regarding the influence of earnings management on the market-based value of firms. Some argue that earnings management erodes investors trust and reduces value relevance, while others suggest it can serve as a signaling mechanism for future profitability.

Previous research has often examined the effect of firm characteristics on the relationship between earnings management and value relevance. However, less attention has been paid to the direct relationship between these constructs using market price per share and price earnings ratio as dual proxies for value relevance. This study, therefore, seeks to fill this gap by empirically examining how earnings management impacts on the value relevance of o there was information among listed industrial goods firms in Nigeria.

This study contribute to academic, professional, and policy discussions on the role of financial reporting quality in capital markets. For investors, the findings will enhance understanding of how earnings management influences stock valuation decisions. For regulators such as the Financial Reporting Council (FRC) and the Securities and Exchange Commission (SEC), the study provides empirical evidence to strengthen monitoring mechanisms for financial reporting integrity. For academics, the research adds to the body of knowledge by linking earnings management directly to value relevance in an emerging market context. The study focuses on listed industrial goods firms in Nigeria over the period 2018–2024. Earnings management is proxied by discretionary accruals computed using the Modified Jones Model, while value relevance is proxied by Market Price per Share (MPS) and Price Earnings Ratio (P/E).

There have been several cases of earnings management especially in the banking sector and this has given rise to many questions about the ethical standards of management and about the integrity of financial reports issued by professional accountants (Bakre, 2007; Ajibolade, 2008; Okike, 2009), Earnings management is viewed as a deceptive practice that can mislead investors and other financial statement users. Regulatory bodies such as the Securities and Exchange Commission (SEC) and the Financial Reporting Council (FRC) of Nigeria have introduced measures to promote transparency, accountability, and integrity in financial reporting. Professional accounting bodies such as the Institute of Chartered Accountants of Nigeria (ICAN) and the Association of National Accountants of Nigeria (ANAN) offer certification programs and continuing professional education for accounting professionals. In 2011, according to a study by Okafor and Orr (2019), earnings management was recognized as a major issue in Nigeria, particularly in the wake of financial scandals that have occurred in the country over the past decade, such as the Cadbury (Nig) plc scandal.

2.0 Literature Review

2.1 Conceptual Review:

Earnings management refers to managerial discretion in financial reporting and transaction structuring to influence reported earnings. According to Healy and Wahlen (1999), it occurs when managers use judgment in financial reporting to mislead stakeholders or influence contractual outcomes dependent on reported accounting numbers. Common techniques include income smoothing, accrual manipulation, and classification shifting. Discretionary accruals are the portion of total accruals that managers can influence through subjective judgment, often used to manage reported earnings (Jones, 1991; Dechow, Sloan, & Sweeney, 1995). Unlike non-discretionary accruals, which are driven by normal business operations, discretionary accruals are largely shaped by managerial intent and are a key proxy for detecting earnings management (Kothari, Leone, & Wasley, 2005).

In Nigeria discretionary accruals have been widely employed to examine the quality of financial reporting and earnings manipulation. Uwuigbe, Uwuigbe, and Jafaru (2018) found that higher discretionary accruals significantly reduce earnings quality in listed Nigerian firms, indicating opportunistic reporting. Similarly, Oyerinde (2019) reported a negative relationship between discretionary accruals and stock returns, suggesting that investors discount earnings when they perceive manipulation.

Income smoothening refers to the deliberate adjustment of earnings by managers to present a more stable and predictable financial performance over time, even when underlying business results fluctuate (Beidleman, 1973; Eckel, 1981). It is often viewed as a subcategory of earnings management, where managers use accounting discretion to minimize volatility in reported earnings. In Nigeria, income smoothening practices have attracted scholarly attention due to their implications for financial reporting credibility. Uwuigbe et al. (2019) found evidence of significant income smoothing among listed manufacturing firms, noting that managers often rely on accrual-based adjustments to reduce earnings volatility. Similarly, Oladejo and Omokhudu (2020) established that income smoothening reduces the transparency of accounting information, weakening its value relevance to investors. More recent studies reinforce this concern. Abata and Migiro (2021) observed that income smoothing is common in highly leveraged Nigerian firms, where managers use it to avoid breaching debt covenants. Egbunike and Abiahu (2022) further argued that smoothing practices distort firm performance metrics, making it difficult for investors to accurately assess profitability and risk. From a broader perspective, international evidence shows a mixed view of income smoothing. Ahsan et al. (2019) in Australia and Ahmed & Naima (2020) in Bangladesh found that while smoothing can reduce information asymmetry, it often compromises earnings quality.

Value relevance measures the ability of accounting information to explain or predict stock prices or returns. It reflects how closely accounting figures correspond to market valuations. Market Price per Share (MPS) and Price Earnings Ratio (P/E) are widely used indicators of value relevance, representing how investors perceive the usefulness of reported earnings and book values in determining share value. MPS is the price at which a company's shares are traded on the stock exchange. It reflects the market's assessment of a firm's financial performance and future prospects. Changes in MPS often signal the degree to which accounting information is perceived as relevant and credible. The Market Price per Share (MPS) is the current trading price of a company's ordinary equity on the stock market. It embodies investors' collective expectations about the firm's performance, future earnings potential, risk profile, and the credibility of its financial disclosures. As such, MPS is widely utilized as a direct market-based proxy for value relevance (VR) of accounting information: the more that accounting numbers (e.g., earnings, book values) are incorporated into the share price, the greater the value relevance.

Changes in MPS are often linked to variations in the quality of financial reporting. For example, when firms engage in opportunistic earnings management, investors may view reported profits as less credible, which can dampen the share price or increase volatility. On the other hand, transparent, high-quality accounting disclosures bolster investor confidence and are more likely to be reflected in higher or more stable share prices. Recent empirical studies support these linkages. For instance, Okoro et al. (2020) found that market value of quoted manufacturing firms in Nigeria was significantly and positively related to accounting information such as earnings per share, indicating that MPS responds to reported performance. Kabir (2021) concluded that accounting information of Nigerian listed companies (2009–2014) was value relevant to share price. Etim Osim et al. (2024) in a study of Nigerian consumer and industrial goods firms found that accounting information significantly influences share price movements. Thus, in the context of this research, MPS is adopted as a proxy for value relevance, capturing how investors translate the accounting reports of firms (including those influenced by earnings management) into actual market price signals.

The P/E ratio expresses the relationship between a firm's market value and its earnings per share. A higher P/E ratio indicates investor optimism about future growth, while a lower ratio may suggest declining confidence or perceived earnings manipulation. The Price Earnings Ratio (P/E) is computed as the market price per share divided by earnings per share (EPS). It measures how much investors are willing to pay for each unit of current earnings. The P/E ratio thereby encapsulates investor sentiment, expectations of future growth, earnings sustainability, and perceived risk. As such, it is a widely used market-based proxy for value relevance of accounting information: a credible earnings figure should lead to a meaningful and stable P/E ratio. When investors perceive the reported earnings to be reliable, they may assign a higher P/E, which reflects confidence in future profitability. Conversely, if earnings are suspected of being manipulated or unsustainable, the P/E ratio may be lower or more volatile, reflecting market skepticism. Recent literature provides support for this interpretation. For example, Yusuf, Shagari and Saidu (2024) found that the P/E ratio was positively and significantly related to share price of listed non-financial firms in Nigeria over the period. While this study focuses on P/E in relation to share price rather than directly to accounting information, it implies that market multiples like P/E reflect investor responsiveness to accounting numbers. Although fewer studies examine P/E as a dependent measure of value relevance explicitly, this study's findings reinforce its use in the present model as a proxy for how investors translate reported earnings into valuation multiples. Thus, by using P/E as a proxy for value relevance, the present study captures how investors translate reported earnings into valuation multiples, and how the quality (or manipulation) of earnings (via discretionary accruals, real earnings management) may affect this translation.

2.2 Empirical Review

Empirical studies examining the interaction between earnings management and the value relevance of accounting information have produced mixed and, at times, contradictory findings across different economic environments and measurement techniques. This section reviews and critiques relevant studies, emphasizing methodological rigor, contextual validity, and theoretical coherence. Empirical evidence has long debated whether earnings management (EM) enhances or diminishes the value relevance of accounting information. Adebayo and Adekoya (2020) examined 52 Nigerian manufacturing firms between 2013–2018 and reported that discretionary accruals significantly and negatively affected share prices, implying that aggressive EM practices erode the credibility of accounting information. Although the study used the Modified Jones Model to capture discretionary accruals, it failed to test for multicollinearity and heteroskedasticity, which may bias the regression coefficients and weaken the robustness of its inference.

In contrast, Li and Wang (2019) analyzed 145 Chinese listed firms and found that moderate income smoothing improved stock price informativeness, suggesting that EM may serve as a signaling device in markets characterized by information asymmetry. However, their study focused solely on accrual-based smoothing without considering real earnings management, thereby overlooking a key channel through which managers can influence reported results. Similarly, Etim Osim et al. (2022) explored the impact of EM on the value relevance of accounting information among Nigerian industrial goods firms using both DACC and real EM measures. Their findings revealed a negative and significant association, indicating that EM undermines investors' reliance on financial statements. Nevertheless, the study's limited sample (10 firms) and short period (2014–2020) restrict the generalizability of its findings.

Kabir (2021) also observed a decline in the relevance of accounting numbers following the adoption of IFRS in Nigeria, attributing the trend partly to continued manipulation of accruals despite improved disclosure standards. This finding underscores the persistence of earnings manipulation even in regulated reporting environments. While the majority of studies find a negative link between EM and VR, methodological differences particularly in proxies (e.g., total vs. discretionary accruals, stock price vs. Tobin's Q as VR indicators) complicate direct comparisons. More recent works therefore advocate combining accrual-based and smoothing-based measures (DACC and ISM) for a more comprehensive assessment (Moges & Al-Sharif, 2022).

Market-based indicators such as Market Price per Share (MPS) and Price-Earnings Ratio (PER) remain widely employed to measure the responsiveness of investors to accounting disclosures. Okoro et al. (2020) reported that earnings per share and book value per share significantly influenced MPS for Nigerian manufacturing firms (2014–2018), thereby supporting the value-relevance hypothesis. Nonetheless, their model omitted EM variables, leaving open the question of whether the observed relationship persists after controlling for managerial manipulation.

Similarly, Yusuf et al. (2021) found that PER was significantly related to firm profitability and growth, but their analysis did not isolate the role of EM. Studies such as Akinyomi and Tasie (2022) attempted to bridge this gap by including DACC in a model predicting MPS and PER among financial firms. Their findings showed that high discretionary accruals weaken the association between accounting earnings and share price, consistent with the notion that EM reduces VR. Yet, their results may suffer from omitted variable bias because they ignored firm-specific control variables such as FSZ and PTY, which are known to affect valuation.

Chehade (2021) investigated firms in the Middle East and found that accounting information was more value-relevant in countries with stronger investor protection, emphasizing institutional quality as a moderating factor. This international evidence strengthens the argument that the EM-VR relationship is context-dependent and influenced by the reporting environment. Firm-specific characteristics, particularly Financial Leverage (FLG) and Profitability (PTY), have been widely recognized as critical determinants of both earnings management (EM) and value relevance (VR). Lev and Zarowin (2019) observed that firms with higher leverage often face stricter monitoring from creditors, which can enhance the quality of financial reporting and, consequently, improve value relevance. However, excessive leverage may also create incentives for managers to manipulate earnings to meet debt covenants or maintain favorable credit ratings, thereby reducing transparency. In the Nigerian context, Okolie and Izedonmi (2021) reported that profitability moderates the EM–VR relationship, as firms with stronger profitability are less inclined to engage in earnings manipulation and tend to experience greater investor responsiveness to reported earnings. Contrarily, Uwuigbe et al. (2022) found that financial leverage did not significantly influence value relevance once firm-specific control variables such as corporate governance were considered, suggesting that governance quality may attenuate the effect of leverage. This underscores the importance of adopting a multi-variable analytical framework in VR studies to disentangle the intertwined effects of leverage, profitability, and governance on financial reporting outcomes.

2.3 Theoretical Framework

Agency theory explains the conflict of interest between managers (agents) and shareholders (principals). Managers may engage in earnings management to pursue personal objectives, such as bonuses or job security, at the expense of shareholder value. Reducing information asymmetry through credible reporting enhances the value relevance of accounting data. Signaling theory suggests that managers use financial reports to convey private information to investors. When managers avoid manipulation and disclose reliable earnings, they signal positive firm performance, which enhances market valuation. Conversely, distorted signals through earnings management can erode value relevance. Agency theory (Jensen & Meckling, 1976) explains earnings management as a product of conflicts between managers and shareholders. Under this view, managers manipulate earnings to secure personal benefits such as bonuses, improved job security, and favorable contracting outcomes (Healy & Wahlen, 1999). Earnings manipulation therefore reduces the credibility and value relevance of accounting information by increasing information asymmetry (Watts & Zimmerman, 1986).

Signaling theory (Spence, 1973) highlights financial reporting as a mechanism through which managers transmit private information to investors. High-quality, non-manipulated earnings serve as a positive signal about firm performance (Akerlof, 1970), while earnings management distorts these signals, reducing investor trust and weakening value relevance (Li & Wang, 2019). Income smoothing may temporarily enhance signals of stability but ultimately undermines transparency (Beidleman, 1973; Eckel, 1981).

3.0 Methodology

The study adopts an ex-post facto research design, as it relies on existing secondary data without manipulating variables. This design is appropriate for examining cause-and-effect relationships based on historical financial data. The population comprises of 7 industrial goods firms listed on the Nigerian Exchange Group (NGX) as of December 2024. Using purposive sampling, 5 firms with complete financial data for the study period (2020–2024) were selected. Secondary data were obtained from published annual reports and accounts of the selected firms, as well as from the NGX Factbook. The data include earnings, total assets, revenues, and market indicators necessary for calculating discretionary accruals, Income smoothing, MPS, and P/E ratios.

Model Specification

In order to test the effect of Earnings Management on Value Relevance, two separate regression models were estimated — one for each proxy of value relevance (MPS and PER).

Model 1: Effect of Earnings Management on Market Price per Share (MPS)

$$MPS_{it} = \beta_0 + \beta_1 DACC_{it} + \beta_2 ISM_{it} + \beta_3 LVGit + \beta_4 PTY_{it} + \mu_{it}$$

Model 2: Effect of Earnings Management on Price Earnings Ratio (PER)

$$PER_{it} = \alpha_0 + \alpha_1 DACC_{it} + \alpha_2 ISM_{it} + \alpha_3 LVGit + \alpha_4 PTY_{it} + \mu_{it}$$

Where:

- MPS_{it}= Market Price per Share of firm i at time t (proxy for value relevance)
- PER_{it}= Price Earnings Ratio of firm i at time t (proxy for value relevance)
- $DACC_{it}$= Discretionary Accruals (proxy for earnings management)
- ISM_{it}= Income Smoothing (proxy for earnings management)
- $LVGit$= Leverage (control variable)
- PTY_{it}= Profitability (control variable)
- μ_{it}= Stochastic error term

4.0 Results and Discussion

This section provides the preliminary analysis of the dataset through descriptive statistics and correlation analysis. The descriptive statistics summarize the characteristics of the variables used in the study, including the dependent variable. The statistical summaries include measures of central tendency (mean), dispersion (standard deviation), and range (minimum and maximum values), offering insight into the general behaviour and variability of each variable. Furthermore, the correlation analysis is conducted to examine the linear associations among the variables using Pearson correlation coefficients. This analysis not only indicates the direction and strength of relationships among the variables but also helps to detect potential multicollinearity, which is essential for the validity of subsequent regression results. Tables 4.1 and 4.2 present the outcomes of the descriptive and correlation analyses, respectively.

Table 1: Descriptive Statistics

Variables	obs	mean	Std dev.	min	max
Mps	35	5.462571	2.750371	1.22	9.91
Per	35	10.28914	3.553756	4.15	17.82
Lev	35	.6451429	.1535534	.24	.93
Pty	35	.1068571	.0265431	.07	.17
Dacc	35	.074	.0100587	.06	.1
Ism	35	.0668571	.0099325	.05	.09

The proxies for the dependent variable, Value Relevance, are Market Price per Share (MPS) and Price-Earnings Ratio (PER). PER exhibits the highest average value (Mean = 10.29) and the largest variability (Std. Dev. = 3.554) across the entire dataset. This wide dispersion, ranging from a minimum of 4.15 to a maximum of 17.82, suggests significant heterogeneity in the market's valuation of earnings among the industrial goods firms. MPS has a mean value of 5.46 with a standard deviation of 2.75. The substantial variation in both MPS and PER is desirable, as it provides ample variance for the earnings management proxies and control variables to potentially explain in the regression models.

Table 4.1.1

The independent variables, Earnings Management, are proxied by Discretionary Accruals (DACC) and Income Smoothing (ISM). Both DACC (Mean = 0.074) ISM (Mean = 0.067) show very low absolute and relative variability. The standard deviations (DACC) 0.010 and (ISM) 0.010 are minimal, and the range for each is extremely narrow (DACC) ranges from 0.06 to 0.1; (ISM) ranges from 0.05 to 0.09. This low dispersion suggests that the extent of earnings management, as measured by these proxies, is highly clustered around the mean across the sample of industrial goods firms. The limited variation in the independent variables could potentially constrain the explanatory power in the subsequent regression analysis, making it statistically challenging to establish a significant link between earnings management and the highly variable measures of value relevance (MPS and PER).

The analysis incorporates Leverage (LEV) and Profitability (PTY) as control variables. LEV has an average value of 0.65 (65%), with a moderate standard deviation of 0.154. This indicates that, on average, the firms are highly leveraged, with a substantial spread in financing structures across the sample, ranging from a low leverage of 0.24 to a high of 0.93. PTY has a mean of 0.107 and a very low standard deviation (0.027). This low variability suggests that the firms in the sample exhibit relatively consistent levels of profitability, which may not contribute substantially to explaining the variation in value relevance. In summary, the descriptive statistics indicate that Value Relevance (MPS and PER) varies significantly across the sampled firms, while the measures of Earnings Management (DACC and ISM) are highly concentrated. This initial finding suggests that while market valuation is diverse, the practice of earnings management appears consistent and limited among the industrial goods firms, which may present a challenge in establishing a statistically robust relationship in the regression model. The control variable LEV displays adequate variation, while PTY is also tightly clustered.

4.2 Correlation Matrix

The correlation matrix provides an initial assessment of the linear relationships among the key variables included in this study, namely financial leverage (LEV), profitability (PTY), discretionary accruals (DACC), and income smoothing (ISM). This analysis is important as it helps to identify the direction and strength of the association between variables before proceeding to multivariate regression analysis. The correlation coefficients indicate whether relationships are positive or negative, weak or strong, and whether potential multicollinearity issues may arise in subsequent estimation. By examining the correlation structure, the study gains preliminary insight into how earnings management measures and firm characteristics interact with financial leverage within the sampled listed industrial goods firms in Nigeria.

Table 2: Correlation Matrix

	Lev	pty	dacc	ism
Lev	1.0000			
Pty	-0.2680 (0.1196)	1.0000		
Dacc	-0.1756 (0.3131)	-0.1388 (0.4265)	1.0000	
Ism	0.0707 (0.6866)	0.0841 (0.6308)	-0.2532 (0.1423)	1.0000

The highest absolute correlation is {-0.2680} (between LEV and PTY). Since all correlation coefficients are well below the critical threshold of {0.70} or {0.80}, there is no evidence of significant multicollinearity among the predictor variables. This confirms the variables are sufficiently independent for inclusion in the multiple regression models without compromising the reliability of the coefficient estimates. This section tests the null hypothesis that the true correlation between any two variables is zero. Significance is determined if the {p-value < 0.05}. LEV and PTY: The correlation is {-0.2680} with a {p}-value of {0.1196}. Since 0.1196 > 0.05, the negative relationship between leverage and profitability is not statistically significant at the 5% level. DACC and ISM: The correlation is {-0.2532} with a {p}-value of {0.1423}. Since 0.1423 > 0.05, the negative relationship between the two earnings management proxies is not statistically significant.

Other Pairings (LEV-DACC, LEV-ISM, PTY-DACC, PTY-ISM): All other p-values are substantially higher than 0.05 (ranging from 0.3131 to 0.6866). Therefore, none of the pairwise correlations among the predictor variables are statistically significant.

4.3 Summary of Regression Results

Multicollinearity is not a concern in the regression models, as all correlation coefficients are weak (magnitude less than 0.27). None of the observed linear relationships between the predictor variables (LEV, PTY, DACC, ISM) are statistically significant at the 5% level. This implies that while certain trends exist (e.g., higher leverage is associated with lower profitability), these associations are not strong enough to be confidently extrapolated to the wider population of firms. The hypotheses were tested using the p-value associated with the coefficient of each independent variable in the respective Ordinary Least Squares (OLS) regression models. HO1: Discretionary accruals do not have significant effect on the market price per share of listed industrial goods firms in Nigeria.

The regression coefficient for Discretionary Accruals (DACC) is highly not significant (p=0.401). This evidence suggests that discretionary accruals do not have a statistically reliable impact on the Market Price per Share of listed industrial goods firms. We fail to reject the null hypothesis, concluding that DACC is not a significant determinant of MPS. HO2: Income smoothing does not have significant effect on the market price per share in industrial goods firms in Nigeria.

The p-value for Income Smoothing (ISM) is {0.658}. Given that 0.658 > 0.05, the relationship between ISM and MPS is not statistically significant. Consequently, we fail to reject the null hypothesis, concluding that income smoothing activities do not significantly affect the firm's stock price. HO3: Discretionary accruals do not have significant effect on the price earnings ratio, of listed industrial goods firms in Nigeria.

The coefficient for DACC is statistically insignificant (p=0.576). This finding indicates that discretionary accruals do not significantly influence the Price-Earnings Ratio. We fail to reject the null hypothesis, concluding that DACC does not compromise the value relevance of earnings as measured by PER. HO4: Income smoothing does not have significant effect on the price earnings ratio, of listed industrial goods firms in Nigeria.

The p-value for ISM is {0.627}, which is far above the 0.05 threshold. We therefore fail to reject the null hypothesis. The analysis shows that income smoothing does not have a statistically significant effect on the Price-Earnings Ratio. The empirical results provide no statistical evidence to support the rejection of any of the four null hypotheses. Across both measures of value relevance (MPS and PER), neither discretionary accruals nor income smoothing was found to be a statistically significant determinant. This suggests that for the sampled listed industrial goods firms, the market's valuation multiples are not reliably influenced by the firm's level of earnings management, as measured by DACC and ISM.

5.0 Conclusion and Recommendation

Based on the empirical evidence, the study concludes that the practice of earnings management, as measured by DACC and ISM, does not have a significant influence in value relevance (MPS and PER) of listed industrial goods firms in Nigeria.The study concludes that the market's pricing mechanism for these firms could either be inefficient in detecting and penalizing marginal levels of accrual-based earnings management or that the minimal variation in the earnings management proxies themselves rendered their effect statistically negligible. Recommendations for Regulatory and Policy Authorities (SEC and NGX). The study recommends that regulators should mandate more detailed disclosures regarding key accrual components to reduce information asymmetry. This intervention would empower investors to better assess earnings quality, potentially enhancing the market's ability to appropriately price earnings management. It is also recommended that, given the low DACC and ISM coefficients, regulators should dedicate resources to monitoring and preventing real earnings management (REM), as firms may have substituted accrual management with operational manipulations. Management should recognize that Leverage is a significant value driver. They should strategically restructure their financing mix to reduce debt exposure, thereby signaling lower financial risk and achieving a higher Market Price per Share.

Regardless of the statistical non-significance, management should commit to minimizing all forms of earnings management to foster investor trust, as a long-term strategy for sustained value relevance. This will enhance transparency. Further studies should utilize real earnings management (REM) proxied alongside DACC/ISM to capture the full spectrum of earnings management. Subsequent research should employ a larger sample or panel data techniques over a longer period to overcome the low variability constraint observed in the DACC and ISM measures, thereby improving statistical power and the generalizability of the findings.

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