European Journal of Accounting, Auditing and Finance Research
Vol.11, No. 7, pp.101-116, 2023
Print ISSN: 2053-4086(Print),
Online ISSN: 2053-4094(Online)
Website: https://www.eajournals.org/
Publication of the European Centre for Research Training and Development-UK

Auditor Tenure, Audit Firm Size and Value Relevance of Accounting Information of Quoted Companies in Nigeria

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doi: https://doi.org/10.37745/ejaafr.2013/vol11n7101116 Published July 11 2023

Citation: Baffa A.M., Lasisi I.O., Ojo T.C. (2023) Auditor Tenure, Audit Firm Size and Value Relevance of Accounting Information of Quoted Companies in Nigeria, European Journal of Accounting, Auditing and Finance Research, Vol.11, No. 7, pp.101-116

ABSTRACT: *The paper assesses the value relevance of the tenure of auditors and size of audit firm by using empirical data from actively traded firms on the floor of Nigerian Exchange Group. Data for the study were obtained from the published annual reports and accounts of 124 quoted companies in Nigeria between 2012 to 2021. The average -monthly share price of the fourth month after accounting year end of all sampled firms was utilized as the dependent variable of the study in order to establish the value relevance of accounting information in the financial statements, Incorporating the explanatory variables of the study (auditor tenure and control variables) into The Ohlson's 1995 price model quantitative approaches such as descriptive statistics, correlation, and panel corrected standard errors regression analysis were used in analyzing the data for the study. Findings of the study indicate that auditor tenure and audit firm size led to significant positive influence on market reaction in the first month after the release of annual reports and accounts of sampled firms. This means that, auditor tenure and audit firm size were found to be value relevant to users of accounting information in Nigeria. The study recommends that investors should consider the audit tenure and auditors size when making investment decisions and prioritize firms that have been audited by big auditors and by integrating small audit firms, as well as firms whose audit tenure is on average of five to six years in line with International best practices, rather than ten years as stipulated by the Code of Corporate Governance and CBN.*

KEYWORDS: auditor tenure, audit firm size, book values, earnings, share price, value relevance, market reaction

INTRODUCTION

The role of auditors in enhancing financial reporting quality and ensuring the reliability of financial reporting cannot be overstated. They play a critical role in safeguarding the interests of stakeholders by providing an independent assessment of a company's financial statements. In recent years the issue of auditor tenure and its impact on the value relevance of accounting information has gained significant attention in academic literature and the business community.

Empirical investigations of value relevance of accounting information are a direct check of the validity and reliability of financial statements published by companies duly attested by audit firms. Value relevance examines the association between accounting information contained in financial statements and market value (share prices). This means that the information content of financial statement influences the share prices or market value of the firm.

Value relevance is a measure of financial reporting quality which concentrates on the ability of accounting information disclosed in financial statements to capture and summarize share price of equity. It is measured through the statistical relations between information presented by financial statements and share prices or returns (Easton, Ohlson, & Harris, 1992). In essence, if accounting figures possess the power to predict share prices and affect investors' decisions, then they are said to be value relevant. Hence, to measure the quality of accounting information and to judge the level of value relevance of accounting information in relation to auditor tenure and audit firm size, the two variables are included in the value relevance price model developed by Ohlson in 1995. The model uses accounting items such as earnings per share and equity book values with any other relevant accounting measures which are regressed with share prices. Expounding on the debates on length of tenure and size of audit firms, the spate of worldwide corporate financial scandals witnessed in the United States (Cendant, Enron, WorldCom); United Kingdom (Bank of Credit & Commerce International, Equitable life, Independent Insurance, Maxwell, Parmalat); Germany (Metallgesellscheft); and also here in Nigeria (African International Bank, Afribank, African Petroleum, Lever Brothers, Cadbury, Nampak, Savannah Bank), have raised lots of questions and concerns regarding auditors' independence, which is seen as the major factor compromised by the auditors resulting in these scandals.

Specifically, the international scandals of Enron, WorldCom, Global Crossing, ImClone Systems and Tyco International have raised criticisms regarding auditors' independence and the credibility of audit reports by accounting and market regulators, industry experts as well as independent observers worldwide. The criticisms leveled against the auditors was largely based on the fact that the audit firms have audited their clients for a long time and subsequently concentrated more on non-audit services rather than audit. In the case of Enron, Andersen (a Big5 audit firm) was the audit firm providing audit services to it for sixteen years, since it was set up until it collapsed.

In the same vein, as auditors were seen to have impaired their independence through long term audit tenure (Dopuch, King, & Schwartz, 2001; Myers, Myers & Omer, 2003, Kwon, Lim, & Simnett, 2014), this prompted a call for sweeping changes in the auditing profession to ensure independence and therefore improvement in audit and financial reporting quality.

The collapse of Enron in 2001, gave rise to the endorsement of the Sarbanes-Oxley (SOX) Act of 2002 in order to curtail and guard against possible impairment of auditor independence as a result of long-term professional relationship between the auditors and their clients (Tepalagul & Lin, 2015; Dattin, 2017; Velte & Loy, 2018, Yakubu & Williams, 2020). Similarly, several contradictory opinions on the effect of auditor tenure and audit firm size on audit quality and/or market value within the academia, regulators and globally have been raised.

These contradictory opinions centre on two main conflicting views. The optimistic view contends that due to accumulated client specific knowledge, longer auditor tenure results in a higher quality of audit and rapid identification of financial reporting problems making confinement of length of auditor-client assignation by regulatory bodies to be undesirable (Chen, Lin, & Lin, 2008; Chi, Huang, Liao, & Xie, 2009). On the other hand, the pessimistic view argues that long tenure of auditor may have an unfavourable consequence on audit quality which may lead to impairment of auditor's independence as a result of continuous involvement with the client company, thus, limiting the length of auditor tenure becomes desirable from the pessimistic perspective (Singer & Zhang, 2018).

With all the various concerns raised by regulators on the negative effect of long tenure of auditors, stricter regulations had to be placed globally on both audit firm tenure and audit partner tenure. For instance, the Sarbanes-Oxley Act (2002) revised audit partner rotation from a period of seven years to five years and expanded the interval period of subsequent re-engagement from two to five years, while in Nigeria the Central Bank's code of corporate governance in 2006, financial institutions were mandated to rotate tenure of audit firms after ten consecutive years with a three-year waiting period.

Similarly, countries with no fixed length of tenure were mandated by the European Union in 2014 to have an audit firm rotation after ten years. This was also the step taken by Nigeria where it was stipulated in Section 20(2) of Code of Corporate Governance in 2018 that effective from 15 January 2019, external audit firms may be retained for a period not longer than ten years and a seven-year interval period for subsequent reappointment was mandated.

In another vein, even though there are a lot of studies on value relevance of accounting information in Nigeria and elsewhere, there is a dearth of literature of studies on auditor tenure and value relevance of accounting information. The few studies conducted outside Nigeria were mostly conducted on value relevance of audit reports like the studies of Dopuch, Holthausen and Leftwich (1987); Martinez, Martinez and Benau (2004); Al-Thuneibat, Khamees and Al-Fayoumi (2008); Czernkowski, Green and Wang (2009); Robu and Robu (2015) Robu and Robu (2016) to mention a few, with very minimal number of studies conducted on auditor quality and auditor tenure and value relevance like the studies of Mansi, Maxwell and Miller (2004); Hakim and Omri (2012); Banimahd, Poorzamani and Ahmadi (2013).

The few related Nigerian studies of Okolie and Izedonmi (2014), Ugwunta, Ugwuanyi and Ngwa (2018), Abba and Sadah (2020), and Eneisik and Erasmus (2021) carried out in Nigeria considered the relationship between audit quality and share prices, firm value and market value respectively. All the studies used auditor tenure as one of the proxies for audit quality. However, even though these studies tried to assess the market response to audit quality information, their use of year end share price failed to capture the time period used by value relevance studies in determining the actual reaction of such information in the market. Given the importance of reaction of the market to accounting information in value relevance researches, the need to examine the effect of auditor tenure on market value of firms cannot be overemphasized.

Consequently, the motivation of this study is derived from the gaps identified, which justifies the need for a study to contribute to the existing body of knowledge. Thus, in light of the foregoing, the major aim of this study is to examine whether auditor tenure is significantly value relevant to Nigerian capital market investors or not.

CONCEPTUAL ISSUES AND LITERATURE REVIEW

Auditor reporting quality is a basic ingredient to enhance the credibility of financial statements to interested parties. However, this cannot be attained if the auditor is not independent, as without independence, the process of auditing can be argued to the extent that the auditor would give bias opinion to their clients. One of the factors that would adversely influence auditor independence in giving their opinion is a close relationship between auditor and clients, namely long audit tenure (Geiger & Raghunandan, 2002).

Auditor Tenure

According to Adeyemi, Okpala and Dabor (2012), audit-firm tenure is considered as a determinant of an effective and qualitative financial reporting, measured as the length of the audit-firm-client relationship as of the financial year-end covered by the audited financial statements. The length of the auditor/client relationship potentially affects both the auditor's technical ability to identify misstatements and the auditor's objectivity in correcting or reporting those misstatements. Technical ability to identify misstatements is generally thought to be jeopardized by short audit tenures, while the auditor's objectivity is often argued to be jeopardized by longer tenures (Woodland & Reynolds, 2003).

Kraub and Zulch (2013) define short time audit tenure as duration of from one to three years, while long time audit tenure on the contrary is defined as consecutive audit the engagement tenure of seven years or more. On the basis of definition of short and long term tenure, Adeyemi et. al. (2012), also define audit tenure as ‘medium tenure’ when the same auditor has audited the financial statements for four to eight years. Prior studies have documented two view points of the effect of audit tenure on the credibility of financial statements; regulators view and economic view.

The regulators view observes that a long association between a client and an audit firm may lead to the impairment of auditor independence (Geiger & Raghunandari, 2002; PCAOB, 2011; Ouyang & Wan, 2013). With the proposed policy of mandatory audit firm rotation rekindling a debate about the costs and benefits of the policy, the controversy hinges on whether long audit tenure compromises audit quality. From an economic view, when audit firms lose their reputations as a result of impairment of independence due to long auditor tenure, their clients experience enormous losses on their share prices as well. Citing the case of Enron, Asthana, Balsam and Krishnan (2003) state that, Enron suffered a huge loss in its market value when the reputation of Andersen was lost, as auditor’s reputation negatively influences share prices of its client firms. On the other hand, it is argued that requiring companies to rotate their auditors will not provide any incremental benefit as Sarbanes-Oxley Act of 2002 already requires having lead audit partners rotate every five years (CFO Magazine, 2012).

Auditor Firm Size

Audit Firm Size is considered the most important determinants of audit choice. The impact is that auditing large clients requires more resources (human and technical), which are usually provided by large audit firms (Virginus, 2020). Audit firm size measures audit quality and the quality of audit is expected to minimize the extent of a firm's manipulations of reported income but majority of the findings appear to suffer from inconsistencies and contradictions (Okolie, 2014).

Audit firm size is supposed to be one of the issues that could affect auditor's reputation because it is assumed that the larger audit firms are considered to be more independent (Saidu & Jerry 2018). Audit firm size signifies various types of qualities. It is assumed that size (Big 4 or Big 5, Big 6 … Big 8, etc.) of audit firms suggest reputation, international affiliation, and integrity which are reflected in the audit report on the accounts of their clients (Okolie, 2014). This reflects the Limperg Institutes' (1985) theory of inspired confidence. It has severally been argued that the large audit firms significantly determine the disclosure of policies of the companies they audit.

Value Relevance of Accounting Information

Accounting information is considered suitable to be acknowledged as value relevant when it provides its manifestation persistently in market prices and investors' decisions, signifying that information in the financial statements is of high quality. Thus, accounting information is said to be value-relevant, if it has an estimated significant association to market values (Agostino, Drago & Silipo, 2008). This means that the information contained in the financial statement needs to be measured reliably enough to be reflected in market values by equity investors when valuing the firm.

Value relevance can be defined using two perspectives; measurement perspective and information perspective. The measurement perspective is rooted on the theoretical framework of equity valuation models of Ohlson (1995) and Beisland (2009), where Ohlson (1995) asserts that, the value of a firm can be expressed as a linear function of book value, earnings and other value relevant information. As such, value relevance is measured as the statistical association relating financial statement information and market values or returns (Oyerinde, 2011; Qu & Zhang, 2015). From the information perspective, Amir, Harris and Venuti (1993) were the first to use the term value relevance in the context of information content of accounting figures; where value relevance is perceived as the usefulness of financial statement information in equity valuation. An accounting figure is therefore, value relevant if it is significantly associated with market values and stock market indicators such as price-earnings or price to book ratios.

Market value is one the most important factors which affect investors' investment decision. According to Sharma (2011), a market value is the price of a single unit of saleable shares of a company, which represents the balance struck between the buyers and sellers at a particular moment, viewed as the collective wisdom and knowledge of the market. Changes in prices of shares determine the return on investment on the shares. The market value is therefore, considered as one of the most important factors which affect investors' investment decisions. The market value is mainly determined by the forces of demand and supply of a particular security in the market, and can be obtained from the stock exchange market (Sanders, 2018).
Even though adequate evidence has been provided by past studies depicting that accounting information is reflected in market values, such a reflection however, is likely to be influenced by the relevance and reliability of financial statements prepared by the management. Since auditors are responsible for the monitoring and oversight of all the management functions, it means that reported income under the financial statements is a joint responsibility of auditors and managers, making the audited annual reports to also become an important source of information to investors (Rani, 2011).

Review of Related Studies
Results of academic studies are mixed as to whether long auditor tenure lowers audit quality and consequently affects market values negatively or vice versa. A study conducted by Eneisik and Akanni (2021) on auditor quality and market value of quoted banks used audit tenure as a proxies of audit quality. Audit tenure was found to have a negative and significant impact on market price per share. Similarly, Reid and Carcello (2017), ten events were identified between 2011 and 2013 which led to upsurge or decline in the likelihood of adopting mandatory audit firm rotation in the U.S. Their study found a negative market reaction to the events that increased mandatory audit firm rotation's potential adoption and a positive market reaction to the events that decreased mandatory audit firm rotation's potential adoption. This finding implies that US investors found limitation on auditor tenure to be unfavourable.

Cimini, Mechelli and Sforza (2020) explored the effect of audit tenure on value relevance, gauging the effect in contrast to the value of investor's protection and firm-level corporate governance. Findings of the study reveal a decline in the value relevance of accounting numbers. Similarly, Su, Zhao and Zhou (2016) examined the effect of auditor tenure on stock price idiosyncratic volatility, moderated by role of industry specialization. The study used a sample of US firms from 2003 to 2012 and found that longer tenure is associated with higher stock price idiosyncratic volatility present for industry specialist auditors. Also, Banimahd, et. al., (2013) studied the value relevance of audit report, auditor type and auditor tenure of 156 companies listed on the Tehran Stock Exchange (TSE) over a ten-year period. The result of the study shows that the tenure of auditors had a negative effect on the value relevance of Iranian firms. The findings indicate that long tenure of auditor conveys a negative signal to the capital market which resulted to a decrease in the value relevance.

Ugwunta et al. (2018) examined the effect of audit quality on share prices of Nigerian oil and gas firms using regression and covariance analyses. Audit quality was measured using Findings from the regression analysis suggests that the composition of the audit committee composition, audit firm type and auditor tenure. Findings of the study indicate that auditor tenure had a negative but significant relationship with market price of share of oil and gas companies in Nigeria. The study of Okolie and Izedonmi (2014) assessed whether audit quality has any significant impact on market value per share of 57 quoted companies in Nigeria. Data from 2006 to 2011. The results established a positive but not significant study between auditor tenure and market value per share of the sampled quoted companies in Nigeria. Hakim and Omri (2012) found that auditor tenure to has no value relevance of accounting information.

Krismiaji (2020) investigated the effect of audit committee characteristics (AC) on the accounting information value relevance (VR) of 590 Indonesian companies from 2014 - 2018. VR is measured using the Ohlson Model, while AC is measured using its members. This study found that the size of the committee audit positively affects the value relevance of EPS. Yet, the AC size affects negatively the BVS value relevance. The study of Abdollahi, Pitenoei & Gerayli (2019) examine the effect of audit firm size on the value relevance of accounting information of the companies listed on the Tehran Stock Exchange from 2008–2017 and sample of 1,530 firm-year observations. The research hypotheses were analyzed using multivariate regression model based on panel data. The findings of the study reveal that auditor's report and audit firm size are positively and significantly correlated with two indicators of the value relevance of accounting information including value relevance of earnings and book value per share. Similarly, Mbobo & Umoren (2016) report the positive effect of AC size on the value relevance of financial information. Nevertheless, some researchers find the opposite evidence. Ibanichuka & Briggs (2018) report the negative effect of AC size on the value relevance of accounting information.

Theoretical Foundation

The study's theoretical foundation is situated in the signalling theory. The theory helps to explain the behaviour of two parties when they have access to different information. This theory was originally proposed by Spence in 1973 in order to explain about market behaviours. Signalling theory is widely used in accounting and auditing studies which proffer that management may signal something about the firm through various aspects of financial information disclosures, which can be viewed as a signal by investors. Signalling theory indicates that asymmetric information between a company and the investors causes adverse selection. To avoid this situation, companies disclose information voluntarily, providing signals to the market (Watts & Zimmerman, 1986).

The timing of information disclosures is perceived as a signal, whether the firm has good or bad news to tell. Early release of financial information may signal some underlying good news (e.g. increases in earnings) which management wants the market to know as soon as possible. On the other hand, delayed disclosure suggests bad news (e.g. decline in earnings). Since the management is obliged to communicate information about the operations of the company to the owners, the information conveyed is regarded in the form of a signal of either success (good news) or failure (bad news). Information on success is considered as good news, which should signal a positive reaction to the market, while failure is considered as bad news, which should signal a negative reaction to the market.

METHODOLOGY

The study utilizes the descriptive and explanatory research designs. A population of one hundred and fort eight (148) actively trading firms on the floor of the Nigerian Stock Exchange for the entire period of the study (2012 to 2021) were considered. Actively traded shares are those shares that are frequently bought and sold in the stock exchange, and were chosen because they represent the main drivers for the Nigerian Stock Exchange. For a firm to qualify as one of the sample elements, the firm must be listed for the entire period of the study (2012 to 2021). The application of the afore-mentioned criteria resulted in the exclusion of twenty-four (24) firms which gave a final filtered sample of one hundred and twenty-four (124) firms. Quantitative firm level data for the variables of the study were extracted from the annual reports and accounts of all sampled firms.

Table 1
Study Variables and Measurements

S/N	Variables	Type	Measurement	Source
1.	Market Value per Share	Dependent	Share price at fourth month after financial year end (average)	Ohlson, (1995); Collins, Maydew & Weiss (1997), Banimahd, et al. (2013), Baffa & Yero (2017).
2.	Earnings Per Share (EPS)	Independent	Net income divided by outstanding shares at the end of financial year	Ohlson, (1995); Collins, Maydew and Weiss (1997)
3.	Book Value Per Share (BVPS)	Independent	Share equity divided by outstanding shares at the end of financial year	Ohlson (1995); Amir (1996); Collins, Maydew & Weiss (1997); Brown et al. (1999), Okolie & Izedonmi (2014).; Baffa & Yero (2017).
4.	Auditor Tenure (AUDTEN)	Independent	‘1’ assigned for auditor tenure of more than 5 years, and ‘0’ if otherwise.	Mansi et al. (2004); and Fatallah et al. (2008)
5.	Audit Firm Size (AUDSIZE)	Independent	“1” if the auditor firm is a Big 4, otherwise “0”.	Okolie & Izedonmi (2014); Robu & Robu (2015, 2016)
6.	Company Size (COMSIZE)	Control	Natural Lograthim of total assets	Okolie & Izedonmi (2014); Baffa & Yero (2017).
7.	Leverage (LEV)	Control	Total liabilities to total assets	Cameran, et al. (2010); Okolie & Izedonmi (2014)
8.	Growth Opportunity (GRWTH)	Control	Share price of Equity to Book Value of Equity	Siregar, et al. (2012); Okolie & Izedonmi (2014); Baffa & Yero (2017)

Source: Researcher’s Compilation

Model Specification

This study applies the Ohlson (1995) price model modified to include auditor tenure variable as well as control variables in order to test the hypotheses of the study. Following the model, share price is regressed on earnings and book values to substantiate the relationship between accounting measures and market price.

$SP_{it} = \alpha + \beta_1 EPS_{it} + \beta_2 BVPS_{it} + \beta_3 AUDTEN_{it} + \beta_4 AUDSIZE_{it} + \beta_5 COMSIZE_{it} + \beta_6 LEV_{it} + \beta_7 GRWTH_{it} + \varepsilon_{it}$

Where: $MVPS_{it}$ = Share price of company *i* at time *t*;, *EPS* represents earnings per share *BVPS* represents book value per share, *AUDTNR* represents Auditor Tenure, *AUDSIZE* represents Audit Firm Size, *COMSIZE* represents Company Size, *LEV* represents Company Leverage, *GRWTH* represents Growth Opportunity

RESULT AND DISCUSSION

Descriptive Statistics

The descriptive statistics from Table 2 shows the minimum share price for all sampled firms is 36 kobo, the maximum being N1,040. This wide variation can be evident in the high standard deviation of about 67.15 which given the mean value of N20.99, suggests non-normality of the data with respect to SP. Earnings per share (EPS) of the firms under study averaged at N1.52, with standard deviation of 8.554, minimum and maximum of (N38.13) and N204 respectively. The spread of the variable also suggests some degree of non-normality. For the book value per share (BVPS), it can be seen from Table 2 that the BVPS of the firms under study averaged at N6.63, with standard deviation of 13.76, minimum and maximum of -N11.27 and N163.79 respectively. The negative BVPS signifies some of the firms in the sample having negative shareholders equity in some years of the study.

Auditor tenure has an arithmetic mean of 0.65. This means that, on average, auditors provided audit service to a client for about six consecutive years between 2007 and 2016 (i.e. 806 observations out of 1240 observations of the quoted companies). The standard deviation of 0.48 suggests a very minimal deviation of data points from the mean, while the minimum of 0 and maximum of 1 indicates a dichotomous measurement of auditor tenure.

Table 2: Descriptive Statistics

Variable	Obs.	Mean	Std. Dev.	Min	Max
SP	1240	20.987	67.148	0.36	1040
EPS	1240	1.520	8.554	-38.13	242
BVPS	1240	6.629	13.756	-11.27	163.79
AUDTEN	1240	0.649	0.477	0	1
AUDSIZE	1240	0.613	0.487	0	1
FS (Assets)	1240	2.61e+08	2.51e+09	22900	7.46e+10
COMLEV	1240	0.639	0.572	0.05	14.56
GRWTH	1240	6.249	39.477	-145.59	968.66

Source: Authors computation using Stata-14 Software

Regression Analysis

From the regression results presented in Table 3, the cumulative R-square is 26.31% (0.2631), which gives cumulative effect of all independent variables jointly on the dependent variable. Hence, it signifies that 26% of the total variation in SP of quoted companies in Nigeria is caused by EPS, BVPS, auditor tenure, audit firm size, company size, company leverage and growth. The p-value indicates fitness and reliability of the model to show statistically significant relationship between dependent and independent variables. This is because, the probability of Wald test is 0.0000 which is significant at 1% with the Wald Chi value of 543.19. Hence, the p-value provides evidence that the model is fit.

Table 3: Regression Analysis

Variables	Coefficients	Standard Errors	z-statistics	p-values
Constant	-25.645***	4.447	-5.77	0.000
EPS	1.493*	0.576	2.59	0.010
BVPS	1.959***	0.202	9.72	0.000
AudTen	5.530*	3.170	1.74	0.081
AudSize	9.284***	1.746	5.32	0.000
ComSize	4.623***	0.974	4.75	0.000
ComLev	3.567***	0..923	3.87	0.000
Grwth	0.612***	0.0214	2.86	0.004
Obs.	1240			
R-square	0.2631			
Wald chi2	543.19***			
Panels	Correlated (Balanced)			
Autocorrelation	No Autocorrelation			

Source: Authors computation using Stata-14 Software

NOTE: ***, ** and * indicate 1%, 5% and 10% significant levels respectively.

The regression result also reveals that auditor tenure has significant positive impact on share price of quoted companies in Nigeria at 10% level of significance, with a coefficient value of 5.530 and a p-value of 0.081. Likewise, EPS and BVPS were positively significant at 10% and 1% level of significance respectively. While all other control variables in the study were positively significant at 1% level of significance. This means that medium auditor tenure positively affects share price, thus making auditor tenure to be value relevant to Nigerian investors. Auditor tenure (AudTen) was therefore, found to be positive and significant to the market value of quoted companies in Nigeria suggesting that even though the Nigerian Stock market is a developing market, investors of quoted companies consider accounting information disclosed in financial statements of firms in making decisions.

The tenure of auditors for all quoted companies in the study were on average of a duration of six years and the period of six years is not viewed as long but medium tenure (Adeyemi et al., 2012). However, even though the overall average of auditor tenure for this study was 6 years, 25 sampled firms were audited by the same firm consecutively for ten years (the entire period of the study) accounting for 250 observations out of 1240 observations.

Thus, the market responds more to medium tenure as it is perceived to have more audit quality, and does not threaten auditor independence. This is consistent with the assumption of the signalling theory which suggests that high quality audit is associated with a positive response, as it gives a signal or a sign of the credibility of the information contained in financial statement. It is also in line with the findings of Asthana and Balsam (2007); Brickner (2007) and Cameron et al. (2010) but contrary to the findings of Asthana (2013); Okolie and Izedonmi (2014); and Ugwunta et al. (2018) whose findings were negative but significant; positive but not significant and negative but not significant respectively.

Secondly, from the regression result, it was revealed that audit firm size has significant positive impact on share price of quoted companies in Nigeria, with a coefficient value of 9.284 and a p-value of 0.000. This implies that larger audit firms have been found to significantly influence share price. Therefore, this means that a 1% increase in auditing firm size other variables held constants will lead to a 9.28% increase in the share price of the sampled companies.

CONCLUSION AND RECOMMENDATIONS

The study analyzed the value relevance of auditor tenure and audit firm size of quoted companies in Nigeria. From the findings of the study, auditor tenure (AudTen) and audit firm size (AUDSIZE) were found to be positive and significant to the share price of quoted companies in Nigeria. The tenure of audit for all quoted companies in the study was on average for a period of six years, which is considered medium tenure, indicative of a higher audit quality than long auditor tenure. As such, high quality audit is associated with a positive market response, as it gives a sign of the credibility of the information in the financial statements.

The results indicate a significant and positive relationship between audit firm size and book value and earnings per share. Therefore, one can argue that large auditing firms implement auditing services with higher quality on account of possessing more resources, equipment and reputation; and hence the quality of financial reporting and the prediction power of these reports will be increased and thereby resulting in high value relevance of accounting information. These findings are compatible with those of DeAngelo, which maintains that larger firms, due to their higher credit, enact better auditing practices. The results of testing these hypotheses are similar to the results of Lee (2013) and Robu and Robu (2015), which believe that larger audit firms offer higher quality services as they tend to acquire more reputation in marketplace. Since they have a great number of clients they are not worried about losing their reputation.

Our findings have implications for policy makers, regulators, managers and investors. Our evidence on the positive association between auditor's tenure and size and value relevance of accounting information should help policy makers and regulators which they improve value relevance of accounting information and financial reporting by integrating small audit firms and setting up larger audit firms. In addition, our findings have implications for the managers of public firms. Managers of quoted firms should improve the firm's value relevance of financial reporting by choosing the larger audit firms. In addition, they need to improve the value relevance of accounting information by increasing the quality of financial reporting and, consequently, obtaining unqualified audit reports. With regards to investors, our findings demonstrate that because auditor's tenure and size improve value relevance of accounting information, investors should consider the auditors size and tenure when making investment decisions and prioritize firms that have been audited by big auditors, as well as firms whose audit tenure is on average of 5 years.

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