IFRS and Accounting Information Relevance: The Case of Saudi Arabia

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Abstract

This study aims to determine whether accounting information under IFRS is value relevance or not and which accounting information is more value relevance in Saudi Arabia. To achieve this aim the researcher conducted a quantitative study on a sample of 11 banks listed in Saudi Stock Exchange during the period from 2006 to 2015. Using panel date three regression models are performed to test research hypotheses. Model 1 includes both earning per share and book value per share as independent variables and price per share as a dependent variable. Results indicated that adjusted R-squared explains about 0.2660 of changes in share prices and earnings per share are significant but book value per share is not significant. When considering earning per share alone as independent variable in regression model 2.It is found that earnings per share is significant and explains about 0.272 of share price. By comparing results of model 1 with results of model 2. It is found that earning per share alone is more value relevance than both earnings per share and book value per share In Saudi banking industry. In addition, when considering book value per share alone as independent variable in regression model 3.It is found that book value per share is significant and explains only about 0.061 of share price. By comparing results of model 1 with results of model 3. It is found that both earning per share and book value per share are more value relevance than book value per share alone In Saudi banking industry. Correlation analysis supports these results. It can be said that earnings per share rather than book value per share is of high quality in value relevance studies under IFRS in Saudi banking industry.

Keywords: value relevance, IFRS, Saudi stock exchange, accounting information. Earnings per share, book value per share

1. Introduction

Accounting plays a vital role in capital allocation; whereas investors have limited capital resources and they try to use them rationally. Barlev & Levy (1981); Lawrence & Kercsmar, (1999) indicated that Accounting should help investors and other users in making these rational decisions by providing them with relevant, accurate and timely information and that accounting information is widely used by investors in the process of managing their security portfolios because it can serve useful inputs to financial decision makers as well as play a vital role in the capital markets. Therefore, the main accounting standard setting bodies (IASB and FASB) stated that the primary purpose of accounting is to meet the needs of capital markets. Chen et al., (2001); asserted that investors rely on traditional information sources including company’s financials for their investment decision-making process. In addition, the quality of financial information is very important to different groups of users who need useful accounting information in decision-making process.

British accounting standards board (ASB) and international accounting standards board (IASB) stressed on relevance characteristics as one of four essential qualitative characteristics and they said that relevant information achieved when it influences the economic decision of users by helping them evaluate past, present or future events or confirming or correcting their past evaluation. Proponents of accounting information relevance found empirical evidence in past studies in the area of value relevance of accounting information under IFRS, such as Mousa and Desoky, (2014) Horton et.al,(2008); Dobija and Klimczak,(2010); Alali and Foote,(2012) showed more value relevance of accounting information under IFRS. Saaydah (2012) concluded that implementing IFRS improves corporate transparency, enhances accounting information comparability and increases the quality of financial reports, and thus benefit accounting information users in the stock market.

Aharony *et al.*, (2010) and Horton and Seraphim,*(*2010) among other researchers argue that the adoption of IFRS leads to a significant increase in the value relevance of accounting numbers for investors in equity securities. It is also asserted that IFRS are more fair-value oriented and more comprehensive especially with respect to disclosure than most local GAAP. Collins, et al., (1997) discovered that the joint explanatory power of earnings and book values has not declined in the last forty years; on the contrary, they asserted that their explanatory power has increased in the same period. Several other authors reached this conclusion as Barth et al. (1998); Keener, (2011); Guggiola, (2010) suggest that the adoption of IFRS increases comparability among companies of different countries and reducing the learning costs that analysts face in analyzing financial statements drawn with different standards.

The prevailing evidence in the recent accounting research is that the adoption of IFRS will increase firm's transparency; tighten the accounting choices and reduce management discretion as well as the ability to manage earnings. Bartov *et al., (2005)*; Barth *et al.*, (2008) and Alali and Foote, (2012) indicated that there is a positive effect of IFRS adoption. However, Barth *et al., (*2006); Khanagha, (2011) Showed opposite evidence. On the other hand, an opposite point of view exists; Gniewosz, (1990) pointed out that financial reports contain only modest information to investor. In addition, Ball, (2013) stated that accounting does not provide investors with brand new information and there are many competing information sources available to investors that are timelier than periodic financial reporting. Therefore, accounting reports in fact do not provide a relatively large proportion of new information used by investors in stock markets. Luciana et al., (2013) argued that investors need non-accounting information in addition to the accounting information because the annual Reports are based on past information and the stock transactions made by investors cannot be delayed until the annual reports are published.

Opponents of accounting information relevance found an empirical evidence in the accounting literature on the value relevance studies such as Atwood et.al,(2011); lin and Chen,(2005);Meulenet.al,(2007);and Callao, et. al,(2007) concluded that that the effect of applying IFRS on the value relevance of the accounting information is small or even negligible and financial markets will not respond to that in a significant way and showed that accounting information under IFRS is of less value relevance.

Although some studies have been conducted in the area of value relevance of accounting information numbers in Saudi stock exchange such as *Khanagha*, (2011); AL Barrak,(2011) and AL Salman, (2003)all These studies focused on listed companies that apply the US GAAP–based national Saudi standers. These studies aimed at comparing value relevance of companies listed in Saudi stock exchange with value relevance of companies listed in other stock markets that either apply US GAAP or apply IFRS. None of these studies conducted on banks listed in Saudi stock exchange because the special nature of activities of banks and differences in financial reporting framework where as banks listed in Saudi stock exchange adopt IFRS but the other companies listed in Saudi stock exchange apply standards set by Saudi organization for certified public accountants (SOCPA).

Therefore, this research aims to fill in this gap in the value relevance literature by conducting this research on banks listed in Saudi stock exchange to provide empirical evidence about the value relevance of accounting information provided under IFRS. Therefore, this study is very different from the previous studies conducted in Saudi stock exchange because it is the first that covers banks listed in Saudi stock exchange; it is the first that covers the investigated period of time that has not yet been covered. Research results is going to be materially important to the Saudi organization for certified public accountants (SOCPA) and other policy makers that needs empirical evidence about superiority of IFRS in enhancing accounting information quality especially all companies listed in Saudi stock exchange are required to adopt IFRS as of the financial year of 2017.

2. Research questions

Research questions can be stated as follows:

Q1-Are earnings and book value of equity provided under IFRS of value relevance?
Q2- Which of earnings and book value of equity is more value relevance?

3. Objective of the study

The objective of this study is to conduct a quantitative study to examine the impact of applying IFRS by Banks listed in Saudi stock exchange on the value relevance of accounting information (quality of the accounting information) when setting the value of the firm in the financial market during several years of adopting IFRS and which accounting information is more value relevance.

The remainder of this paper is organized as follows: History of accounting reforms in Saudi Arabia, literature review on value relevance studies, development of hypotheses, methodology and research design followed by the results and analysis and finally summary and conclusion.

4. History of Accounting reforms in Saudi Arabia

Prior to the inception of the Saudi Organization of Certified Public Accountants (SOCPA), there is no a unified set of accounting standards adopted in Saudi Arabia. Al-Rumaihi, (1997) described the financial reporting environment in Saudi Arabia as following a mixture of accounting standards where most accounting standards used prior to the inception of SOCPA are international accounting standards, UK GAAP and US GAAP. Prior to the inception of SOCPA the need for a more sophisticated accounting profession to cope with the modernization of the Saudi economy has motivated many accounting academics and professionals to call for establishing a standard setting body for accounting standards. In 1980, under the umbrella of the Ministry of Commerce, a local accountancy firm started a project for the development of the accounting profession in Saudi Arabia that ended in 1992 with the establishment of the Saudi Organization for Certified Public accountant (SOCPA) which is the current accounting standards Body in Saudi Arabia.

SOCPA was established by a royal decree no. M/12 in 1992, authorizing the new Certified Public Accountants Act that grants SOCPA the authority to review, develop, and approve auditing and accounting standards (SOCPA, 2007). Although the CPA Act gives SOCPA the financial independence, it operates under the supervision of the ministry of commerce whose minister is the chairperson of its board of directors who is responsible for achieving the objectives of the SOCPA by executing its delegated powers specified in the CPA Act. of SOCPA Roszaini and Hudaib,(2007) showed that establishment of SOCPA is deemed as a remarkable milestone in the history of the profession not only due to its recognition as an authorized quasi-independent professional institution but also reflects the fundamental shift in the profession's regulatory system from the government to a closer self-regulatory form.

SOCPA issued the first batch of accounting standards in 1997, which means that Saudi listed firms were required to prepare their financial statements in accordance with US GAAP from 1993 to 1997. From 1997 to 2003, 16 new standards were issued in addition to a modification to the disclosure and presentation standard. On 25/05/2002, SOCPA's board of directors revised its decision on the use of US GAAP in the absence of a local standard. The board of directors issued resolution number 5/2/1 requiring the use of IFRS for subjects not covered by local standards or professional opinions issued by SOCPA (GCCAAO, 2003, paragraph 14)(the official website of SOCPA: www.socpa.org.sa)

In 2013, SOCPA approved an IFRS convergence plan by which listed entities to report under IFRSs as follows: Listed entities are required to adopt IFRS in 2017; and remaining entities are required to adopt IFRS in 2018. IFRS in Saudi Arabia will be similar to the standards issued by the IASB with possible modifications in three respects: Adding more disclosure requirements, removing optional treatments, and amending the requirements that contradict Shariah or local law (IFRS APPLICATION AROUND THE WORLD). Currently, the Saudi Arabian Monetary Authority (which is the Saudi Arabian central bank) requires banks and insurance companies in Saudi Arabia (both listed and unlisted) to report using International Financial Reporting Standards IFRS but everyone else either listed or unlisted in Saudi stock exchange uses standards laid down by the Saudi Organization for Certified Public Accountants (SOCPA).

AL Salman, (2003) said that some commentators in Saudi advocate adoption of international accounting standards (lAS) rather than the development of national standards and cited the following reasons: First, Saudi uses U.S. standards that are stricter, more detailed, and consequently, more complicated than lAS. These Saudis claim that a company's compliance with more detailed and stricter accounting standards for the presentation of its annual financial reports does not guarantee that it provides more information that is useful for investors. Second, lAS are now accepted by many stock exchanges. In order for Saudi companies to compete in international capital markets, the adoption of lAS might be necessary.

5. Literature Review

This research reviews previous studies in the area of value relevance of accounting information. Therefore, the researcher focuses in details on the most recent studies on value relevance in general and in Saudi stock exchange in particular as follows:

In Jordan, Obaidat, (2016) conducted a study to assess the value relevance of accounting information for investment decisions, as well as to investigate if investors` demographic and behavior factors affect this value relevance. The study uses a questionnaire methodology that was developed and distributed to a sample of individual investors in Amman Stock Exchange (ASE). The results indicated that Jordanian individual investors perceive accounting information to be value relevant to investment decisions regardless of their demographic and behavior factors. In addition, the study revealed that investment decisions are affected by other factors, such as trading volume, key investors, and company reputation. A secondary result indicated that trading frequency is affected by factors of sex, portfolio size, and monthly income. Finally, the study revealed that individual investors exhibit behavioral biases such as: overconfidence, herd, and personal judgment.

In Bahrain and Muscat ,A Study conducted by Desokey and Mousa, (2014) investigated the value relevance and predictability of accounting information provided under IFRS in Bahrain Bourse (BHB) and Muscat security market(MSM).The sample of study consists of 40 companies listed in (BHB) and 29 companies listed in (MSM) covering the period 2005-2011. The methodology adopted in this study is regression models to measure the association between prices and returns of shares as dependent variables and earnings per share, book value of equity as independent variables. As for (BHB) the results showed that value relevance of accounting information improved after adoption of IFRS but the predictability is reduced after the adoption of IFRS. As for (MSM) the results showed that value relevance of the accounting information either before or after adoption of IFRS are similar, but the predictability of the accounting information after the adoption of IFRS witnessed an improvement.

In Athens, Gleza,kos and Mylonakis,,(2012) investigated the impact of earnings and book value in the formulation of stock prices on a sample of 38 companies listed in the Athens Stock Market during the 1996-2008 period using the Ohlson’s (1995) model. Resulting evidence suggests that the joint explanatory power of the above parameters in the formation of stock prices increases over time. However, the impact of earnings is diminishing, compared to the book value, while investors strive towards analyzing the fundamental parameters of businesses.

In UAE, Trablsi and Trablsi,(2014) examine the value relevance of accounting information for 12 banks listed in the Dubai financial market (DFM) during the period from 2008 to 2013. Empirical tests conducted by using both return model and price model. Results indicated that accounting information is associated with market valuation of equity. Earnings are value relevant in both price model and return model,

In Jordan, Saaydah, (2012) investigated the impact of applying IFRS by Jordanian listed companies on the value relevance of accounting information when setting the value of the firm in the stock market. The sample consists of 11 banks and 34 industrial companies. The analysis is based on sample firms' annual data of four individual years within the period 1996-2009. The methodology used a cross-sectional OLS regression model that explains the market value of the firm using IFRS-based accounting information (book value, earnings, operating cash flows and discretional accruals). The individual-year tests' results are mixed and there is no consistent set of accounting Variables capable of explaining the market value of a firm over the entire period of the study. However, it can be said that the IFRS era, operating cash flows and discretional accruals are better predictors of a bank's market value, while book value and earnings are better predictors of an industrial firm's market value.

I**n USA**, Keener, (2011) examined the differences in the value relevance of earnings and book values across industries. The results of this study indicated that the joint value relevance of earnings and book did not decrease over the sample period. This study also showed that the incremental value relevance of earnings has increased but stayed constant for thesample period. Finally, results indicate that there is no significant variation in the incremental value relevance of earnings and book values across industries.

In Saudi stock exchange, AL Barrak, (2011) investigated whether developments in financial reporting following SOCPA’s inception resulted in financial statement information to be more value relevant over time. This study is a quantitative method and employed secondary data in addressing the research questions. This study uses adjusted $R2$as a primary metric for measuring value through Ohlson, (1995); Easton and Harris, (1991). A sample of firms listed in the Saudi Stock Market during the time period from1993 to 2009 has been used. The sample excludes firms in the banking and insurance sectors.

The main findings of the value relevance of accounting information in equity valuation are as follows: First, earning (book value) coefficients are significant in all years in the price regressions. Second, earning levels and changes have significant relationship with stock returns in all years.

Third, hedge portfolio strategies based on pre-knowledge of accounting information yielded non-zero returns. Fourth, the explanatory power of the price model increased from the 1993–1997 to the 1998–2003 time period and declined in the following periods. Fifth, the explanatory power of the return model showed no significant change over time. Sixth, earnings are not value-relevant in equity valuation for loss-making firms, while book value is value-relevant for the 1993–1997 and 1998–2004 periods.

On the predictive ability of future cash flows, the study showed that earnings provide incremental explanatory power beyond that provided by current cash flows in all three pooled cross sections. Earnings' accrual components provide incremental explanatory power beyond that provided by current cash flows in predicting future cash flows. These two measures did not witness any significant change over time. Earnings as a summary measure did not outperform current cash flows in their predictive ability except for three years. This study concludes that accounting information has been value relevant during the entire period of this study and that an increase in value relevance might only be present in the early period of this sample.

In Saudi Arabia, *Khanagha*, (2011) investigated the value relevance of accounting information in Saudi Arabia for the period 1993-2008, before and after revising national accounting standards by The Saudi Organization for Certified Public Accountants (SOCPA). In the Study ample, Banks and insurance companies are excluded due to their different financial reporting structure and the regulatory nature of the industry Data were obtained from the Gulf base database, the Saudi stock exchange website and other databases such as Bloomberg and DataStream for 1993 through 2009.Results obtained from a combination of regression and portfolio approaches, showed accounting information in Saudi Arabia stock exchange is of value relevance. A comparison of the results for the periods before and after reform, based on both regression and portfolio approaches, showed an improvement in value relevance of accounting information after the reform in accounting standards. This evidence indicates that reform in the national accounting standards improved relevancy of accounting numbers in the Saudi Arabia stock exchange.

In Saudi Arabia and Kuwait.AL Salman, (2003) examines whether accounting standards or institutional factors are the main factors of differences in value relevance of accounting numbers across countries. Therefore, the question is whether the application of common accounting standards result in enhanced comparability of financial statements, given that firms operate in different countries with different regulatory and cultural influences. This study investigated the relationship between reported financial figures and both stock prices and returns across Saudi, Kuwait, the U.S, and U.S. listed firms that use international accounting standards (lAS-sample) to determine whether there are differences in the value relevance of their accounting numbers. Saudi and Kuwait have similar environments. However, they use different GAAPs. Saudi uses U.S. GAAP and Kuwait uses lAS. As a benchmark, this study uses samples of firms that use U.S. GAAP, and that Use lAS, with both samples listing in the U.S. capital market.

To determine whether accounting standards play a large role in differences in Value relevance across these countries, four comparisons are performed: (1) Saudi and the U.S.; (2) Kuwait and lAS-sample; (3) Saudi and Kuwait; and (4) the U.S. and lAS sample. The study uses both the price model as in Ohlson, (1995), and the return model as in Easton and Harris, (1991). Value relevance of accounting numbers is measured by comparing the adjusted R2 within-country regressions. In addition, the study uses earnings-return association "reverse regressions" to measure conservatism. In Saudi sample, banks and insurance companies are excluded due to their different financial reporting structure and the regulatory nature of the industry. This study covers the time from 1993- 2001.

The results indicated that there are significant differences in the value relevance between countries that adopt the same standards but have different institutional factors. on the other hand, there are no significant differences in most cases in the value Relevance between countries that apply different standards but operate in a similar Environment. Moreover, this study attempts to determine whether earnings conservatism differs across these countries. This study provides an evidence that institutional factor affect the differences in earnings conservatism. The findings of this study suggest that international harmonization of accounting standards may not be easily accomplished because institutional factors play an influential role in intonation dissemination.

6. Development of Research hypotheses

To achieve research objectives and answer to research questions. Based on the previous discussion in past literature review two hypotheses developed as follows:

1. Both earning per share and book value per share under IFRS are more value relevance than value relevance provided by earning per share alone.
2- Both earning per share and book value per share under IFRS are more value relevance than value relevance provided by book value per share alone.

7. Methodology and Research design

This section explains the adopted research methodology and defines both dependent and independent variables of regression models that measure the association between these variables, in addition, explains the data required to test the research hypotheses. This study uses secondary data collected and derived from the financial statements of banks under study. The quality of accounting information such as earning or book value is measured by value relevance regression models that investigate the association between share prices as dependent variable and some accounting information such as earning per share, book value of equity as independent variables. Alali and Foote, (2012) defined value relevance as a statistical association between accounting information and share prices or returns. Furthermore Dobija and Klimczak,(2010) set a rule that as long as accounting numbers provide investor with useful information the accounting numbers should be correlated with stock prices. In addition, Harris, et.al, (1994) measured quality of accounting information by investigating the relationship between earning and prices. The common methodology used by the accounting literature to assess the value relevance of accounting information (the quality of accounting numbers) is to test its relevance to market valuation. It means that there is a statistically significant association degree between accounting information disclosed and the stock market valuation. Most empirical studies adopted the model of Ohlson, (1995) and its subsequent improvements.

The Sample of this study includes all data available on banks listed in Saudi stock exchange during the period from 2006 to 2015. There are 12 banks were trading in Saudi stock exchange, one of them has data for share prices as of 2014.Therefore,this bank has been excluded due to lack of data about its share prices covering the study period, the remaining11 bank were included with 110 observations. Data on share prices were obtained from Saudi stock exchange website, whereas data about independent variables, earnings per share and book value per share were obtained from financial statements of banks available on Saudi stock exchange website covering the period from 2011 to 2015 and from Saudi capital market authority for data covering the period from 2006 to 2010. A linear regression model is performed for the period under study to measure the value relevance of both earning per share and book value per share. Testing research hypotheses requires two regression models are performed to measure the value relevance of earnings per share and book value per share alone. The present analysis was based on the methodology adopted by many other studies derived from the Ohlson's (1995) model, which expresses the stock price as a function of the earnings per share and the book value per share. To capture the joint explanatory power of the independent variables under study share price can be modeled as a function of earnings and book value, as in Ohlson (1995) and Collins et al. (1997) as follow:

$$Y\ it = \alpha 0 \ \ + \beta 1x1it + \beta 2x2it + £it \ (1).$$

Where $\alpha 0$ is the intercept, it is the price per share for the firm i after three months of the date of the financial statements to allow dissemination of accounting information to investors for decision-making.X1it is earning per share for the firm i at the date of financial statements and is measured as earnings after tax divided by number of shares outstanding. X2it is the Net Asset value (book value) for the firm i at the date of financial statements and is measured as total assets minus total liabilities divided by the number of shares outstanding. £it is other value relevant information (error term). It should be noted that earnings levels and book value of equity level are scaled by outstanding numbers of common shares at the end of fiscal periods to overcome size effects that may distort value relevance measurement, contrary to studies conducted in Saudi exchange market that used levels of earnings, book values and price. To capture the value relevance of earnings per share alone to test hypothesis 1 the following regression model is performed:

$$Y\ it = \alpha 0 + \beta 1x1it + + £it \ (2)$$

To capture the value relevance of book value per share alone to test hypothesis 2 the following regression model is performed:

$$Y\ it = \alpha 0 + \beta 1x2it + £it \ (3)$$

7. Analysis of results

Table1provides the descriptive statistics whereas the average bank has approximately a SR 25, 2291, SR 2, 8975 and SR 18, 0059 for share price, earnings per share and book value per share respectively. There are differences in the mains and standard deviations of variables. Price per share has the greatest standard deviation, whereas earnings per share have the lowest standard deviation.

Table 1: descriptive statistics

Variable	Mean	Std. Dev.	Min	Max
Y				
overall	25.22909	15.63872	8.57	78.93 |
Between		15.02855	12.36	66.437
Within		6.112351	6.562091	44.84309
X1				
overall	2.897455	1.586386	.09	6.58 |
Between		1.108397	1.219	4.748
Within		1.178777	.4114545	7.047454
X2				
overall	18.00591	5.814866	9.39	38.67
Between		4.184254	11.781	26.937
Within		4.21311	8.068909	35.95491

Source: outputs of SPSS software

Table2 provides Pearson correlation whereas results indicated that earnings per share and book value per share are positively correlated each other and with share prices.

Table 2: Pearson correlation

	y	x1	x2
Y	1.0000		
X1	0.5280	1.0000	
X2	0.2641	0.4569	1.0000

Source: outputs of SPSS software

Before conducting regression, the researcher made tests for multicollinearity (correlation between predictors)/using Variance inflation factors (VIF) because multicollinearity can increase the variance of the regression coefficients, making them unstable and difficult to interpret.

Variable	VIF	1/VIF
X1	1.26	0.791237
X2	1.26	0.791237
Mean VIF	1.26	

Source: outputs of SPSS software

As long as 1 < VIF Predictors are moderately correlatedTable 3 provides results of model 1 to capture the value relevance of both earnings per share and book value per share. Results indicated that the model 1 is significant with F value of 20, 75. Earnings per share and book value per share together explain approximately 0,266 of the variation in share prices. Earnings per share is significant predictor of share price, however book value per share is insignificant predictor of share price. Our results can be compared to the results of other studies. The study conducted by Collins et al. (1997) reported adjusted R squared of 0.54 during the period from 1953 to 1993. This result indicated that both book value and earning are significant predictors of share prices also study conducted by keener (2011) reported adjusted R square of 0.413 during the period from 1982 to 2001.this result indicated that both earning per share and book value per share are significant predictors of share prices.

The results of the Study conducted by saaydah,2012 on Jordanian banks from 1996 t0 2002 provide the same results whereas all accounting information including earning are significant predictors of bank market value with adjusted R squared of 0.85 except book value is insignificant. This probably because the correlation between earning and book value, but when the model includes either variable alone it becomes significant. Results of study conducted by Mungly et.al, 2016 indicate that Both earning per share and book value per share are highly significant and considered to be powerful determinants of share prices and the significant and positive coefficient proves that Mauritian investors rely much on these two variables before undertaking any investment decisions. The above results are coherent with the results of many relevant empirical studies carried out in several stock markets of developed and developing countries.

Many studies indicate that earnings per share lose its relevance to investors who rely more on book value, where for instance such evidence has been found on the Ghana Stock Exchange for a research conducted by Vera Ogeh Fiador in 2013. However, this is not the case in our Saudi case where the significant and positive coefficient proves that Saudi investors rely much on earnings per share before undertaking any investment decisions. our results contradicts with the findings of Maydew, Weisis and Collins (1997) who acknowledged a shift from the value relevance of earnings to book value.

The study conducted by AL Salman, (2003) by sing data under GAAP indicated that price exhibited a higher association with book value and earnings in Saudi sample with adjusted R squared 0,68, earnings per share have been consistently found to be significant in explaining stock prices for every year while book values per share have only been found to be significant in 9 out of the 17 years. In Saudi Arabia AL BARRAK,2011 indicated that both earning per share and book values per share under GAAP are significant and explained about 0.38 of variation in stock prices during the period 2004 t0 2009.

Table 3: regression results of model 2

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	F	Sig
0.529	0.279	0.266	13.39839	2.019	20.750	.000
Bx1	Std. Error	Beta	t	Sig	Tolerance	VIF
5.075	.909	.515	5.581	000	0.791	1.264
Bx2	Std. Error	Beta	t	Sig	Tolerance	VIF
0.078	0..248	0.029	0.312	0.755	0.791	1.264

Source: outputs of SPSS software

Table 4 provides the results of model 2 to capture the individual effects of earning per share during the period from 2006-2015. The results indicate that the model 2 is significant with F value of 41.75. The Adjusted R square Indicated that earnings per share explains approximately 0,272 of the variation in share prices. Therefore, earnings per share is significant predictor of share price. This result indicated that Hypothesis 1 which says both earning per share and book value per share under IFRS are more value relevance than that provided by earning per share alone is rejected because the adjusted R squared in model 2 is greater than the adjusted R squared in model 1.

Table 4: regression results of model 2

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	F	Sig
6.461	0.279	272	13.34229	2.004	41.750	.000
B	Std. Error	Beta	t	Sig	Tolerance	VIF
5.205	806	528	6.461	000	1.000	1.000

Source: outputs of SPSS software

Table 4 provides the results of model 3 to capture the value relevance of book value per share. Results indicated that the model 3 is significant with F value of 8.095. The Adjusted R square Indicated that book value per share explains only approximately 0.061 of the variation in share prices. Results provide evidence that book value is insignificant when it is combined with earnings per share in the model I and is significant in model 3 that measure the value relevance of book value alone. This result indicates that Hypothesis 2 in which both earning per share and book value per share under IFRS are more value relevance than that provided by book value per share is accepted because adjusted R squared in model 3 is less than adjusted R squared in model 1.

Table 4: regression results of model 3

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	F	Sig
.264[a]	.070	.061	15.15331	1.911	8.095	005
B	Std. Error	Beta	t	Sig	Tolerance	VIF
710		264	2.845	.005	1.000	1.000

Source: outputs of SPSS software

8. Conclusion

This study aims to determine whether accounting information under IFRS is of value relevance or not and which accounting information is more value relevance in Saudi Arabia. To achieve this aim the researcher conducted a quantitative study using a sample of 11 banks listed in Saudi Stock Exchange during the period from 2006 t0 2015. Using panel date methodology, three regression models are performed to test research hypotheses. Model 1 includes both earning per share and book value per share as independent variables and price per share as dependent variable , results indicate that adjusted R-squared explains about 0.2660 of changes in share prices and earnings per share is significant abut book value per share is not significant.

When considering earning per share alone as independent variable in regression model 2 it is found that earnings per share is significant and explains about 0.272 of share price. By comparing results of model 1 with results of model 2, it is found that earning per share alone is more value relevance than both earnings per share and book value per share In Saudi banking industry.

In addition, when considering book value per share alone as independent variable in regression model 3, it is found that book value per share is significant and explains only about 0.061 of share price. By comparing results of model 1 with results of model3.Itis found that both earnings per share and book value per share are more value relevance than book value per share alone In Saudi banking industry. It can be said that earnings per share rather than book value per share is of high quality in value relevance studies under IFRS.

This result indicates that Hypothesis that both earning per share and book value per share under IFRS are more value relevance than the value relevance provided by earning per share alone is rejected. Whereas hypothesis that both earning per share and book value per share under IFRS are more value relevance than value relevance provided by book value per share alone is accepted. Finally, it is concluded that earnings per share derived from IFRS is more value relevance than book value per share in banking industry in Saudi Arabia and that correlation analysis support these results.

9. Future Researches

The researcher proposes research topics that can be conducted by other researcher as follows:

1. Conducting a comparative study to measure the value relevance of accounting information for both companies adopting GAAP and companies adopting IFRS to determine which of GAAP and IFRS is of more value relevance.
2. Conducting a comparative study to measure the value relevance of accounting information for both companies adopting GAAP and companies adopting IFRS to determine which of GAAP and IFRS value relevance is improving over time.

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