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LEASE ACCOUNTING AND VALUE RELEVANCE OF LISTED NON-FINANCIAL FIRMS IN NIGERIA

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Abstract
The broad objective of the study is to examine the effect of lease accounting on the value relevance of listed non-financial firms in Nigeria. The study specifically examined the effect of lease accounting on the book value per share and price-earnings of listed non-financial firms in Nigeria. The study adopted the expost facto research design. The population was comprised of non-financial firms listed on the Nigerian Exchange Group (NGX). A total of ninety - five (95) non-financial firms listed on the Nigerian Exchange Group were identified as of 31st December 2022. The study employed a purposive sample of seventy-four (74) non-financial firms. The study relied on secondary data from annual reports and accounts covering a period of 11 years (2012 – 2022). The data were analysed using Ordinary Least Square (OLS) with the aid of IBM SPSS Ver. 25 statistical software. The results showed that lease accounting has a significant effect on the book value per share; but, does not have a significant effect on price earnings of listed non-financial firms in Nigeria. Based on this, the researcher recommends that managers should be mindful of excessive lease liabilities for their negative effect on BVS. This accounts for the negative effect of lease accounting on the book value per share and shareholders should constantly evaluate the degree of lease liabilities in the annual financial reports of a company. This is because the recognition of lease assets and liabilities on the SoFP results in an increase in the company's total assets and total liabilities.

Key Words: Book Value per Share, Lease Accounting, Price Earnings, Value Relevance.

Introduction
Leasing is a contractual arrangement between a lessor (owner of an asset) and a lessee (user of the asset) where the lessor allows the lessee to use the asset in exchange for periodic lease payments over a specified period (Goodacre, 2018; Slotty, 2019; Eisfeldt & Rampini, 2019). Leasing is commonly used for acquiring assets such as real estate, vehicles, equipment, or machinery, without having to purchase them outright. Leasing is referred to as asset-based financing. As lessors retain ownership of the assets they lease throughout the life of the contract, these leased assets are therefore an inherent form of collateral in such contracts (compared to traditional bank lending which will either be unsecured or make use of different types of collateral and typically not physical assets such as equipment which are inherent in leases) (Cornaggia et al., 2017). The two main types of leases are, operating and finance leases. In an operating

lease, the lessee does not assume the risks and rewards of ownership. The lessor retains ownership of the leased asset and is responsible for maintenance, repairs, and other related costs. The lessee is responsible for maintenance, repairs, and other related costs. It is often a long-term lease agreement, and at the end of the lease term, the lessee may have the option to purchase the asset at a predetermined price. A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. An operating lease is a lease other than a finance lease. The lessor relies on the lessee's ability to generate sufficient cash flows to pay the lease rentals (rather than relying on the lessee's other assets or track record/credit history).

Value relevance refers to the extent to which financial information is useful and relevant for making investment decisions. It measures the ability of financial reporting to provide useful information about an entity's future cash flows and net assets, which are key determinants of its value. Financial information is considered value-relevant if it has a significant impact on the stock prices or valuation of a company (Brown et al., 1999; Outa et al., 2017). The link between lease accounting and value relevance is long established. For instance, Bennet and Bradburry, (2013) further showed that capitalization of an operating lease into the statement of financial position may affect accounting ratios. If accounting ratios are the main input in decision-making, then this will affect decisions made by users of financial statements. On the other hand, rented assets which are recorded as financing or capital lease will negatively affect financial position, increase the probability of the company violating debt covenants, reduces compensation paid to owners of companies, and decrease the rate of return and quality of debt to equity.

Prior studies focused on economic determinants that explain the use of operating leases (Slotty, 2019; Eisfeldt & Rampini, 2019; Cornaggia et al., 2017) yielded mixed results. Some researchers (Imhoff, Lipe, & Wright, 2017; Beattie, Edwards, & Goodacre, 2018; Bennet & Bradburry, 2016) were conducted to prove whether capitalization of the operating lease can significantly alter financial figures and affects the market value of companies. Beattie et al. (2018) found evidence that operating leases used by companies in the United States of America affected financial ratios significantly and influenced market value. The impact was not merelya change in number, but also on investors' decisions, market value, cash flow, and managerial behaviour. The divergent opinions and mixed results in the literature on the effect of lease accounting on market value. While some studies have documented the positive effect of lease accounting on company market value (Bennet & Bradburry, 2016; Imhoff, Lipe, & Wright, 2017; Beattie, Edwards, & Goodacre, 2018), some others have reported the negative effect of lease accounting on company market value (Mireku & Ahiagbah, 2021). Consequently, inconclusiveness has become imperative, thus some gaps observed in the literature. Besides some related studies on lease accounting and firm value covered the period of 2001 to 2009, 2011-2013 while some covered 2015 to 2018. This study tends to fill this periodical gap as well by covering 2012 to 2022. In addition, there is a dearth of studies that have considered the effect of lease accounting on investor returns.

Broadly, the study fills these gap by examining the effect of lease accounting on value relevance (investor returns) of listed non-financial companies in Nigeria. The specific

objectives are to:

a. determine the effect of lease accounting on the book value per share of listed non-financial firms in Nigeria.
b. ascertain the effect of lease accounting on price earnings of listed non-financial firms in Nigeria.

Literature Review

Lease Accounting

Leasing is one of the most highly innovative areas of business finance that has generated several definitions representing the perspective and background of the user. A lawyer would be more concerned with the legal title of the asset, an economist is concerned with the productive use of the asset; an accountant is concerned with reporting in accounts, the board of Inland Revenue is concerned with capital allowances and the banker with risk exposure as a result of financing the acquisition of the asset. Therefore, each one will define leasing based on its perspective. However, the common denominator underlying the definitions of leasing focuses on the separation of ownership and use of the asset over lease tenure, as the essence of leasing, (Sacarin 2017). The impact is more significant in sectors with a higher operating lease intensity (Morales and Zamora, 2017), such as retail (real estate leases), airlines (aircraft leases), hotels (real estate leases), and so on. Lease accounting has been a work in progress for years for accounting standard-setters and international accounting standard bodies. Statistics on leasing in Nigeria show that as of 2018 the outstanding volume of lease transactions was 1.68 trillion naira to sectors inclusive of Oil and Gas, Transportation, Agriculture, Manufacturing, Government and Telecommunications among others (ELAN, 2018).

Operating Lease and Financial Lease

Operating leases, also referred to as off-statement of financial position leasing, are defined as non-cancellable, long-term, fixed-cost claims with bankruptcy priority (Alexander, Britton, Jorissen, Hoogendoorn, & Van Mourik, 2017). As a consequence, operating leases or off-balance sheet leasing is fundamentally a form of conventional debt obligation. Under the previous International Accounting Standard 17 (IAS 17) from a lessee perspective, only payments relative to the current rental expense are recognised in the company's financial statements. All future payments relative to operating leases are disclosed in the notes to the financial statement. This off- statement of financial position treatment of operating leases has created a long controversy in the accounting literature. Many studies document that firms' use of operating leases has increased significantly suggesting that companies use operating leases as a form of off-statement of financial position financing and a form of manipulation of financial statements (Cornaggia et al., 2017). IAS 17 in its current makes a fundamental distinction between finance leases and operating leases. A finance lease is defined as a lease that transfers substantially all risks and rewards of ownership to the lessee.

According to Egbuna (2005), some of the main characteristics of an operating lease include among others;

i. The total lease rentals for the tenor of the lease are typically lower than the cost of the asset,
ii. The lessee can cancel the lease before the expiration of the primary lease period,

iii. The lessor may provide extra services relating to the asset such as insurance, product warranties, replacements (that is replacing the leased asset with another pending

major repair on the asset) and other technical and operational support. In a full-service operating lease, the lessor is directly affected by the state and efficiency of the asset. The lessor therefore has a great interest in ensuring the asset is kept in good condition.

Other important characteristics of a finance lease are:

a. The lessee is responsible for the upkeep, servicing and maintenance of the asset. The lessor is not involved in this at all;
b. The lease has a primary period, which covers all or most of the economic life of the asset. At the end of the lease, the lessor would not be able to lease the asset to someone else, as the asset would be worn out.
c. It is usual at the end of the primary lease period to allow the lessee to continue to lease the asset for an indefinite secondary period, in return for a very low nominal rent.

Value Relevance

Value relevance refers to the extent to which financial information is useful and relevant for making investment decisions (Imhanzenobe, 2022). It measures the ability of financial reporting to provide useful information about an entity's future cash flows and net assets, which are key determinants of its value. Value relevance is a term that has been commonly used to refer to the extent to which investors consider accounting figures in financial statements in making equity investment decisions. It is the extent to which changes in accounting figures explain the changes in stock prices (Brown et al., 1999; Outa et al., 2017). Financial information is considered value-relevant if it has a significant impact on the stock prices or valuation of a company. According to the International Accounting Standards Board conceptual framework, relevance and faithful representation (reliability) are the two fundamental qualitative characteristics of useful financial information is the definition of relevance described as follows: 1) information is relevant if it is capable of making a difference to the decisions made by users, and 2) financial information is capable of making a difference in decisions if it has predictive value or confirmatory value (International Accounting Standards Board, 2018). Therefore, for the accounting information to be classified as value relevant it has to be related to the company value, for instance, "the financial statement information has to be able to capture and summarise information that determines the firm's value", otherwise it does not help in the decision-making process, and does not fulfil one of its primary objectives. This interpretation of value relevance asks whether investors can use that information to predict how the stock prices/returns will evolve and come in agreement with the interpretation of value relevance used by Amir et al. (1993); Francis and Schipper (1999) (interpretation 4).

Book Value per Share (BVS)

BVS describes how much the book value of a firm's stock is valued by the market. BVS is a ratio that divides common equity value by the number of equity shares outstanding. The book value of equity per share is one factor that investors can use to determine whether a stock price is undervalued. A high shows that the more successful firm attracts the shareholders. The firm's performance is reflected in the high Book value,

the firm is increasingly successful in creating value for shareholders and the amount of profit to shareholders will increase. Besides that, the high BVS makes the market more confident about the firm's prospects, so investors will be interested in investing their funds into the firm. Hoogervorst, (2016) opined that the book value of a firm is the difference between the total assets and total liabilities of the firm. A higher book value means that a stock is undervalued and can therefore impact how the asset or company is perceived by the market and it is formulated as follows;

$$\text{Book Value per Share} = \frac{\text{Equity}}{\text{Ordinary Shares}}$$

Price Earnings (P/E)

Numerous elements contribute to a company's worth, one of which is the price-earnings ratio. The price-earnings ratio can be used to measure the market value of the stock. The Price-earnings ratio (P/E) indicates the investor's attention and the firm's possibility of growth that may be reflected in the stock price. The higher P/E ratio indicates that investors have good expectations about the firm's development in the future, so for certain earnings per share, investors are willing to pay a high price. Annisa in Utari (2017) said that the price-earnings ratio (P/E) is a ratio that compares the price of shares obtained from the capital market and earnings per share obtained by company owners presented in the financial statements. The price-earnings ratio (P/E Ratio) is the ratio for assigning a value to a firm that measures its current share price relative to its per-share earnings (Nicholson, 2020). The higher price-earnings ratio (P/E) will indicate that the company's performance is also getting better, but conversely, if the PER is too high it can also indicate that the stock price is very high or irrational. Proficiently, the price-earnings ratio can be calculated as follows (Brigham & Houston 2018);

$$\text{Price Earnings Ratio} = \frac{\text{Share Price}}{\text{Earnings per Share}}$$

Theoretical Review

Trade-off Theory

The trade-off of capital structure was introduced by economists, Franco Modigliani and Merton Miller, and published in the American Economic Review in 1958. The theory was developed by Krans and Litzenberger in 1973. The theory asserted that since both operating lease and lease financing are fixed-claim obligations trade-off theory predicts that they are substitutes. Also, based on the agency story of trade-off theory, lease financing is a substitute for controlling the free cash flow problem. This leads to the question of whether firms exhaust their lease capacity before issuing secured debt. However, in the case of lease financing the lessee gets capital goods which are exclusively meant for a specific use. Therefore, lease financing has only the capital expenditure feature but none of the other uses mentioned above are possible. Also, it is argued in the literature that firms with very unique/specific assets may want to buy them either through secured debt or equity. It turns out that unique assets are less liquid compared to other non-unique assets when the lessor tries to re-lease or resell the leased assets. Hence there may not be an efficient secondary market for such unique assets accordingly limiting the ability to lease such assets in the first place. Further, as argued in the literature, as part of corporate strategy firms may want to buy strategic assets, either through secured debt or equity, rather than lease them.

Empirical Review

Morales-Díaz and Zamora-Ramírez (2018b) found that IFRS 16 significantly affects the leverage ratios of the sectors that rely heavily on operating leases, such as European retail, hotels, and transportation firms. On the other hand, their analysis of IFRS 16's effect on profitability ratios shows mixed results. While these studies report a significant effect of lease capitalization on accounting ratios. Giner and Pardo (2018) use Spanish-listed firms to find that the market incorporates SoFP operating lease information into the price as if SoFP operating lease is recognized in assets and liabilities, even in code-law countries with less developed markets and weak enforcement.

Fafatas and Fischer (2016) examined 22 retail companies and then did an additional test to confirm the findings in the retail and restaurant industries with a wider sample (109 companies worldwide) in 2014. The duo found an average decline in the EBIT/Assets ratio was 4.07%. In addition to the increase in total assets and liabilities, the results from the literature also indicated that operating lease capitalization can result in a material decline in profit margin, ROA ratio and ROE.

Arroziom Gonzales and Silva (2016) studied the changes in the financial indicators of companies in the wholesale and retail sectors, due to the new accounting treatment of the operating leases of the companies listed on the Brazilian stock exchange, noting that leasing has effects on liquidity, debt and operational leverage. Bello and Almustapha (2016) examined the impact of lease financing on the liquidity of companies in the Nigerian oil and gas. The result revealed that leasing does not have a positive impact on the liquidity of the companies.

Paik, Smith, Lee, and Yoon (2015) suggest that the proposed capitalization of Off-Statement of Financial Position leases (operating leases) may not result in firms violating loan covenants but will make the balance sheet a more complete source of information for debt contracting by removing the need for constructive capitalization of SoFP leases. The scholars used logistic regression models to investigate the relation between SoFP leases and the use of income-statement- or balance-sheet-based ratios in covenants. The potential for these changes to negatively affect the accounting ratios included in debt covenants leading to covenant violations is an area of concern. These scholars argued that lenders constructively incorporate SoFP leases when determining the financial constraints of the borrowing firm and this influences the type of accounting ratios to use in debt covenants: income-statement- or balance-sheet-based ratios.

Methodology

Ex-post facto research design was employed in this study. The population is comprised of non-financial firms listed on the Nigerian Exchange Group (NGX). This was ninety - five (95) non-financial firms listed on the Nigerian Exchange Group as of 31st December 2022. The choice of non-financial firms consists of Industrial Goods, Natural Resources, Consumer goods, Health care, Agriculture, Services, conglomerate, ICT, Oil and Gas and Construction/Real estate. The study used a purposive sampling technique to select the sample population. The firms must have been listed on the

Nigeria Exchange Group as of 2012. Based on the conditions stated above, Seventy-four (74) firms are selected as our sample population covering a period of 11 years (2012 – 2022).. Secondary data was used for this study.

This study used Ordinary Least Square (OLS) to estimate panel data from 2012 to 2022 covering a period of eleven (11) years for seventy-four (74) non-financial firms listed on the Nigerian Exchange Group. This was carried out with the aid of IBM SPSS Ver. 25 statistical software.
The researcher adapted the model in Olokiti (2018). This is shown below
$MKTPjt = \beta_0 + \beta_1 BVSHjt + \beta_2 EPSjt + ejt$
This study modified the above model as follows, in econometric form:
$BVSit = \alpha_0 + \beta_1(LA)it + \beta_2 FSit + \beta_3 LEVit + \mu_i$…....Eqn. 1
$PERit = \alpha_0 + \beta_1(LA)it + \beta_2 FSit + \beta_3 LEVit + \mu_i$…....Eqn. 2

Where:
LA = the sum of the financial lease and operating lease for firm i at the end of yeart
BVS = book value of equity per share for firm ί in year t
PERit = price-earnings ratio per share for firm i at the end of year t
FSit = firm size for firm i at the end of year t
LEVit = leverage for firm i at the end of year t
μ_i = error term
α_0 = the intercept
$\beta_1 - \beta_3$ =coefficients of explanatory variable.

Table 1: Operational definition of variables and measurements

Variable Types	Variable Name	Variable Code	Variable Measurements
Independent Lease Accounting (LA)	Financial Lease	FL	Present value of minimum present and future rental payments under non-cancelable financial lease
	Operating Lease	OL	Present value of minimum present and future rental payments under non-cancelable operating lease
Dependent	Book Value per Share	BVS	The ratio of equity available to common shareholders divided by the number of outstanding shares
Dependent	Price to Earnings	PER	Share Price/Earnings Per Share
Control	Firm Size	FS	Natural logarithm of total asset
Control	Leverage	LEV	The ratio of debt to total asset

Source: Author's compilation (2023).

Result and Discussion

Descriptive Statistics

Table 2: Summary statistics of dependent variables in the models 1&2

	N	Minimum	Maximum	Mean	Std. Deviation
Book Value Per Share	847	-17.08	148.11	10.3829	17.01656
Price/Earnings Per Share	847	-552.50	612.67	11.6270	48.60621
Valid N (listwise)	847				

Source: SPSS Ver. 25

The mean (standard deviation) of the DVs which proxies the BVS and PER showed as follows: BVS=10.38(17.02); and, PER=11.63 (48.61). The maximum value of BVS was 148.11 while the minimum was -17.08. The maximum value of PER was 612.67 while the minimum was -552.50. The skewness for BVS (2.948) showed a positive value and the kurtosis (11.705) is suggestive of a leptokurtic distribution. The skewness for PER (2.380) showed a positive value and the kurtosis (62.435) is suggestive of a leptokurtic distribution.

Table 3: Summary statistics of lease accounting and control variables in models 1&2

	N	Minimum	Maximum	Mean	Std. Deviation
Operating Lease/Asset	847	.00	38.11	.6411	3.39785
Finance Lease/Asset	847	.00	47.70	.7504	4.24226
Firm Size	847	5.24	9.42	7.1183	.82206
Debt/Asset	847	3.55	395.45	67.7041	43.48994
Valid N (listwise)	847				

Source: SPSS Ver. 25

The mean (standard deviation) of the IV which proxies the OL and FL showed as follows: OL=0.641 (3.398); and, FL=0.750 (4.242). The mean (standard deviation) of the control variables were firm size and firm leverage; FS=7.12 (0.82); and, LEV=67.70 (43.49). The maximum value of OL was 38.11while the minimum was 0.00. The maximum value of FL was 47.70while the minimum was 0.00. The maximum value of FS was 9.42 while the minimum value was 5.24; the maximum value of LEV was 395.45 and the minimum value was 3.55. The study also examines *skewness* which refers to a measure of the symmetry or asymmetry of the distribution of values. Positive skewness indicates a longer right tail, while negative skewness indicates a longer left tail. The skewness for OL (8.244) showed a positive value and the kurtosis (75.435) is suggestive of a leptokurtic distribution. The skewness for FL (7.883) showed a positive value and the kurtosis (68.001) is suggestive of a leptokurtic distribution. The skewness for FS (-.192) showed a negative value and the kurtosis (-.417) is suggestive of a platykurtos distribution. The skewness for LEV (3.342) showed a positive value and the kurtosis (16.025) is suggestive of a leptokurtic distribution.

Correlation Analysis

Table 4: Correlation matrix of the variables

		OL	FL	BVS	PER	FS	LEV
OL	Pearson Correlation	1	.593**	-.018	-.026	.081*	.065
	Sig. (2-tailed)		.000	.604	.447	.018	.058
	N	847	847	847	847	847	847
FL	Pearson Correlation	.593**	1	-.081*	-.036	-.042	.183**
	Sig. (2-tailed)	.000		.018	.295	.224	.000
	N	847	847	847	847	847	847
BVS	Pearson Correlation	-.018	-.081*	1	.023	.562**	-.130**
	Sig. (2-tailed)	.604	.018		.511	.000	.000
	N	847	847	847	847	847	847
PER	Pearson Correlation	-.026	-.036	.023	1	.030	-.104**
	Sig. (2-tailed)	.447	.295	.511		.376	.003
	N	847	847	847	847	847	847
FS	Pearson Correlation	.081*	-.042	.562**	.030	1	-.125**
	Sig. (2-tailed)	.018	.224	.000	.376		.000
	N	847	847	847	847	847	847
LEV	Pearson Correlation	.065	.183**	-.130**	-.104**	-.125**	1
	Sig. (2-tailed)	.058	.000	.000	.003	.000	
	N	847	847	847	847	847	847

Source: SPSS Ver. 2

The OL is positively correlated with FL (r=0.593**). Concerning other DVs, OL is negatively correlated with BVS (r=-0.018) and PER (r=-0.026). In regards to the control variables, FS and LEV, the OL positively correlated with FS (r=0.081) and LEV (r=0.065). FL is negatively correlated with BVS (r=-0.081*) and PER (r=-0.036). In regards to the control variables, FS and LEV, the FL negatively correlated with FS (r=-0.042) and positively associated with LEV (r=0.183**). BVS is positively correlated with PER (r=0.023). In regards to the control variables, FS and LEV, the BVS positively correlated with FS (r=0.562**) and negatively associated with LEV (r=-0.130**). In regards to the control variables, FS and LEV, the PER positively correlated with FS (r=0.030) and negatively associated with LEV (r=-0.104**). Thus, from the correlation results we do not find any evidence of any strong association between the variables since all the coefficients were less than 0.90.

Test of Hypotheses

Hypothesis One

H_{o1}: Lease accounting does not have a significant effect on book value per share of listed non-financial firms in Nigeria.

Table 5a: Model summary for the test of hypothesis one

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.568[a]	.322	.320	14.03152

a. Predictors: (Constant), LEV, Firm Size, LA

Source: SPSS Ver. 25

Table 5b: ANOVA output for the test of hypothesis one

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	78997.749	3	26332.583	133.747	.000[b]
	Residual	165972.775	843	196.883		
	Total	244970.524	846			

a. Dependent Variable: Book Value Per Share

b. Predictors: (Constant), LEV, Firm Size, LA

Source: SPSS Ver. 25

Table 5c: Coefficients output for the test of hypothesis one

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-69.961	4.398		-15.906	.000
	LA	-.150	.071	-.060	-2.093	.037
	Firm Size	11.509	.592	.556	19.448	.000
	LEV	-.020	.011	-.052	-1.789	.074

a. Dependent Variable: Book Value Per Share

Source: SPSS Ver. 25

The empirical results of the OLS in Table 5a showed that the R^2 value was 0.322; the Adjusted R^2 value of the model was approximately 0.320, and the F-test (133.747) was statistically significant ($p< 0.01$); therefore, the research model can describe the relationship between explanatory variables and the dependent variable. The Adjusted $R^2$is often preferred to account for sample size adjustments, the figure showed that 32.0% variation was explained by the explanatory variables while other variables excluded from the model that can impact BVS but are outside the scope of this study.

Decision Rule: Lease accounting as an independent variable to BVS appears to have a negative coefficient (for instance, -0.060) and is significant at a 5% level (p=0.037). This, therefore, implies that an increase in LA will cause a decrease in BVS. This evidence, therefore, leads to a rejection of the null hypothesis and acceptance of the alternate; thus, "Lease accounting has a significant effect on book value per share of listed non-financial firms in Nigeria (p=0.037<.05); this implies that an increase in LA will lead to a decrease in the BVS of the non-financial firms in Nigeria. Therefore a 1 unit change in LA will lead to approximately -0.060 change in BVS. Lease accounting

affects the book value of a company's assets and liabilities, which in turn affects book value per share (Arnold, 2022).Under IFRS 16, the lease liability is remeasured each time the reference index or a rate that variable lease payments are tied to resets; and, IFRS 16 allows interest to be reported within operating, investing, or financing activities. Yet others, such as Arroziom Gonzales and Silva (2016) in Brazil find that leasing has effects on liquidity, debt and operational leverage. Awwad and Ruzieh (2021) focused on the effect of financial leasing on the performance of Islamic banks in Palestine and showed that financial leasing had a significant effect on financial performance. Wong and Joshi (2015) in Australia the top 170 companies have shown a significant effect of lease capitalization on financial statements for the selected Australian companies. Orabi (2014) using a sample of industrial companies listed on the Amman stock exchange revealed that lease financing has a statistically significant effect on the liquidity and profitability of the companies.

Hypothesis Two

H_o: Lease accounting does not have a significant effect on the price-earnings of listed non-financial firms in Nigeria.

Table 6a: Model summary for the test of hypothesis two

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.107[a]	.011	.008	48.41192

a. Predictors: (Constant), LEV, Firm Size, LA
Source: SPSS Ver. 25

Table 6b: ANOVA output for the test of hypothesis two

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	22978.333	3	7659.444	3.268	.021[b]
	Residual	1975750.720	843	2343.714		
	Total	1998729.053	846			

a. Dependent Variable: Price/Earnings Per Share
b. Predictors: (Constant), LEV, Firm Size, LA
Source: SPSS Ver. 25

Table 6c: Coefficients output for the test of hypothesis two

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	11.465	15.176		.755	.450
	LA	-.152	.247	-.021	-.616	.538
	Firm Size	1.096	2.042	.019	.537	.591
	LEV	-.110	.039	-.098	-2.814	.005

a. Dependent Variable: Price/Earnings Per Share
Source: SPSS Ver. 25

The empirical results of the OLS in Table 6a showed that the R^2 value was 0.011; the Adjusted R^2 value of the model was approximately 0.008, and the F-test (3.268) was statistically significant ($p< 0.01$); therefore, the research model can describe the

relationship between explanatory variables and the dependent variable. The Adjusted R^2 is often preferred to account for sample size adjustments, the figure showed that 0.08% variation was explained by the explanatory variables while other variables excluded from the model that can impact PER but are outside the scope of this study.

Decision Rule: Lease accounting as an independent variable to PER appears to have a negative coefficient (for instance, -0.021) and is not significant at a 5% level (p=0.538). This, therefore, implies that an increase in LA will cause a decrease in PER. This evidence, therefore, leads to a rejection of the alternate hypothesis and acceptance of the null; thus, "Lease accounting does not have a significant effect on price earnings of listed non-financial firms in Nigeria (p=0.538>.05); this implies that an increase in LA will lead to a decrease in the PER of the non-financial firms in Nigeria. Therefore a 1 unit change in LA will lead to approximately -0.021 change in PER. Duke, Hsieh, and Su (2009) using a sample of 366 US firms listed on the S&P index found that by not capitalizing leases, firms on average avoided reporting USD 582.04 million of lease liabilities, which is 11.13% of their total reported liabilities with the average reaching 34.24% for the 91 firms in the top quartile. Duke *et al* (2009), find that if leases are capitalized, the D/E ratio would increase by 0.40 in absolute terms (13% in relative terms). On the one hand, studies find a negative impact of IFRS 16 adoption to include lowering firms' financial performance indicators, access to financing, the market for corporate debt, the firm's financial cost, and ultimately business strategies (Arimany-Serrat, Fito, & Orgaz, 2015; Fülbier, Silva, & Pferdehirt, 2008).
In contrast, Arroziom Gonzales and Silva (2016) on listed companies on the Brazilian stock exchange find that leasing has effects on liquidity, debt and operational leverage. Alazzam's (2015) research, financial leasing may successfully cover the cost of fixed assets, offer enough liquidity and profitability ratios, and provide a method for tax savings. The study by Bennett and Bradbury (2003) on a sample of 38 listed companies in the New Zealand Stock Exchange demonstrated how the capitalisation of the lease had a significant impact on reported liabilities and financial data, with obvious effects on leverage, liquidity and profitability. Goodacre (2003) studied 102 retail companies in the UK over the period 1994-1999 and showed that operating leases, most of which were land and buildings accounted for a significant percentage of total assets reported.

Conclusion and Recommendations

The study concludes that lease accounting affects the value relevance of listed non-financial firms in Nigeria. Prior empirical studies have considered that in line with IFRS operational and finance leases utilised by non-financial businesses have a considerable impact on investor returns over time. Based on this, the researcher recommends the following for managerial and policy implications purposes:

1. Managers should be mindful of excessive lease liabilities for their negative effect on BVS. Lease accounting can affect a company's overall financial position and thus indirectly impact the book value per share. For example, if a company has significant leases that need to be recognized as liabilities on the SoFP due to changes in lease accounting standards, it could increase its total liabilities. This, in turn, may decrease the book value per share if there are no significant changes in the company's shareholders' equity. This accounts for the negative effect of lease

accounting on the book value per share of listed non-financial firms from affecting the firm's net asset value, i.e., total assets - total liabilities on a per-share basis.

2. Shareholders should constantly evaluate the degree of lease liabilities in the annual financial reports of a company: This is because the recognition of lease assets and liabilities on the SoFP results in an increase in the company's total assets and total liabilities. Thus, when it comes to the relationship between lease accounting and the P/E ratio, there can be indirect effects. Changes in lease accounting standards that result in higher lease liabilities being recorded on the SoFP can impact a company's debt levels, affecting its financial leverage and overall risk profile. This, in turn, can influence investors' perception of a company's future earnings potential and, consequently, its P/E ratio.

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