Effect Of Accounting Information On Deferred Taxation
In Nigerian Deposit Money Banks

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ABSTRACT
This study determined the effect of accounting information on deferred taxation in Nigerian deposit money banks using book value of equity and market price. Ex post Facto research design was adopted and the data were collected from annual reports and accounts of Nigerian deposit money banks. Pooled multiple regression analysis was employed to test the formulated hypotheses. Based on the analysis, the study found that book value of equity impact negatively on our dependent variable, deferred tax, but book value of equity impact was statistically significant. Also the study revealed that market price was found to impact positively on our dependent variable, deferred tax, but this impact was not statistically significant.

Keywords: Book value of equity, Market price and Deferred taxation.

1.0 INTRODUCTION
The deferred tax arises due to the differences between taxation and accounting rules, due to book-tax differences. The issue of book-tax differences is related with three economics areas, namely accounting for income taxes, earnings management and capital market anomalies. In the quantification of the impacts of the deferred tax on fiscal position of companies, it is necessary to research the connection or disconnection between the taxation and accounting rules in different countries (Petr & Hana, 2017).

While the cost to produce deferred tax information are rather easily assessable, there is an ongoing controversy among preparers, standard setters, and financial statement users about whether there is any (adequate) benefit in deferred tax information that could justify the rather high accounting costs involved. Meanwhile, the level of difference between a profit or loss and a tax base is dependent on a relationship between the tax system and the financial reporting system used in a particular country. There are two significant financial reporting systems (continental and Anglo-Saxon). These systems differ in the main features (Petr & Hana, 2017).

Referring to the general objectives and purposes of financial reporting, stated in IASB’s Conceptual Framework and FASB’s SFAC No. 1 and No. 2, to define benefit, the core purpose of the analyses presented in this dissertation is therefore to assess the benefit of deferred tax accounting with regard to the relevance and decision-usefulness of disclosed deferred tax information for financial statement users (Astrid, 2011). In detail, the dissertation investigates in three separate empirical
studies the cash flow relevance (materiality and predictive value) of disclosed deferred taxes and the impact of deferred taxes on firm value.

Studies has been carried out on accounting information and differed tax, majorly in developed countries such as USA, Serbia and other European countries (Hanlon, Hoopes, Schroff, 2014; Chi, Pincus, Teoh, 2014; Noga, Schnader, 2013; Jackson, 2015). These studies concentrated on manufacturing firms (Petr and Hana, 2017; Wulandari, 2015; Eberhartinger, Genest & Lee, 2014) and found positive relationship between accounting information and differed tax while some do not support the notion that such deferred tax information has an effect. The inconsistency on the part of previous studies and on the empirical literature as well limited research in developing countries like Nigeria calls for further studies to assess the effect of accounting information on deferred taxation in Nigerian deposit money banks. Specifically, the study intend to:

1. To determine the effect of book value of equity on deferred tax items of Nigerian deposit money banks.
2. To ascertain the effect of market price on deferred tax items of Nigerian deposit money banks.

2.0 REVIEW OF RELATED LITERATURE

Conceptual Framework

The reporting of deferred tax represents an instrument for distributable profit or loss regulation in a form of an accrual or a deferral, when in a period of lower payable income tax, the company postpones the part of the reported profit in a form of deferred tax liability. In a period of higher payable income tax, the company increases the reported profit by creation of deferred tax asset or by use of deferred tax liability. Astrid (2011) stated that the overall usefulness of deferred tax accounting is on debate continuously. Critics argue that the informative value of deferred taxes is only low due to highly uncertain cash flow implications, which results in most financial statement users ignoring deferred tax disclosures, since these are not considered to provide relevant information for decision making.

According to Noga and Schnader (2013), there is one more reason for reporting of the differences between firm’s book income and its taxable income. It is a questionable reason. The questionable reasons are based on an intentional manipulation with financial statements, tax evasion, etc. However in the situation the most effective firm management is expected to take advantage of legal tax planning techniques, the unusually large differences between book and taxable income can potentially indicate the company uses illegal options for decrease its tax base or increase a profit for external users of financial statements.

The Deferred Taxes and accounting information

There are two opposed theories with respect to the value relevance of deferred taxes: liability view versus equity view. While proponents of the liability view argue that deferred tax liabilities (deferred tax assets) account for future tax liabilities (future tax benefits) and should therefore contribute negatively (positively) to firm value, proponents of the equity view reason that associated cash flows are highly uncertain, with a present value close to zero, and deferred taxes should therefore be of no value relevance (Astrid, 2011).

According to IAS 12.5, deferred tax liabilities (deferred tax assets) account for the amounts of income taxes payable (recoverable) in future periods that arise from temporary book-tax differences, i.e., differences between the book value of an asset or a liability and its tax base that will result in taxable (tax deductible) amounts when the book value of the liability (asset) is settled (recovered). Deferred tax liabilities arise, for example, from accelerated tax depreciation or from financially recorded income that has not yet been taxed. Deferred tax assets are recognized for the probably realizable tax benefits of tax loss carry forwards and arise, for example, from provisions for warranty costs or bad debts, which are already expensed for book purposes, but which are not tax deductible until the provision is utilized. the firm will most likely be in severe financial difficulties, with the consequence that accruing tax benefits (tax liabilities) cannot be used (paid) because of lacking taxable income (cash inflow), such that deferred tax cash flow will not be realized even in case of reversing temporary differences. For these reasons, proponents of the equity view argue that deferred taxes account principally for distant and – in several dimensions – uncertain cash flows, being of no or only little relevance for the amount of tax payments in the next years, the associated cash flows having a
present value that is close to zero. Therefore, deferred taxes are effectively part of equity according to this view.

Empirical evidence on whether financial statement users take deferred tax information into account is rather inconclusive. Chang, Herbohn and Tutucce, (2009) used Australian data and found only deferred tax assets to be value relevant. Chen and Schoderbek (2000) report that deferred tax adjustments as a consequence of a change in the corporate tax rate were reflected in share prices at the same rate as recurring earnings, despite their different implications for future cash flows. Apparently, investors did not expect the income effects due to tax rate change-induced deferred tax adjustments, which suggests either that investors are not familiar with deferred tax accounting rules, the concept of deferred taxes, or that they ignore deferred taxes altogether. Consistent with the latter, Lev and Nissim (2004) find no significant relation between deferred tax expense and annual returns, which suggests that investors do not consider deferred taxes to be relevant.

According to Meyer (2007), “accounting plays a significant role within the concept of generating and communicating wealth of companies”. Accounting data, such as earnings per share, is termed value relevant if it is significantly related to the dependent variable, which may be expressed by price, return or abnormal return (Gjerde, Knivsfla & Saettem, 2007).

Accounting information is any data or information obtained from the accounting system of a firm whether contained in a financial statement, a special report, or verbal statement (William, 1968). Sibel, (2013) opine that accounting information contained in financial statements is expected to be useful for decision makers. In order to provide this, financial statements should meet some basic characteristics. “If financial information is to be useful, it must be relevant and faithfully represent what it purports to represent. The usefulness of financial information is enhanced if it is comparable, verifiable, timely and understandable” (CFFR, 2010).

**Market Price Per Share (MPS)**

Price is the arithmetic average of monthly average closing equity prices. Some authors may prefer to use share prices prevailing on the day immediately following the cross-section year. It could, however, be argued that share prices prevailing at any one day may contain random or temporary disturbances (Marris & Singh, 1966). On the other hand, an average of monthly prices may be relatively free of temporary disturbances.

The share price of public traded company which is determined by the forces of market supply and demand is highly volatile due to its dependent on the expectations of the buyers and sellers (Menaje, 2012). O’ Harra, Lazdowski, Moldovean and Samuelson (2000) find that earnings as well as dividend declared by firm is related to market prices of share, Chin and Hong (2008) posit that dividend yield is a good predictor of stock return. Irrespective of these accounting number that can be adopted to predict the market price, if this numbers contain some new information, reaction will always be expected in the market over the market price of share; this reaction evidence in share price is found to continually drift in the same direction as that of the initial information.

There are several steps you must take in order to calculate the market price per share. The first step is to determine the date on which you want to calculate the market price per share. The second step is to find the price on that particular date. It can see at the company's monthly, quarterly, or annual report to get the stock price on that particular date.

Thirdly, one must consider the preferred stock, if any, that this company owns. If the company owns and has paid dividends on its preferred stock, subtract those dividends from the stock price you have found from the financial report.

Fourth, determine the number of shares of stock outstanding by looking at the company's quarterly or annual report. Having gone through these four steps, one have the information you need to calculate the market price per share.

The market price per share and the current price at which the stock is being traded are not necessarily the same. The market price per share is also called the intrinsic value of a share of stock or the actual value based on the actual variables taken from the company's financial statements. The current trading price is based on investor buying and selling behavior. If investors are paying more than the intrinsic value, then the stock is overvalued. If investors are paying less than the intrinsic, then the stock is undervalued and is a good buy.
Book value per share (BV)

BV is the owners’ equity over the number of shares in circulation. According to the theory (Ohlson, 1995), we expect a positive relationship between share prices and book value. Book value per share is determined by the researcher by dividing value of common equity by the number of shares outstanding for the respective periods. Furthermore, Ohlson (1995) and Feltham and Ohlson (1995) show that under certain condition, market value of a firm can be expressed as the weighted average of book value and earnings. This form the bases of the studies conducted on the value relevance of accounting numbers. Studies in this area of research have shown that the book value of equity in addition to earnings is associated with the market value of firms. The framework of the clean surplus valuation which is based on the residual income valuation model by Ohlson (1995) suggests that the book value of equity plays anchoring roles in valuation by representing the net stock of resources which the future earnings of firms depend and provides information on the liquidation or adaptation values of firms’ net asset with poor financial performance (Barth, Beaver & Landsman, 1998).

Book value per share is just one of the methods for comparison in valuing of a company. Enterprise value, or firm value, market value, market capitalization, and other methods may be used in different circumstances or compared to one another for contrast. For example, enterprise value would look at the market value of the company's equity plus its debt, whereas book value per share only looks at the equity on the balance sheet. Conceptually, book value per share is similar to net worth, meaning it is assets minus debt, and may be looked at as though what would occur if operations were to cease. One must consider that the balance sheet may not reflect with certain accuracy, what would actually occur if a company did sell all of their assets.

Summary of Empirical Review

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Year</th>
<th>Objective</th>
<th>Methodology</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petr and Hana</td>
<td>2017</td>
<td>Concerned with the influence of a financial reporting system on deferred tax reporting.</td>
<td>The materiality of the deferred tax item is used as a means for evaluation of the impact of deferred tax reporting.</td>
<td>The results are compared with the results of author’s previous study concerning the reporting of deferred tax according to IFRS.</td>
</tr>
<tr>
<td>Ying, Scott and Micheal</td>
<td>2016</td>
<td>The study developed a more practical method of measuring earnings management using deferred tax items and compare the new method to the traditional approach.</td>
<td>Study uses data collected from CSMAR, the China Center for Economic Research, for the period 2009-2015.</td>
<td>The study find that the new method is effective and may be used alone on individual companies or as a complement to other earnings measurement techniques, since the new method focuses on different data.</td>
</tr>
<tr>
<td>Ifada and Wulandari</td>
<td>2015</td>
<td>Examine the use of deferred tax expense to manage taxable income (and corresponding tax payments), rather than financial accounting income.</td>
<td>Regression analysis</td>
<td>They found that deferred taxes significantly affect earnings management; they found no support for company size or tax planning activities affecting earnings management.</td>
</tr>
<tr>
<td>Eberhartinger, Genest and Lee</td>
<td>2014</td>
<td>Investigate the relevance of specific tax accounting information in an experimental setting. Participants make judgments on the financial performance, investment attractiveness and tax position of the firm, in absence or in presence of detailed tax information in the other comprehensive income statement</td>
<td>Used annual reports and account.</td>
<td>Their results do not support the notion that such deferred tax information has an effect on the judgment of experts, as long as the amounts of deferred tax are normal. However, when the detailed amounts of deferred tax are abnormally high, judgment differs significantly.</td>
</tr>
</tbody>
</table>
Kevin (2010) Examines whether deferred tax ratios predict US stock prices. Correlation and regression were used Establish that deferred tax liabilities over shares is more related to price than traditional ratios, such as basic earnings per share, earnings per share including extra items, cash flow per share, and book value per share.

Phillips, Pincus, Rego, and Wan (2004) Investigate the relationship between earnings changes and corresponding changes in the deferred tax account. They found evidence that the changes in the deferred tax account related to expense accruals and reserves can be used to detect earnings management both to avoid an earnings decline, as well as to report earnings increases.

Noor, Mastuki, and Aziz (2007) Investigate whether firms use deferred tax expense to manage earnings in order to (1) avoid an earnings decline, and (2) to avoid a loss. They found evidence that firms use deferred tax expense and discretionary accruals to avoid a loss.

Frank and Rego (2006) Use capital-market-based incentives to measure earnings management. They found evidence to support the idea that the Valuation Allowance Account (VAA) was used to manage earnings towards the average analyst forecast, but no evidence that the VAA was used to manage earnings to achieve positive profit, meet a prior year earnings level, or engage in a “big bath.”

Hanlon (2005) Review whether estimated taxable income discloses certain information relevant to price that book income does not. Their results show that book income has the larger coefficient and t-statistic. The study discovered that overall book income is more value relevant than taxable income.

Bauman, Bauman and Halsey (2001) Examine whether earnings management was affected by changes in the deferred tax asset valuation allowance account. Contrary to the results obtained by others, they found that it is often impossible to determine the earnings effect of a valuation change from the financial statement disclosures.

The Tax Reform Act of 1986 lowered the top corporate tax rate from 46% to 34%, and provided a unique opportunity to examine if changing tax rates, resulted in firms engaging in earnings management. A 12 percentage point drop in the top rate would certainly provide some significant incentive for firms to defer income until after the rate change takes effect. Guenther (1994) found significantly negative current accruals (resulting in deferred income) for large firms in the year prior to the tax rate reduction. He also found negative current accruals were positively related to debt levels.

Chi, Pincus and Teoh (2013) found evidence that investors misprice information contained in BTDs, measured as ratio of taxable income to book income. Philips et al., 2003; Hanlon, 2005; Blaylock, 2012) assessed if the usefulness of deferred tax expense in detecting earnings management. Meanwhile, Petr and Hana (2017) show that accounting reporting has influence on deferred tax according to IFRS. Ifada and Wulandari (2015) found that deferred taxes significantly affect earnings management. Eberhartinger, Genest and Lee (2014) do not support the notion that such deferred tax information has an effect on the judgment of experts. Kevin (2010) established that deferred tax liabilities over shares is more related to price than traditional ratios, such as basic earnings per share, earnings per share including extra items, cash flow per share, and book value per share. Most of the previous studies were conducted in foreign countries; and the similar studies that carried out Nigerian deposit money banks in assessing the influence of accounting information on deferred taxation are limited. This study examined the impact of accounting information on over deferred taxation on quoted Nigerian deposit money banks.
3.0 RESEARCH METHODOLOGY
Ex-post facto research design was adopted. This is appropriate because the study aims at measuring the relationship between one variable and another in which the variables are not manipulated. The population of the study consists of fifteen (15) quoted deposit money banks on the Nigerian stock exchange.

Method of Data Analysis
To achieve the objectives of this study, the data required were those of the discriminating variables that include: debt level, net deferred tax, interest expenses and firm size of deposit money banks quoted on Nigerian Stock Exchange from 2011 to 2017. Hypotheses formulated for the study were tested with the pooled multiple regression using Statistical Package for Social Sciences (SPSS) version 20.0 software package.
Using SPSS, 5% is considered a normal significance level. The accept reject criterion was based on the p-value, alternative hypothesis will be accepted.

Model specification
The researcher modified Ying, Scott and Micheal (2016) modern of deferred tax items and earning management as follows:
\[
DFTAX = \beta_0 + \beta_1 BVE + \beta_2 MKP + \epsilon
\]
Where:
DFTAX = (Deferred Tax Liability-Deferred Tax Asset)/Total Asset;
BVE = Book value of equity Proxy accounting information
MKP=Market price

4.0 DATA PRESENTATION AND ANALYSIS
Data Analysis
Table 1 Descriptive Statistics of the Variables

<table>
<thead>
<tr>
<th></th>
<th>DFTAX</th>
<th>BE</th>
<th>BMP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>0.021489</td>
<td>8.392967</td>
<td>0.979256</td>
</tr>
<tr>
<td>Median</td>
<td>0.005500</td>
<td>8.105500</td>
<td>0.739000</td>
</tr>
<tr>
<td>Maximum</td>
<td>0.117000</td>
<td>20.00000</td>
<td>4.310000</td>
</tr>
<tr>
<td>Minimum</td>
<td>0.001000</td>
<td>0.010000</td>
<td>-1.580000</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>0.033200</td>
<td>4.531382</td>
<td>1.085154</td>
</tr>
<tr>
<td>Skewness</td>
<td>1.723389</td>
<td>0.155052</td>
<td>1.025151</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>4.570222</td>
<td>2.575965</td>
<td>3.769999</td>
</tr>
<tr>
<td>Jarque-Bera</td>
<td>53.79705</td>
<td>1.034887</td>
<td>17.98565</td>
</tr>
<tr>
<td>Probability</td>
<td>0.000000</td>
<td>0.596042</td>
<td>0.000124</td>
</tr>
<tr>
<td>Sum</td>
<td>1.934000</td>
<td>755.3670</td>
<td>88.13300</td>
</tr>
<tr>
<td>Sum Sq. Dev.</td>
<td>0.098100</td>
<td>1827.475</td>
<td>104.8027</td>
</tr>
<tr>
<td>Observations</td>
<td>90</td>
<td>90</td>
<td>90</td>
</tr>
</tbody>
</table>

Table 1 shows the mean (average) for each of the variables, their maximum values, minimum values, standard deviation and Jarque-Bera (JB) Statistics (normality test). The results in table 1 provided some insight into the nature of the selected Nigerian quoted deposit money banks that were used in this study.

Firstly, it was observed that on the average over the seven (7) years periods (2011-2017), the sampled quoted banks in Nigeria were characterized by positive Deferred Tax (DFTAX = 0.021489). Also, the large difference between the maximum and minimum value of the = Book value of equity (BVE) Market price (MKP) show that the sampled quoted companies in this study are not dominated by banks with large equity share.

Secondly, we also observed that the average MKP value over the period was 0.979256, the maximum value was 20.00000 while the minimum stood at 0.010000. This shows that most quoted banks in Nigeria are with high market value or have more investment value. Lastly, in Table 1, the Jarque-Bera (JB) which test for normality or the existence of outlier or extreme values among the variables shows that all our variables are normally distributed and significant at 1% level and the result could be generalized. This also implies that a least square regression can be used to estimate the pooled regression models.
Table 2: Correlation Analysis Matrix

<table>
<thead>
<tr>
<th></th>
<th>DFTAX</th>
<th>BVE</th>
<th>MP</th>
</tr>
</thead>
<tbody>
<tr>
<td>DFTAX</td>
<td>1.00</td>
<td>0.40</td>
<td>0.25</td>
</tr>
<tr>
<td>BVE</td>
<td>0.40</td>
<td>1.00</td>
<td>0.69</td>
</tr>
<tr>
<td>MP</td>
<td>0.25</td>
<td>0.69</td>
<td>1.00</td>
</tr>
</tbody>
</table>

Source: researcher’s computation (2019)

The use of correlation matrix in most regression analysis is to check for multi-colinearity and to explore the association between each explanatory variable (BVE, and BMP) and the dependent variable (DFTAX) proxy as deferred tax assets and liability. Table 2 focused on the correlation between deferred tax measured as deferred tax assets less deferred tax liability over total asset and the independent variables (BVE and MP).

Finding from the correlation matrix table shows that all our independent variables, (BVE=0.40, and MP=0.25) were observed to be positively and weakly associated with deferred tax. In checking for multi-colinearity, we notice that no two explanatory variables were perfectly correlated. This means that there is no problem of multi-colinearity between the explanatory variables. Multi-colinearity may result to wrong signs or implausible magnitudes in the estimated model coefficients, and the bias of the standard errors of the coefficients.

Testing of Hypotheses formulated

In other to examine the impact relationships between the dependent variable DFTAX and the independent variables (BE and MP) and to also test our formulated hypotheses, we used a pooled multiple regression analysis since the data had both time series (2011-2017) and cross sectional properties (15 deposit money banks). The pooled interaction based multiple regression results are presented and discussed in Table 3 below

Table 1: DFTAX Pooled Regression Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>0.047628</td>
<td>0.007002</td>
<td>6.802146</td>
<td>0.0000</td>
</tr>
<tr>
<td>BE</td>
<td>-0.002765</td>
<td>0.000999</td>
<td>-2.766801</td>
<td>0.0069</td>
</tr>
<tr>
<td>BMP</td>
<td>0.003782</td>
<td>0.004305</td>
<td>0.878413</td>
<td>0.3822</td>
</tr>
</tbody>
</table>

R-squared 0.196822
Adjusted R-squared 0.159025
S.E. of regression 0.030446
R-squared resid 0.078792
Log likelihood 189.1293
F-statistic 5.207393
Prob(F-statistic) 0.000843

In Table 3, R-squared and adjusted Squared values were (0.20) and (0.16) respectively. The indicates that all the independent variables jointly explain about 20% of the systematic variations in deferred tax (DFTAX) of our samples banks over the seven years periods (2011-2017). The F-statistics (5.21) and its P-value (0.00) show that the DFTAX regression model is well specified. Using Durbin-Waston (DW) statistics which we obtained from our regression result, it is observed that DW statistics is 0.50 and an Akika Info Criterion and Schwarz Criterion which are -4.09 and -3.95 respectively also further confirms that our model is well specified. In addition to the above, the specific findings from each explanatory variable are provided as follows:
Book value of equity (BVE)
Based on the t-value of -2.766801 and p-value of 0.0069, was found to have a negative influence on our sampled quoted banks deferred tax and this influence is statistically significant as its p-value is less than 0.10 value. This result, therefore suggests that we should reject our null hypothesis one (Ho₁) which states that book value of equity has no significant affect deferred tax items of Nigerian deposit money banks. This means that firms with high book value of equity performs better as the analysis reveals that for every #1 increase in equity value of banks in Nigeria, will lead to about #1.00 decrease on deferred tax. However, this result is statistically significant and therefore should be used for any policy consideration.

Market price (MKP)
Based on the t-value of 0.878413 and p-value of 0.38 was found to have a positive influence on our sampled quoted banks deferred tax and this influence was not statistically significant since its p-value was more than 10%. This result therefore suggests that we should accept our null hypothesis two (Ho₂) which states that market price does not significantly affect deferred tax items of Nigerian deposit money banks. However, this influence is not statistically significant and so, should be ignored as a determinant of deferred tax in Nigeria.

5.0 SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

Summary of Findings
Based on the data analyzed, the following findings were drawn:
1. Based on the findings, the study found that book value of equity (BVE) impact negatively on our dependent variable, deferred tax, but this impact was statistically significant.
2. The study revealed that market price (MP) was found to impact positively on our dependent variable, deferred tax, but this impact was not statistically significant.

Conclusion
Previously, there has been empirical analysis of the deferred tax and accounting information, but the inconsistency on the part of previous studies and on the empirical literature as well limited research in developing countries like Nigeria. In this study, we attempt to fill this gap, at least in part, by investigating the actual significant effect of accounting information on deferred tax. This study however found that, book value of equity (BVE) impact negatively on our dependent variable, deferred tax, but this impact was statistically significant, while market price (MP) was found to impact positively on our dependent variable, deferred tax, but this impact was not statistically significant. Hence, deferred tax is a specific issue that interconnects the area of accounting information, because the category of deferred income tax is significant. The assumption should be that the behavior and the incentives will be affected by the deferred income tax in both accounting systems.

Based on the findings of the study, the researcher recommends the followings:
1. Since the influence of market price is not statistically significant and so, should be ignored as a determinant of deferred tax in Nigeria. Therefore on the basis of efficient use of tax rate to generate growth should be encouraged.
2. Banks should take their book income times the tax rate to determine their income tax expense.

REFERENCES


Livant, J. & Segal, D. (2000). The calculation of earnings per share and market value of equity: Should common stock equivalents be included?


### Appendix

**DESCRIPTIVE STATISTICS OF OUR VARIABLES**

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<td>104.8027</td>
</tr>
<tr>
<td>Observations</td>
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<td>90</td>
<td>90</td>
</tr>
</tbody>
</table>

**CORRELATION RESULT**

<table>
<thead>
<tr>
<th></th>
<th>DFTAX</th>
<th>BE</th>
<th>BMP</th>
</tr>
</thead>
<tbody>
<tr>
<td>DFTAX</td>
<td>1</td>
<td>0.400254</td>
<td>0.254469</td>
</tr>
<tr>
<td>BE</td>
<td>0.400254</td>
<td>1</td>
<td>0.687147</td>
</tr>
<tr>
<td>BMP</td>
<td>0.254469</td>
<td>0.687147</td>
<td>1</td>
</tr>
</tbody>
</table>

**REGRESSION RESULT OF OUR VARIABLES**

Dependent Variable: DFTAX  
Method: Panel Least Squares  
Date: 04/02/18 Time: 23:10  
Sample: 2011 2017  
Periods included: 6  
Cross-sections included: 15  
Total panel (balanced) observations: 90

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
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</thead>
<tbody>
<tr>
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<td>0.007002</td>
<td>6.802146</td>
<td>0.0000</td>
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<td>0.000999</td>
<td>-2.766801</td>
<td>0.0069</td>
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<tr>
<td>BMP</td>
<td>0.003782</td>
<td>0.004305</td>
<td>0.878413</td>
<td>0.3822</td>
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</tbody>
</table>

R-squared: 0.196822  
Adjusted R-squared: 0.159025  
S.E. of regression: 0.030446  
Sum squared resid: 0.078792  
Log likelihood: 189.1293  
F-statistic: 5.207393  
Prob(F-statistic): 0.000843