JOURNAL OF GLOBAL ACCOUNTING
9 (4) December, 2023.
ISSN: 1118 – 6828
https://journals.unizik.edu.ng/joga

EFFECT OF FAIR VALUE ACCOUNTING ON FINANCIAL PERFORMANCE OF DEPOSIT MONEY BANKS IN NIGERIA

Paper Type: *Original Research Paper.*
Correspondence: *blessedosas@yahoo.com*
Key words: *Fair value accounting, Return on equity, Profitability*

CITATION: Aigienohuwa, O. & Ohonba, N. (2023). Effect of fair value accounting on financial performance of Deposit Money Banks in Nigeria, *Journal of Global Accounting*, 9(4), 258 - 274.

Available:https://journals.unizik.edu.ng/joga

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ABSTRACT:

This study ascertained the effect of fair value accounting on the financial performance of deposit money banks in Nigeria for the period 2012-2022. Using Ex-Post Facto research design, the data were generated from annual accounts of the selected sampled banks. Regression analysis was employed to test the hypotheses. Based on the outcome from the analysis, the study found that fair value accounting has significantly effects return on equity of deposit money banks in Nigeria at 5% level of significance, the study also revealed that fair value accounting has no significant effects profitability of deposit money banks in Nigeria at 5% level of significance. Based on the findings and conclusion of this study, it is therefore recommended among others that managers of listed deposit money banks in Nigeria should engage in activities that upsurge their revenue as this increases the value of shares.

1. INTRODUCTION

The practice of companies for closing its books of account while preparing and presenting its annual income statement and balance sheet has been accomplished using accounting periodicity for several years (Ibidunnia & Okere, 2019). Over the years, organizations have come to learn and accept the concept of Historical Cost Accounting, which is a traditional system based on the double entry principle that reports transaction cost at the original price. While this method of measuring assets and liabilities in the financial statement has several benefits such as objectivity, reliability and ability to provide conclusive evidence, it has however been criticized on the basis that it fails to account for changes in price level of company's assets over a period of time. Therefore, assets are sometimes presented at a price lower than the exercise price, which weakens the reliability and relevance of the accounting information. It was also found not good

to use in an inflationary market, it also provides information that is only reliable but not important for decision making and provides a means to smooth profits and hide the trades of managers extra money, e.g. (Betakova et al., 2014). Due to these shortcomings of historical cost accounting, accounting standard makers saw a paradigm shift from cost accounting to fair value accounting in 1980. This change was further reinforced by several financial scandals that shook some companies such as Xerox in 2000, Enron in 2001, Worldcom in 2002 and Pamalat in 2003 and in Nigeria Oceanic Bank, Intercontinental Bank, Afribank and Cadbury among others (Okere et al., 2017).

This transition to fair value accounting was expected to result in an improvement over the original cost accounting and likely corrected the deficiencies noted in the original cost accounting. According to IFRS 13, fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". Fair value is expected to provide financial reporting information that is very useful for decision making and the meaning of accounting information (Procházka, 2011). It is also expected to eliminate the opportunity for profit trading and securitization, leading to an improvement in the quality of financial reporting. Of all the benefits of applying fair value accounting, one perceived benefit is its potential to reduce the ease of manipulation of accounting numbers (CFA, 2007).

Financial reporting is the process by which outside investors interact with a company's operations. It conveys important information needed by shareholders, external auditors, creditors and other stakeholders such as government (Alkali, Bagudo & Aliyu, 2023). These investors have many but different interests in financial statements and focus on issues that serve or protect their interests. In fact, the importance of accounting information to many investors cannot be overstated. Anaya and Emmanuel (2015) preach that financial statements are heavily relied on by the community for decision making, therefore financial statements must be meaningful and reliable and free from both intended and unintended biases. There has been a wide debate between fair value and cost accounting, as it has been argued that cost is more reliable and less important, while fair value is more significant and less reliable. Unfortunately, relevance and reliability of accounting data are two key characteristics of accounting data, as Ojeka et al. (2016), Schipper (1991) et cetera. Major opponents of fair value accounting have argued overtime that market-based values are largely free of manipulation and as such can be said to be reliable, and because fair value uses market values and can therefore be considered reliable. This means that fair value can help eliminate all such opportunities available to management to

manipulate earnings, while the cost model allows companies to prepare and present financial statements in a way that makes earnings easy to manage (Shaffer, 2011).

Though the prior findings were uncertain, most of the related studies used different proxies for financial performance like earnings per share, return on equity, share price, and none used return on assets, in addition, only Alkali, Bagudo and Aliyu (2023) used proxy fair value through other comprehensive income, this observed dearth research on return on assets and fair value through other comprehensive income has been considered as another motivation to execute this study in in banking sector of Nigeria.

1.1 Objectives of the Study

Because of this inconsistency and mixed evidence in literature and limited proxy on the subject matter, this study broadly seeks to examine the effect of fair value accounting on the financial performance of deposit money banks in Nigeria. Specifically, it seeks to:

1. to ascertain the extent to which fair value accounting affects return on equity of deposit money banks in Nigeria.
2. to ascertain the effect of fair value accounting on profitability of deposit money banks in Nigeria.

1.2 Research Hypotheses

The following hypotheses were thus envisaged;

Ho_1: Fair value accounting has not significantly effects return on equity of deposit money banks in Nigeria.

Ho_2: Fair value accounting has no significant effect on profitability of deposit money banks in Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual review

2.1.1 Fair Value Accounting and Reporting

The primary characteristics of accounting information are relevance and reliability, two criteria that increase the usefulness of a financial report. Fair value calculation (FVA), therefore the determination of fair value, has set a greater task in financial statements, because this information is considered more important for investors and creditors than historical cost information (Ibidunnia & Okere, 2019). In recent years, international standard setters and regulators, such as the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB), have begun to favor fair value accounting over cost

accounting in financial reporting. The main reason for this change in methodology is to improve the relevance of the information contained in the financial statements. The general principle behind the change is that up-to-date information improves investors' #039; and regulators and#039; the ability to make informed decisions (Kaur, 2013). Fair value is defined as the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants on the valuation date (for instance, the exit price). International Accounting Standards Board (IASB) (2011). Definitions of fair value emphasize fair value as a market-based valuation rather than an entity-specific valuation (Akwu, 2014). When determining fair value, the (economic) entity uses assumptions that market participants would use to determine the price of the asset or liability under current market conditions, including assumptions about risk. As a result, the intention of the economic entity to hold the asset or pay the liability is not important when determining the fair value (International Accounting Standards Council, 2012). The fair value calculation in its ideal state fulfills the purpose of shareholder reporting by reporting assets and liabilities in the financial statements at fair value (to shareholders) rather than at original cost. The traditional calculation method, historical cost accounting, has the quality of rigidity: in other words, easy verification and low susceptibility to assumptions and estimates. It also ensures compliance with the principle of objectivity by providing verifiable data on past performance. However, it does not meet the information needs of investors (ie shareholders and debt holders) who seek relevant information to help predict the future performance of companies in a dynamic business environment.

Gautam and Arjun (2015) posit that the historical cost accounting method is considered to be more conservative and reliable, however, fair value accounting information is becoming more relevant as a result of the following features:

a. Investors' rising concerns with current value as against cost,
b. Fair value effects are not entity specific
c. Historical prices do not consider the time value of money which becomes irrelevant in assessing an entity's current financial position.
d. Fair value accounting reports assets and liabilities in the way that an economist would look at them.
e. Fair value considers the market risk and updates the prices of financial instruments.
f. IFRS 13-Fair Value Measurement (IASB, 2011) is the extent standard on fair value measurement.

The standard sets out the definitions, measurement criteria and disclosure requirements for organizations applying fair value methods. In applying fair value accounting in financial reporting, IFRS 13 requires an entity to determine:

a. The particular asset or liability being measured
b. For a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis c) The market in which an orderly transaction would take place for the asset or liability; and
c. The appropriate valuation technique to use when measuring fair value.

The valuation technique used should maximize the use of relevant observable inputs and minimize unobservable inputs. Those inputs should also be consistent with the inputs that a market participant would use when pricing the asset or liability (Institute of Chartered Accountants of Nigeria. Financial Accounting Study Pack, Berkshire, United Kingdom: Emile Woolf International, 2014).

Nissim and Penman (2008) wrote that accounting, like any product, should be in demand. The only difference is that in products you have customers and in accounting you have users. Different users may require different accounting statements and confusion arises when issues are discussed. For example, a shareholder may see a profit from a decrease in the value of a debt object, while a creditor sees the same decrease as deterioration in creditworthiness. Bank shareholders may want to see bank deposits at fair value, but not depositors (who may be scared of a decline in the book value of their claims). The bank regulator can also take care of smaller deposits if such reporting would affect depositors' confidence in the banking system. While an investor may be happy with the volatility information disclosed in the fair value calculation, a central banker may not be concerned about the feedback effect on systemic risk. Bank regulators may also be concerned about increasing bank capital during speculative periods, which encourages unnecessary lending (Plantin, Sapra, & Shin, 2005).

2.1.2 Fair Value Accounting and Firm Value

Barth, Beaver and Landsman (2001) opined that accounting information is considered value-relevant if it has the predicted association with market-value of equity. Song, Thomas and Han (2010) also stated that value-relevant accounting information is both relevant to investors and reliable enough to be reflected in share prices. Armstrong, Guay and Weber (2010) opined that financial reporting using fair value provides relevant information to debt holders regarding the downside risk and evaluation of firm collateral, as well as information useful in assessing the timing and riskiness of firms expected future cash flows from existing projects and anticipated

investments. Nordlund and Persson (2003) in their study of accounting for investment property at fair value according to IAS 40 fair value model identified that certain problems arise with the use of fair value accounting and valuations, including the feasible accuracy of valuations and cyclical movements in values over time. They concluded that fair value accounting for investment property will result in a reduction in the significance of previous key accounting principles of realization and prudence concepts in favor of a nominally correct wealth measurement in financial statements. Cyclical movements in values over time may have considerable implications for reported earnings and reported equity. Furthermore, the uncertainty of property valuations is probably of such a magnitude that the consistency of both the income statement and statement of financial position might be questioned to a certain extent as a result of the application of the fair value model (Abiahu, Udeh, Okegbe & Eneh, 2010)

In the work of Yuan and Liu (2011) fair value accounting was found to be embedded with two categorical flaws: its non-complete existence which refers to the very fact that the required fair value might not exist under certain conditions; and the self-expansionist tendencies of fair value accounting. This, they conclude will lead to using fair value accounting to create a fair value even when it does not exist, which may expand much larger than normal net income and create a price bubble in the market.

2.1.3 Firm Performance

Leonard, Okoye, Kalu and Stanley (2018), reported that organizational performance reflects how successful the resources placed at the disposal of managers in an organization are utilized. The efficiency and effectiveness of a firm is measured by its performance. As indicated by Sonnentag and Michael (2001), when conceptualizing performance, one has to differentiate between an action aspect (that is behavioral) and an outcome aspect. According to them, the behavioural aspect refers to the result of individual behavior while the outcome aspect describes behavior which may produce outcome such as sales figures. Measurement of assets or liabilities utilizing fair value impacts organization's performance. The outcome of fair value measurement of asset and liability reflects on the statement of financial position either by increasing the value or reducing the value of the firm (Aghaleleghian & Oziegbe, 2022).

2.2 Empirical Review

Alkali, Bagudo and Aliyu (2023) tested the impact of honest fee accounting on percentage rate of indexed deposit cash banks in Nigeria from 2016 to 2022. The facts used changed into received from the yearly reviews of the banks. OLS regression changed into hired internal the evaluation of the facts. The outcomes from the regression evaluation display that profits

according to percentage, honest fee hierarchy, and honest fee thru different complete profits have substantial impact at the fee relevance of indexed deposit cash banks in Nigeria.

Damayanti and Sucipto (2022) tested dividend policy's moderating impact on corporation fee. They relied most effective on secondary sources, which include the yearly reviews and economic statements of organizations lively internal the economic area and indexed at the Indonesia Stock Exchange, for all of our facts. Using a scientific choice method, they had been capable of pick a random pattern of 26 firms. In this look at, they used the course evaluation capabilities of the statistical software Smart PLS. It suggests that When profits pass up, a company's really well worth is going up, however whilst liquidity is going down, it is going down again. Hendrani and Septyanto (2021) checked out the connection among the rate to e-e book ratio and 3 distinctive variables: go back on belongings (ROA), debt to fairness (DER), and corporation size (PBV). Participating organizations within the studies had been the ones within the meals and beverage production subsector that had been indexed at the Indonesia Stock Exchange (IDX) among 2014 and 2018. Return on Asset, the Debt to Equity Ratio, and Company Size changed into all proven to have a substantial effect at the fee of a corporation. It changed into observed that the ratio of debt to fairness has a terrible and statistically substantial impact at the fee of a corporation, while the ratio of go back on belongings has a fantastic and significant effect at the fee of a company. Jao,

Hamzah, Laba and Mediaty (2020) tested the relationship among economic overall performance, reputation, and corporation fee for non-economic organizations indexed at the Indonesia Stock Exchange. These studies checked out how a company's economic overall performance impacts its valuation. Between 2016 and 2018, 108 non-economic organizations had been decided on the use of a functional choice approach and indexed at the Indonesia inventory market. A course evaluation changed into achieved so that you can study the facts. The look at concluded that the fee of companies is strongly and favorably motivated via way of means of their economic overall performance.

Suhesti and Shinta (2019) decided the impact of economic traits available in the marketplace fee of publicly indexed companies withinside the automobile and thing sectors changed into investigated via way of means of Ratios of contemporary belongings to contemporary liabilities, long-time period debt to overall belongings, and go back on belongings had been the various metrics analyzed (ROA). The rate-to- e book fee (PBV) ratio changed into used to decide the company's fee. Using statistical methods, the look at had been capable of calculate how a good deal every impartial variable affected their based one. According to the results of a subset of the

research conducted, in the automotive and component sectors, neither CR nor DAR have a significant impact on firm value; instead, ROA is the key performance indicator. The outcomes of a battery of concurrent tests demonstrate that a number of different criteria influence the worth of vehicle and parts manufacturers.

Elshamy, Kayed and Hewaidy (2018) examined the impact of fair value measurements on the valuation relevance of traditional accounting metrics of earnings and book value. The study investigated the impact of the new IFRSs development on the value-relevance of earnings and book values in equity valuation. This study covers a period of 22 years (1992 to 2013) the period is partition into two distinct time periods. The first period includes years from 1992 to 2001 (mostly a historical cost accounting basis period) while the second includes years from 2002 to 2013 (a semi fair value accounting basis period). The Ohlson (1995) model and a technique developed by Theil (1971) were used to measure the overall value relevance of earnings and book value, the incremental explanatory power of earnings, and the incremental explanatory power of book values. The study reports that book values have significant effect on fair value.

Park (2018) examined market reaction to other comprehensive income. The study analyzes the information content of other comprehensive income using the ERC model. The study examines other comprehensive income incremental effect on earnings response coefficients (ERC). Analysis of the information content of other comprehensive income before and after international financial reporting standards (IFRS) to verify whether the information content varies as the format of other comprehensive income reporting changes from a foot note to the main text of the financial statement. In addition, they analyzed dividing other comprehensive income into positive other comprehensive income and negative other comprehensive income. Data from the period of 2007 to 2014 were used, beginning from when other comprehensive income information was first disclosed as a comment, for a total of eight years. The analysis reveals that under the condition in which the realized income is constant, other comprehensive income has additional information effects, in other words it means that other comprehensive income is value relevance.

Ahmadi, Garraoui, and Bouri (2018) investigated the significance of book value, earnings per share, and cash flow in Tunisian banks and other financial institutions. The study examines the relative value of book value, earnings and cash flows to security prices using an existing sample of financial companies listed on the Tunisian stock exchange over a seven-year period (2010-2016). The study reveals that profit, book value and cash flow are significantly and positively related to firm value.

Prihatnia et al. (2016) examined the relationship between earnings per share and value relevance. The study concluded that earnings per share are an important factor that determines the appropriateness of value, and investors use earnings per share to value companies. Information contained in stock earnings is said to cause changes in investors' reactions to future cash flow distributions, leading to changes in stock price.

Suadiye (2012) examines the significance of book value and earnings values of Turkish companies according to local GAAP and IFRS standards. The study empirically examined the impact of International Financial Reporting Standards (IFRS) on the value relevance of accounting information in Turkey. The stock valuation model developed by Ohlson (1995) was used in the research. The study analyzes the importance of the value of equity returns and book values produced according to Turkish local standards (2000-2002) and IFRS (2005-2009) and then compares the two periods to determine if the mandatory adoption of IFRS has an impact. . . on the valuable importance of accounting information. The results of the analysis show that profit and book value together and separately are positively and significantly related to stock price in two different reporting systems. In addition, the results show that the book value of equity is more important in terms of value than profit. A disadvantage of their study is that events may have overridden the result and thus the result may not be applicable to the previous season.

From the previous study, most of the related studies used different proxies for financial performance like earnings per share, return on equity, share price, and none used return on assets, in addition, only Alkali, Bagudo and Aliyu (2023) used proxy fair value through other comprehensive income, this observed dearth research on return on assets and fair value through other comprehensive income has been considered as another motivation to execute this study in in banking sector of Nigeria.

3. MATERIAL AND METHOD

Ex-post facto research design was employed for this study. An Ex-post Facto research determines the cause-effect relationship among variables. *Ex-post Facto* seeks to find out the factors that are associated with certain occurrence, conditions, events or behaviours by analyzing past events or already existing data for possible casual factors. The population of this study comprised fifteen (15) deposit money banks quoted on the Nigerian Exchange Group (NGX). The study covered eleven years annual reports and accounts of these banks from 2012 to 2022. This study purposively select seven (7) deposit money banks in Nigeria for the study.

JOURNAL OF GLOBAL ACCOUNTING
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Table 1: Sample of Quoted Deposit Money Banks on the Nigerian Exchange Group

1	Fidelity bank plc
2	FCMB plc
3	First bank plc
4	United bank of Africa (UBA)
5	Wema bank plc
6	Sterling bank plc
7	GTbank plc

Data for the study were extracted from secondary sources, from the audited annual accounts of the sampled banks in Nigeria. The data extracted include; independent variable: fair value accounting **(**FVA) proxied with fair value through other comprehensive income. The dependent variables in the study as proxies for financial performance are, Return on equity (ROE) and profit after tax. This study employed simple regression analysis and correlation coefficient matrix to test the formulated hypotheses with aid of E-View version 9..The data for the study were collected from annual reports and accounts of deposit money banks quoted on the Nigerian Exchange Group (NGX).

This study modified the Model Specification of Ohlson's (1995) price model is frequently used for value relevance study. The Ohlson 1995 model was adapted in order to explore the relationship between the market value of stocks and major accounting information variables, such as return on equity, profit after tax and return on assets.

The model estimates are as follows:

$SPit = \alpha 0 + \alpha 1EPSit + \alpha 2FVHit + \alpha 3FVTOCIit + \mu it$ ----------Eqn 1

Where;

SPit= Share price of bank ì in year t.

α0 = intercept

α1- α3= Coefficient of the independent variables

EPSit = Earnings per share of bank ì in year t

FVHit = Fair value hierarchy of bank ì in year t

FVTOCIit= Fair value through other comprehensive income of bank ì in year t

μit = Residual/error-term of bank in year 't'

The logistic regression for this study modified in the following form:

$FVA_{it} = \alpha 0 + \alpha_1 ROE_{it} + \mu it$ .....Eqn 2

$FVA_{it} = \alpha 0 + \alpha_2 PAT_{it} + \mu it$ .....Eqn 3

Where:

FVA= Fair value accounting ì in year t

ROE= Return on equity ì in year t

PAT= profit after tax ì in year t

α0 = intercept

α1- α3= Coefficient of the independent variables

3.1 Decision Rule

The decision for the hypotheses is to accept the alternative hypotheses if the p-value of the test statistic is less or equal than the alpha and to reject the alternative hypotheses if the p-value of the test statistic is greater than alpha at 5% significance level.

4. RESULT AND DISCUSSIONS

4.1 Data Analysis

Table 2: Descriptive Statistics

	FVA	ROE	PAT
Mean	0.012148	0.096982	20441909
Median	0.013070	0.094499	17768000
Maximum	0.023349	0.170750	46724000
Minimum	0.002452	0.027088	1820000.
Std. Dev.	0.005178	0.041615	13803811
Skewness	0.314833	0.055355	0.417203
Kurtosis	3.832679	2.288090	2.247796
Jarque-Bera	0.499507	0.237908	0.578437
Probability	0.778993	0.887849	0.748849
Sum	0.133631	1.066807	2.25E+08
Sum Sq. Dev.	0.000268	0.017318	1.91E+15
Observations	11	11	11

Table 2 presents the descriptive statistics for the dependent variable (FVA) and the independent variables (ROE, and PAT). The mean serves as a tool for setting benchmark. The median re-ranks and takes the central tendency. While the maximum and minimum values help in detecting problem in a data. The standard deviation shows the deviation/dispersion/variation from the mean. It is a measure of risk. The standard deviation is a measure that summarizes the amount by which every value within a dataset varies from the mean. It is the most robust and widely used measure of dispersion. The standard deviation in the tax revenues for the period 2012-2022

is 0.005, 0.042, and 13803811 for FVA, ROE, and PAT, respectively. Skewness and Kurtosis are contained in Jarque-Bera. Positively skewed is an indication of a rise in profit while negatively skewed is an indication of loss or backwardness. Jarque-bera is used to test for normality; to know whether the data are normally distributed.

4.2 Test of Hypotheses

4.2.1 Hypothesis One

Ho_1: Fair value accounting has not significantly effects return on equity of deposit money banks in Nigeria.

Table 3: Ordinary Least Square analysis between FVA and ROE

Dependent Variable: FVA

Method: Least Squares

Date: 11/23/23 Time: 19:47

Sample: 2012 2022

Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.003150	0.002896	1.087728	0.3050
ROE	0.092787	0.027633	3.357849	0.0084

R-squared	0.556107	Mean dependent var	0.012148
Adjusted R-squared	0.506785	S.D. dependent var	0.005178
S.E. of regression	0.003636	Akaike info criterion	-8.232664
Sum squared resid	0.000119	Schwarz criterion	-8.160320
Log likelihood	47.27965	Hannan-Quinn criter.	-8.278268
F-statistic	11.27515	Durbin-Watson stat	0.722487
Prob(F-statistic)	0.008418		

In table 3, a panel least square regression analysis was conducted to test the relationship between return on equity and fair value accounting. Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable. From the findings in the table 4.3, the value of adjusted R squared was 0.51, an indication that there was variation of 51% on FVA due to changes in ROE. This implies that only 51% changes in FVA of the bank could be accounted for by ROE while 49% was explained by unknown variables that were not included in the model. The probability of the slope coefficients indicate

that; P (0.008<0.05). The co-efficient value of; β_1= 0.093 implies that ROE is positively related to FVA, and was statistically significant at 5%.

The Durbin-Watson Statistic of 0.722487 suggests that the model does not contain serial correlation. The F-statistic of the FVA regression is equal to 11.275 and the associated F-statistic probability is equal to 0.008418, so the alternative hypothesis was accepted and the null hypothesis was rejected.

4.2.1.1 Decision

Since the Prob (F-statistic) of 0.008 is less than the critical value of 5% (0.05), then, it would be upheld that Fair value accounting has significantly effects return on equity of deposit money banks in Nigeria at 5% level of significance.

4.2.2 Hypothesis Two

Ho_2: Fair value accounting has no significant effect on profitability of deposit money banks in Nigeria.

Table 4: Ordinary Least Square analysis between FVA and PAT

Dependent Variable: FVA

Method: Least Squares

Date: 11/23/23 Time: 19:48

Sample: 2012 2022

Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.014329	0.002914	4.916374	0.0008
PAT	-1.07E-10	1.20E-10	-0.889757	0.3968

R-squared	0.280851	Mean dependent var	0.012148
Adjusted R-squared	-0.121277	S.D. dependent var	0.005178
S.E. of regression	0.005233	Akaike info criterion	-7.504800
Sum squared resid	0.000246	Schwarz criterion	-7.432455
Log likelihood	43.27640	Hannan-Quinn criter.	-7.550403
F-statistic	0.791667	Durbin-Watson stat	2.090234
Prob(F-statistic)	0.396756		

In table 4, a panel least square regression analysis was conducted to test the relationship between return on equity and fair value accounting. Adjusted R squared is coefficient of determination

which tells us the variation in the dependent variable due to changes in the independent variable. From the findings in the table 4.4, the value of adjusted R squared was 0.12, an indication that there was variation of 12% on FVA due to changes in PAT. This implies that only 12% changes in FVA of the bank could be accounted for by PAT while 88% was explained by unknown variables that were not included in the model. The probability of the slope coefficients indicate that; P (0.396>0.05). The co-efficient value of; β_1= -1.070 implies that PAT is negatively related to FVA, and was statistically significant at 5%.

The Durbin-Watson Statistic of 2.090 suggests that the model does not contain serial correlation. The F-statistic of the FVA regression is equal to 0.7917 and the associated F-statistic probability is equal to 0.396756, so the null hypothesis was accepted and the alternative hypothesis was rejected.

4.2.2.1 Decision

Since the Prob (F-statistic) of 0.398 is higher than the critical value of 5% (0.05), then, it would be upheld that fair value accounting has no significant effects profitability of deposit money banks in Nigeria at 5% level of significance.

CONCLUSION AND RECOMMENDATIONS

This study ascertained the effect of fair value accounting on the financial performance of deposit money banks in Nigeria during the period 2012-2022. Using Ex-Post Facto research design, the data were generated from annual accounts of the sampled banks. The results demonstrate that fair value accounting has significantly effects return on equity of deposit money banks in Nigeria at 5% level of significance. However, the study revealed that fair value accounting has no significant effects profitability and return on assets of deposit money banks in Nigeria at 5% level of significance. Based on the results obtain from the analysis it is therefore concluded that fair value accounting affects financial performance of deposit money banks in Nigeria.

Based on the findings and conclusion of this study;

1. It is consequently advocated that managers of indexed deposit cash banks in Nigeria must have interaction in sports that upsurge their sales as this will increase the price of shares.
2. Management of indexed deposit cash banks in Nigeria must make certain that inputs utilized in estimating honest price hierarchy are disclosed when you consider that its disclosure will increase percentage price.

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