FAIR VALUE ACCOUNTING AND INVESTMENT DECISIONS IN NIGERIAN LISTED COMPANIES

Abstract

This study examined the association between fair value accounting and the investment decisions carried out by shareholders in listed companies in Nigeria from 2012-2018. The research evaluated 17 companies from various industries and gathered information from their annual reports from 2012 to 2018. To achieve the research objective, the data was analyzed using panel regression analysis. The data analysis showed that fair value accounting and shareholders' investment decisions share a negative and significant relationship. The report, therefore, suggests that researchers carry out more studies and experiments on this matter by exploring more measures both for fair value accounting to show the importance of current-based performance measurement.

1.0 **Introduction**

Fair value accounting is a topic of great interest among financial information preparers and users. Fair value accounting is an excellent approach for avoiding historical cost flaws (Skoda & Bilka, 2012). The International Accounting Standard Board and the US Financial Accounting Standard Board implemented and adopted IFRS 13 (Fair Value Measurement) on January 1, 2013. According to International Financial Reporting Standard 13, fair value is defined as the price that would be paid for an asset or liability in an orderly transaction between market participants at the measurement date. The price received for the sale or transfer of obligation between market participants at the moment of interest in a legitimate transaction shall be referred to as fair value (Chourou &Thornton, 2011).

Making informed investing decisions is crucial, especially when it comes to mitigating investment risks such as losing money invested. Almost every investor has had difficulty making investing decisions at some point in their career (Prochazka 2011). Some investors, for example, may have entered into investment projects before learning about the other financial consequences of such opportunities, causing investors to prioritize non-financial criteria over financial factors (Prochazka 2011). Also, inappropriate investment decisions might have been made by a company due to influence exerted by competitor's strategy in the sense that the existence of a better product from a competitor may force a reaction from the company thereby leading to a forced decision on the company without putting into consideration other factors such as availability of finance, changes in demand, cost of borrowing and so on (Skoda & Bilka, 2012).

Furthermore, some government policies, such as challenging developmental laws, might make investment decisions problematic. This simply shows that such stakeholders have severed the link between monetary factors and capital budgeting (Skoda & Bilka, 2012). Most businesses in Nigeria use the historical cost method of accounting to make specific potential economic decisions when it comes to fair value accounting and investment decisions. The historical cost method has also been used as a system of accounting whereby the past cost of purchase or the cost incurred in the acquisition is used as a reference point in making future economic decisions. Most of the time, especially in countries that experience inflation, the data from historical cost is irrelevant as current prices would not reflect the past prices and this provides inaccurate information for management to make the well-informed economic decision (Chourou &Thornton, 2011). They argued that historical cost is incapable of representing price changes during inflation periods where prices are increased and that this is a major weakness of historical cost (Al-Khadash & Abdullatif, 2009)

The question of whether or not there has been any substantial change in investment decisions since the introduction of fair value accounting has sparked debate, with various claims being advanced. The majority of the findings show that IFRS 13 has a substantial impact on investor decision-making, with the impact varying depending on the type of business investments investors invested in, according to auditors and academics (Prochazka 2011). Ogundana, Iyoha, Fakile, and Joshua (2018) researched the topic and found a positive result, Thus, for the researchers that have written about fair value accounting and investment decision, most attention has been on the effect fair value accounting has on investment decision and little attention has been given to the area of trend evaluation between fair value accounting and investment decision. Thus, the relationship between fair value accounting and investment decision as well as

trend evaluation between the two variables remain open for further research and this study will cover those areas.

2.0 **Literature Review**

2.1 Conceptual Review

2.1.1 Fair value Accounting

IFRS 13 defines fair value as the price that would be realized if an asset were sold or charged if liability were transferred in an orderly transaction between market participants at the measurement date (that is, an exit price). According to the International Financial Reporting Standards (2011), fair value is the amount for which an asset, obligation, or equity instrument has given can be exchanged in an arm's length transaction between competent and willing parties. The two IFRS fair value principles emphasize that it is a market-based calculation rather than an entity-specific measurement (Rendón Álvarez, Montaño Orozco, & Gaitán León, 2013). According to Ashford and Hall (2011), fair value is the price gained if an asset were sold or charged if liability were transferred in an orderly exchange between participants at the measurement dates. Jarolim and Oppinger (2012) define fair value as the amount that might be charged as payment in a hypothetical transaction between knowledgeable, willing parties under normal market conditions (arm's length transaction). As a result, in a perfect business scenario, the fair value indicates a projected market price. When the equivalent value is unavailable due to the absence of a transaction, it is appropriate to utilize data from an active market (IFRS13). Fair value accounting is focused on tracking changes in market prices as specified in IFRS 13 (Fair Value Measurement), which was established and adopted by the US Financial Accounting Standards Board and the International Accounting Standard Board (with an effective date of January 1, 2013). According to IASB and FASB regulations, fair value accounting is required to create information with a higher degree of judgment utility and information relevance of accounting data, and so give information that is more valuable to investors.

Today, investors, financial analysts, lenders, and workers agree that fair value accounting is the only way to maintain value relevance. There are numerous ways for calculating fair value, including the most beneficial market, which refers to the market that maximizes the price charged to move the liability after considering transaction and transit costs (IFRS 13). We also have the active market, which is a market in which asset or liability transactions occur with sufficient regularity and volume to offer continuous pricing information. The current fair value computation advice has evolved enormously over time.

2.1.2The Concept of Investment Decision

According to Velte (2017), an investment is the expenditure of money in the expectation of a future return that compensates more for the initial expenditure plus a premium to cover inflation,

interest foregone, and risk. Investment is an activity whereby funds are placed into an opportunity or instrument with the expectation of an increase in its value and positive returns are expected. The objectives of investment generally are to increase the returns rate and the returns rate is calculated based on the amount in which the economic resources were acquired and the total income that the investor earns during the period of holding the asset. Also, reduction risk, there are chances that the actual return may fall short of the expected return. The objective of increasing return on investment made is the primary motive of an investor.

According to (Kida, Moreno, & Smith, 2010), investment decisions essentially address whether to raise tomorrow's revenue to cover expenses by adding to capital assets today. Therefore, investment decisions are money resources commitments at various times in anticipation of potential economic returns. Since investment decision functions are financial management tasks, they are performed by the management level of a company (Van Parys & James, 2010). Investing funds in productive activities or assets will help you make better use of your money.

Fixed assets, which typically include large cash flows and large initial capital investment, are the focus of most investment decisions. Because of the large amount of capital required, investment decisions are also known as capital investment decisions. According to (Chadwick, 2014), there are many reasons why investors invest their hard-earned funds to work so that they can earn a satisfactory return. Various techniques of the appraisal can be used for making investment decisions in a business which assists in deciding, whether or not to invest in a business which includes:

i. The payback period which helps in investment appraisal by disclosing how long it takes to recover the cost of the project.

ii. The accounting rate of return that expresses the net accounting profit which arises from investment as a result of capital investment in a project or a business.

iii. Net present value which is the sum of the future discounted cash inflow and outflow concerning the project

iv. The profitability index that specifies how much you earn based on the investment

v. The discounted payback period which is calculated based on discounted future cash flow.

2.2Theoretical Review

Asset Theory

Assets are collections of service potentials available for or useful to planned operations, according to the American Accounting Association. They are economic resources devoted to business within a particular accounting body. Asset theory is based on the financial statement

specifying the provision, in an efficient judgment, of critical details expected in the present market value of the economic resources and liabilities (Velte, 2017). The asset theory generally aims at developing theory on assets of an organization that would be useful for managerial decision making. According to asset theory, after the acknowledgement of an asset where the fair value is calculated, revaluation must be performed at an esteemed sum equal to the asset's fair value. According to asset theory, the historical cost of an asset, which is its purchase cost, should be adjusted so that the asset's value between the acquisition time and the valuation date is properly registered (Suryanto & Komalasari, 2019).

The asset theory was formally dwelling on the historical cost accounting but as a result of this, the limitations associated with using historical cost method was also noticed in asset valuation and it was suggested that adjustments should be made in financial reporting to reflect both acquisition and valuation date of an asset (Tanifor, 2012). However, areas of difficulty in asset theory may include the area of cost determination. The asset theory is limited by its inability to state the group of individuals that this information is disclosed to with this lapse leading to the possibility of favouring a group of persons over others which simply explains that information provided is not specific to a set of people (Suryanto & Komalasari, 2019).

2.3 Empirical Review

Ogundana, Iyoha, Fakile, and Joshua (2018) conducted a study to determine whether improved disclosure of fair value computation (IFRS 13) will result in more favourable investment decisions. The data for the study was gathered using a survey analysis design from auditors from the Big Four accounting firms and academics from a few private colleges in Nigeria. The Pearson product-moment correlation and independent sample T-test were used to create and test hypotheses at a 5% significance level. The findings demonstrated a link between enhanced transparency as a result of IFRS 13 and investment decisions. The Nigerian Financial Reporting Council, according to the report, should ensure that all Nigerian companies fully follow IFRS 13 in the production and presentation of their financial statements. Furthermore, Ibidunni and Okere (2019) investigated the relationship between fair value accounting and the dependability of accounting information. Questionnaires were used to collect information, and the report blended survey analysis with quantitative approaches. According to the study's findings, there is a significant relationship between fair value and accounting dependability. According to the findings of the study, additional training programs and conferences on the implementation of fair value accounting should be held in Nigeria.

Okere, Lawrence, Ogunlowore, and Isiaka (2018) used the panel method to evaluate the impact of corporate social responsibility on investment decisions in Nigerian listed manufacturing enterprises. The findings demonstrate a positive association between corporate social responsibility and firm investment decisions in Nigeria, and it is also advised that corporate social responsibility be linked to corporate value creation processes and be capable of assisting investment decisions. Bamidele, Ibrahim, and Omole (2018), on the other hand, examined the

impact of financial reporting efficiency on investment decision making use of Zenith Bank Nigeria. Data were collected from Zenith Bank Plc's audited annual reports from 2009 to 2016, and descriptive and ordinary least square regression methods were utilized. The findings show that the factors have a significant impact on investment, and it is recommended that DBMs publish high-quality reports on their initiative since it has been shown to enhance investor response and investment.

According to Acaranupong (2017), the research was conducted to investigate and compare the value relevance of investment property under fair value and cost models for subsequent calculation. Models have been used for years to test and compare the value relevance of IP utilizing the equal value model and cost models (2010-2016). The researcher employed a regression model, and the findings revealed that the number of publicly-traded businesses employing the cost model for eventual investment property estimation is much larger than those employing the fair value approach. Further investigation into the relevance of other assets in the determination of fair value, such as EPP, trading securities, and securities available for sale, was advised.

Philander (2016) investigated how using fair value as a valuation foundation affects the usefulness of financial statements. The study's target group was publicly traded corporations, and it employed a mixed-method approach that incorporated both qualitative and quantitative analysis. The findings indicated that fair value measurement contributes to increased financial statement clarity, relevance, and reliability, and it was suggested that the disclosures to be included should direct the financial statement consumer in determining how the fair value measurement was determined so that financial statement consumers can assess it.

Fraser, Ormiston and Fraser, (2016) investigated the impact of financial statements on investment decision-making using a commercial bank as a case study. The survey employed a descriptive survey approach, with a target population of 150 respondents from the bank's main branch. The study discovered that financial statement analysis is the single most important statement in investment decision making, and it recommended that commercial banks develop a self-evaluation form for clients that includes benchmarks on key assessment areas. The goal of Al-khassar, and Dannoun's (2016) research was to examine the influence of fair value accounting on the quality of commercial banks' financial statements. For the study, the researchers employed a descriptive-analytical technique and developed questionnaires. The study discovered that financial statement analysis is the sole most important statement in investment decision making, and it advised commercial banks to create a self-evaluation form for clients that includes benchmarks on key assessment areas. Al-khassar and Dannoun's (2016) study sought to investigate the impact of fair value accounting on the quality of commercial banks' financial statements. The researchers used a descriptive-analytical technique and created questionnaires for the investigation. The data indicated that an investing handbook is frequently utilized and depended on, emphasizing a requirement for simplicity when dealing with the added benefits. Instead of attempting to analyse all potential benefits, the researcher advises that it is better to

focus on a small number of significant benefits. Chen, Cai, Lai and Xie (2016) examined the association between fair value knowledge and user decisions. Responses were collected via questionnaires from students enrolled in master's programs in accounting departments at eight different universities, and the study made use of ANOVA and structural equation modelling. The findings revealed that representational faithfulness influences decision-making assessment and utility. The study concludes that the method used to calculate fair value influences how financial statement consumers perceive the qualitative qualities of fair value data.

Aladwan, Bhanugopan & D'Netto (2015) investigated whether changes in the financial reporting climate following the implementation of International Financial Reporting Standards (IFRS) resulted in more applicable financial information outside of Nigeria over time. The core data for the study comes from the Jordanian Companies Guide (2008-2012), while secondary data came from the companies' annual reports, and multiple regression analysis was applied. The findings revealed that investment assets priced at fair value have a significant favourable impact on company financial performance, and it was concluded that fair value accounting calculation for real estate companies has values that are significant during the study period.

Yahaya, Fagbemi, and Oyeniyi (2015) investigated the influence of IFRS adoption in Nigeria on financial statements regarding fair value. The data came from secondary sources, and the hypothesis was tested through least square regression analysis. The findings revealed that the introduction of IFRS has a significant influence on financial statements in terms of fair value. Those interested in financial statement research should pay particular attention to trend analysis, according to one suggestion.

Alswalmeh and Dali (2019) conducted a study in Nigeria to investigate the impact of financial information on bank shareholders' investment decisions. The study's data was derived from the published annual reports of five selected Nigerian banks from 2009 to 2018, and the association between variables was determined using a correlation matrix and regression analysis. The findings revealed a positive relationship, implying that dividend per share has a significant impact on bank shareholder investment decisions in Nigeria, and it was suggested that both current and prospective investors consider financial details relating to the dividend paid per share when investing in Nigerian banks shares. The purpose of Elfaki and Hammad (2015) study was to examine the effect of utilizing fair value on the quality of accounting information provided or produced. The questionnaires employed in the study were used to evaluate several publicly traded corporations. To evaluate problems and classify their components, an inductive method was employed, while a deductive approach was used to create hypotheses. According to the findings, fair value assists financial statement users in making better decisions by providing helpful information.

Balogun (2015) also investigated the fair value accounting technique and its impact on the historical cost method of asset assessment in public limited enterprises. Five petroleum firms were purposely picked from a population of 12 petroleum companies registered on the Nigerian

Stock Exchange, and data was collected using a descriptive research design and a secondary technique. The findings show a significant difference in asset valuation between assets assessed at fair value and assets valued at historical cost. According to the research, professional accounting organisations should continue to debate the issue of computation to create a standardized form of asset value.

Al-Maamari, Alkadash, Al-Absy, Nagi and Abdullah (2021) evaluated the impact of applying IAS40 fair value accounting on earnings volatility. Data were acquired from publicly traded corporations, and regression analysis was employed. The findings demonstrated that net income and book values are both positively and strongly related to stock prices, and it was proposed that additional research be conducted on the influence of utilizing fair value choice on recorded owner's equity and in various sectors around the world. According to Yarnold and Ravlic (2014), changes in valuation have an impact on investment decisions. This was done using both a qualitative and a deductive reasoning method. The findings show that the implementation of IFRS 13 and its increased disclosure requirements have aided investors' decision-making. However, the researcher advises investors to exercise caution when investing in companies that use Level 3 valuation techniques because they rely on estimates of unobservable inputs, which are difficult to control and prone to bias and error.

Brousseau, Gendron, Bélanger and Coupland (2014) researched to see whether improvements in valuation methods affected investment decisions. The data was collected using a qualitative and descriptive explanatory model and semi-structured interviews with academics and audit professionals. The results showed that the adoption of IFRS 13 and its enhanced transparency standards helped investors make better decisions. According to the report, investors should be cautious when investing in companies that use valuation strategies because they are vulnerable to exploitation. Similarly, Kemuma (2014) undertook a study to examine the impact of investment decisions on the results of enterprises listed on the Nairobi Stock Exchange. The population of the study included all 61 publicly traded companies, and the data were examined using both descriptive and inferential statistics. The study discovered a significant, substantial, and favourable relationship between ROA and investment decisions. According to the paper, business executives can increase their innovativeness and, as a result, new investments and financial leverage to enhance profitability.

Ghafeer and Abdul Rahman (2014) carried out a research to shed light on the problems of historical costs by restating some of an insurance company's financial assets using fair value instead of historical cost-based valuation, and analysing data obtained making use of the historical cost and fair value principles. For the analysis, questionnaires were used, as well as descriptive application methodology. The findings revealed that shifting from historical cost to fair value accounting would result in different outcomes. According to Paolucci and Menicucci (2014), the study's purpose was to review the key results of accounting research literature investigating the impact of fair value accounting in the financial crisis. To help conduct a literature evaluation, theoretical and observational research works were analyzed and

systematized. This article includes a detailed literature review. The study discovers a lack of research on the role of FVA in the financial crisis, and it recommends additional research because there is no empirical proof that FVA played a role in the financial crisis.

Okafor and Ogiedu (2012) explored the perception of fair value accounting in Nigeria. According to the paper, financial statements making use of fair value accounting are more essential than those prepared using historical cost accounting, and Nigerian auditors have inadequate expertise in fair value accounting. The Z score was used to examine data from a questionnaire survey of a group of financial auditors. The study also discovered that financial statements generated using fair value accounting are more essential than those prepared using historical cost accounting and that Nigerian auditors are unfamiliar with fair value accounting.

Osuala, Ugwumba & Osuji (2012) investigated the effect of financial statement details on investing decisions. The information was derived from the selected firms recently published annual financial reports. Regression analysis was done to determine the association between the variables. According to the findings, other elements or variables outside of the annual report, such as dividend payment consistency and share market price, are crucial to a shareholder's investment choice.

Ramadan, Kilani & Kaddumi (2011) researched the effects of various ratio groups on investment decision-making. The findings were focused on an in-depth review of industrial listed companies on the Amman stock exchange. The study's sample included ten publicly traded firms from the manufacturing sector. The most important finding of the study is that profitability measurements have a positive effect on investment decisions. The study suggests that while making investment decisions, investors should focus on the benefits and earnings they would obtain because the profitability potential is good. Ashford & Hall (2011), carried out a research with the purpose of analysising the impact of fair value accounting on financial reporting. The majority of the works cited in the study were published between 2002 and 2010, and the least square regression analysis method was employed. The study indicated that if the issuing entity's credit risk worsens, the fair value of a financial obligation declines and that financial instruments should be grouped and displayed on the balance sheet based on the instrument's highlighted characteristics.

The study employed the least square regression model for the analysis of 30 financial and non-financial companies in the Journal of Economic Modelling (2009) research to evaluate the effect of financial leverage on investment decisions on listed companies in Nigeria. The study's findings demonstrated that financial leverage has a negative impact on investment decisions. It was advised that expert accounting organisations continue to discuss the calculation problem to establish a consistent technique of asset value.

3.0 **Methodology**

The study's population consists of all 169 companies listed on the Nigerian Stock Exchange. The research made use of a sample size of 17 listed firms on the Nigerian Stock Exchange, which was chosen using a random sampling technique in which all listed firms have an equal chance of being included in the study. Secondary data from seventeen Nigerian listed companies' annual reports were included in the analysis.

3.1 Model Specification

This study's model was adapted from Sodan (2015), and it looks into the connection between fair value accounting and investment decisions in Nigerian listed companies. It's written in a functional form as:

$INVD_{it} = \beta 0_{it} + \beta_1 FVA_{it} + \beta_2 FAGE_{it} + \beta_3 LEV_{it} + \mu_{it}$..... (1)

Where

INVD= investment decision

FVA= fair value accounting

LEV= Leverage

FAGE= Firm age

μt is an error term that captures specifically uncaptured other explanatory variables in the model.

β0 is the regression intercept.

β1, β2, β3 are the regression coefficients

3.2 A-Priori Expectation

The a priori is such that: β1, β2, β3, >0. This implies that a significant link exists between the explanatory variables (β1FVA, β2FAGE, and β3LEV) and the dependent variable. The magnitude of the correlation coefficient aids us in understanding the various levels of association between the explicative variables.

3.3 Measurement of Variables

Dependent Variable: Investment Decisions

This is estimated by the standard logarithm of shareholders fund I and time “t”.

Independent Variable: Fair Value Accounting

This is calculated using the company's unrealized fair value gains or losses in the term I and time "t."

Control variables

Firm Age: The number of years since the first AGM was used to calculate the firm's age.

Leverage: Leverage was measured using total non-current liabilities/ total asset “i” and time “t”.

3.4 Method of Data Analysis

To achieve the study's goals, the research employed two types of analysis. This study first research purpose was achieved using descriptive statistics called graphs and the second objective of the paper was achieved using panel ordinary least square regression analysis. Before carrying

out the regression analysis, diagnostic tests would be carried out such as descriptive statistics test (mean, median, standard deviation, Jacque-bera), correlation analysis and Hausman test.

4.0 **Data Analysis and Interpretation**

4.1 Data Analysis

Table 1: Descriptive Statistics

	INVD	FVA	FAGE	LEV
Mean	9.993320	4.875389	1.578661	0.625692
Median	10.05051	6.243534	1.579784	0.567700
Maximum	12.40196	10.09833	2.287802	1.662100
Minimum	7.739928	0.000000	0.698970	-0.567700
Std. Dev.	1.004138	3.524221	0.362232	0.334986
Skewness	0.100773	-0.480543	0.163455	0.212964
Kurtosis	2.903428	1.592121	2.946473	3.998978
Jarque-Bera	0.247654	14.40798	0.544105	5.847720
Probability	0.883533	0.000744	0.761814	0.053726
Sum	1189.205	580.1713	187.8606	74.45740
Sum Sq. Dev.	118.9785	1465.576	15.48299	13.24147
Observations	119	119	119	119

Source: Author's Computation (2021)

Table 1 above shows the investment decision over a period of 7 years for the 17 companies. These statistics cover a measures of central tendency such as mean, maximum and minimum. Statistics such as standard deviation, skewness and kurtosis are included in the table; which is used to explain the dispersion of data. Kurtosis measures the peak of a data series. This helps to understand if there are outlier values in a data series. A kurtosis value greater than 3.0 indicates peaked data distribution with outlier values. The result obtained revealed an average of 99.9% for investment decision, maximum value (12.40) revealed that investment decision has the highest among the data series. The standard deviation value is (1.004138) which is low. Kurtosis value shows 2.903428 which is lower than 3.0 and this indicates that there are no outlier values with a probability of 0.883533.

Table 2 also shows that the fair value (FVA) of firms between 2012-2018 has an average value of 4.87 with a maximum value of 10.09833. The minimum value shows 0.000000, the standard deviation value of (3.524221) which is low, and the kurtosis value (1.592121) which is lower than 3.0 and this indicates that there were no fair values outlier values with a probability of 0.000744.

The table also shows that Firm age has an average of (1.57) with a maximum value of (2.287802). The minimum value shows (0.698970) while the standard deviation value (0.362232) which is very low. Kurtosis statistic (2.946473) is lower than 3.0 and it indicates there were no firm age outlier values with the probability of 0.761814.

The table shows that leverage has an average of (0.625692) with a maximum value of (1.662100). The minimum value shows (-0.567700) while the standard deviation value (0.334986) which is very low. Kurtosis statistic (3.998978) which is higher than 3.0 and it indicates there were leverage outlier values with a probability of 0.053726.

Table 2: Correlation Analysis

	INVD	FVA	FAGE	LEV
INVD	1.000000	0.155926	0.229664	0.049159
FVA	0.155926	1.000000	-0.065988	-0.004699
FAGE	0.229664	-0.065988	1.000000	-0.023786
LEV	0.049159	-0.004699	-0.023786	1.000000

Source: Author's computation (2019)

The correlation analysis revealed the correlation among the data series. It also examined the multicollinearity among the data series. A correlation coefficient lower than 0.8 indicates the absence of low multicollinearity among the data series. The correlation coefficients obtained reveal that there is a positive correlation of 0.155926 between investment decisions and fair value accounting. There is a negative correlation of -0.065988 between accounting for fair value and firm age. Accounting for fair value has a negative correlation of -0.004699 with leverage. Firm age has a positive connection of 0.229664 with investment decision and it has a negative correlation of -0.023786 with leverage. Leverage has a positive correlation of 0.049159 with a capital decision. From these results, there is evidence of low multicollinearity among the data series of the study.

Table 3: Hausman Test

Correlated Random Effects - Hausman Test

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	2.800090	3	0.4235

Source: Author's Computation (2021)

As revealed above, the probability value 0.4235 in the Hausman test indicates that the outcome is negligible at the 5% level of significance, so the random effect could not be used and the fixed effect was used instead.

Source: Author's Computation (2021)

Table 4. reveals the evaluation of the connection linking fair value measurement and capital investment decisions of the sampled listed firms in Nigeria. The table shows the total of 17 listed

Dependent Variable: INVD
Table 4. Method: Panel Least Squares

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FVA	-0.025447	0.012434	-2.046625	0.0433
FAGE	1.661735	0.502945	3.304011	0.0013
LEV	0.016034	0.108266	0.148095	0.8826
C	7.484038	0.786318	9.517825	0.0000

R-squared	0.958974	Mean dependent var	9.993320
Adjusted R-squared	0.951100	S.D. dependent var	1.004138
S.E. of regression	0.222048	Akaike info criterion	-0.019712
Sum squared resid	4.881243	Schwarz criterion	0.447367
Log likelihood	21.17287	Hannan-Quinn criter.	0.169954
F-statistic	121.7942	Durbin-Watson stat	1.103298
Prob(F-statistic)	0.000000		

companies for a period of 7 years using panel regression analysis. The study is using investment decisions as its dependent variable while fair value measurement is being used as the independent variable. The likelihood of the F- statistic is 0.000000, which is statistically significant at the 5% level, indicating that the entire model is significant and has a high fit. The result also has an R-squared of 0.958974 (96%) and a modified R-square of 0.951100 (95%), indicating that the independent variable (FV) is responsible for 96 percent of the overall difference in the dependent variable (ID), while the Durbin Watson of 1.103298 indicates that the result has a serial autocorrelation dilemma.

The findings reveal a negative and substantial relationship between fair value assessment and listed company investment decisions in Nigeria, fair value accounting has a negative correlation coefficient value of -0.025447 which will lead to an approximately 7% decrease in investment decisions and a probability value of 0.0433 which is significant. Firm age also has a strong positive correlation coefficient of 1.661735 and a probability value of 0.0013, resulting in a 166 percent rise in listed firm investment decisions.

Finally, the results show that leverage has a correlation coefficient of 0.016034, implying a positive connexion between fair value calculation and investment decisions in Nigerian listed companies, and a likelihood value of 0.8864, which is not meaningful and will result in a 16 percent reduction in investment decisions.

5.0 **Summary, Conclusion and Recommendations**

The paper evaluated the connection between fair value accounting as well as investment decisions based on listed firms in Nigeria as well as the trend between the two variables over seven years. The study employed trend analysis to examine the pattern of trend(increase and

decrease) between the fair value of the firms (measured by unrealised fair value gains or losses) and investment decisions (measured by shareholder's fund, leverage and firm age) of the selected listed establishments in Nigeria. Based on trend analysis, the study found that the pattern has not been stable enough which has an influence on investment decisions over the period (2012-2018) under study. The study also revealed that there has been inconsistency in the pattern. In addition, the study looked into the connection between fair value calculation and the investment decisions of the companies studied. According to Asset Theory, this focuses on providing and improving knowledge on assets and liabilities that equate to the actual market value of assets and liabilities to all with a stake. Fair value estimation and investment decisions have a negative and important relationship, according to the research.

According to the findings of this report, the adoption of fair value calculation (1FRS 13) holds an adverse and important effect on company investment verdicts in Nigeria, as calculated by shareholder funds, firm age, leverage, and unrealized fair value gains or losses. The following recommendations are made based on the following observations and conclusions:

Firstly, the study recommends more studies and research should be carried out by researchers on this topic by exploring more measures for both fair value accounting and investment decisions.

Secondly, the study recommends that regular training programs and professional conferences should be organised for companies on accounting methods and valuation methods in Nigeria to know what works for their companies.

COMPETING INTERESTS DISCLAIMER:

Authors have declared that no competing interests exist. The products used for this research are commonly and predominantly use products in our area of research and country. There is absolutely no conflict of interest between the authors and producers of the products because we do not intend to use these products as an avenue for any litigation but for the advancement of knowledge. Also, the research was not funded by the producing company rather it was funded by personal efforts of the authors.

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