

# FAIR VALUE ACCOUNTING AND INVESTMENT DECISIONS IN NIGERIAN LISTED COMPANIES

## Abstract

*The research studied the link between fair value accounting and investment decisions in listed firms in Nigeria. The research examined 17 listed firms from diverse sectors and collected information from their annual reports from 2012 to 2018. To achieve the research objective, the study made use of trend analysis. Also, the data was evaluated using panel regression analysis. The data analysis has revealed that fair value accounting has a negative but significant relationship with shareholders investing decisions. The paper consequently proposes that academics undertake further investigations and experiments on this topic by examining new metrics both for fair value accounting and for investment choices.*

*Key Words: Fair Value; Shareholders; Investments; Historical cost; Fair Value Accounting.*

## 1.0 Introduction

Fair value accounting (FVA) is a controversial issue of discussion among accounting practitioners and users of financial information. Accounting for fair value is a good method for minimizing past spending inaccuracies (Skoda & Bilka, 2012). On January 1, 2013, the International Accounting Standards Board and the Financial Accounting Standards Board of the United States of America implemented and accepted IFRS 13 (Fair Value Measurement). According to International Financial Reporting Standard 13, fair value is defined as the price that an asset or obligation would fetch in an orderly market transaction at the measurement date. The price paid by market parties for the sale or transfer of obligations at the time of computation in a lawful transaction is referred to as fair value (Chourou & Thornton, 2011). FVA ensures a more current accounting report due to reliance on market-based measurement. Nonetheless, Fair Value is thoughtfully unreliable as well as subject to corporate discretion (Menicucci, 2020).

Financial reports, published by firms are key means to communicate efficient information to stakeholders. It is important that they possess high quality to be relevant (Solabomi, Semui & Babajide, 2019). In Nigeria, the majority of firms utilise the historical cost method of accounting to make particular economic judgments as opposed to fair value considerations for investment decisions. Additionally, the historical cost technique has been employed as a system of accounting in which the previous cost of acquisition or procurement is used as a reference point for making future economic decisions. Often times, particularly in nations with inflation, historical cost data is meaningless, since current prices do not match historical pricing, providing management with wrong information on which to base economic decisions (Chourou & Thornton, 2011). They contended that historical cost is incapable of accurately capturing price changes during inflationary periods when prices are raised, and that this is a significant shortcoming of historical cost (Al-Khadash & Abdullatif, 2009).

This historical cost accounting weakness encourages the company to measure its assets and liabilities using the fair value accounting method, as fair value accounting can more accurately reflect the company's true financial condition. The use of the fair value technique increases the financial statement's relevance, allowing it to be utilised not only for decision-making and cash flow forecasting, but also to depict market changes and their influence on firm performance (Budrionyt & Gaiauskas, 2018). Additionally, the use of the fair value technique may improve the openness, accountability, and comparability of financial statements (Ainiyah et al., 2021). Transparent information enables investors to understand the company's profit and loss, therefore assisting stakeholders in making the best choice. Additionally, financial statements that are prepared in line with market conditions may assist financial statement users in evaluating a company's operational capability and market performance.

The issue over whether or not there has been a significant shift in investment choices since the implementation of fair value accounting has prompted several assertions. According to accountants and academics, the majority of studies indicate that IFRS 13 has a significant influence on investor decision-making, with the impact changing depending on the kind of firm in which investors invest (Prochazka 2011). Ogundana, Iyoha, Fakile, and Joshua (2018) conducted study on the subject and discovered a positive outcome.

Currently, a rising trend towards fair value accounting has emerged (Mirza, Orrel & Holt, 2008). Fair value basis are seen to reveal the economic reality of an entity as well as their performance (Ting & Soo, 2005; Chouinard & Youngman, 2008; Doron & Stephen, 2008; Procházka, 2011; Bessong & Charles, 2012; Enahoro & Jayeoba, 2013). Despite current discussions and deliberations, debate for and against fair value accounting is still unsettled, as opinions are divided amongst academics and practitioners on the rising value relevance of its application (Penttinen, Latukka, Meriläinen, Salminen & Uotila, 2004; Herbohn & Herbohn, 2006; Watts, 2006; Danbolt & Rees, 2008; Maruli & Farahmita, 2011).

Also, researchers who have written about fair value accounting and investment decision-making have focused on using primary data (Solabomi, Semui & Babajide, 2019) on establishing the effect of fair value accounting on investment decision-making, there has also been evidence of conceptual opinions on its relevance (Goh, Lim, Ng, Pan & Yong, 2021). This study seeks to adopt a secondary data approach. Furthermore, researchers have paid little attention to the area of nexus between fair value accounting and investment decision-making. Thus, the link between fair value accounting and investment decision-making, remain a contemporary issue, which this study will address.

## **2.0 Literature Review**

### **2.1 Conceptual Review**

#### **2.1.1 Fair value Accounting**

According to IFRS 13, fair value is defined as the price that would be realized if an asset were sold or charged if a liability were transferred between market participants in an orderly transaction at the measurement date (that is, an exit price). Fair value, as defined by the International Financial Reporting Standards (2011), is the price at which an asset, obligation, or equity instrument can be exchanged between competent and willing parties in an arm's length transaction. The two IFRS fair value principles stress that the computation is market-based and not entity-specific (Rendón Ivarez, Montao Orozco, & Gaitán León, 2013). According to Ashford & Hall (2011), fair value is the price that would be gained if an asset were sold or the price that would be charged if a liability were transferred between participants in an orderly exchange at the calculation dates. According to Jarolim and Oppinger (2012), fair value is the amount that might be charged as payment in a hypothetical transaction between educated, willing parties under normal market circumstances (arm's length transaction). As a consequence, in an ideal company environment, the fair value represents the anticipated market price. When an equal value is unavailable owing to the lack of a transaction, data from an active market should be used (IFRS13). Fair value accounting is concerned with the monitoring of changes in market prices and is referred to as IFRS 13 (Fair Value Measurement), which was developed and accepted by the US Financial Accounting Standards Board and the International Accounting Standards Board (with an effective date of January 1, 2013). Fair value accounting is required by IASB and FASB regulations to generate information with a higher degree of judgement utility and information relevance than accounting data, thereby providing investors with more valuable information.

Today, investors, financial experts, lenders, and employees agree that the only way to preserve value relevance is via equal value accounting. There are numerous methods for determining fair value, including the most advantageous market, which is the market that maximises the price charged to move the liability after transaction and transit costs are taken into account (IFRS 13). Additionally, there is the active market, which is a market in which asset or liability transactions occur on a regular and consistent basis and in sufficient number to provide continuous price information. Current guidance on fair value estimation has developed piecemeal over time.

### **2.1.2The Concept of Investment Decision**

According to Velte (2017), an investment is the expenditure of money in the anticipation of a future return that exceeds the original expenditure plus a premium to account for inflation, interest foregone, and risk. Investment is a financial activity in which money are invested in an opportunity or instrument with the hope of increasing its value and earning a profit. The purpose of investment is typically to raise the rate of return, which is determined using the amount paid for economic resources and the total income earned by the investor over the asset's holding time. Additionally, by minimizing risk, there is a possibility that the actual return may fall short of the predicted return. The basic motivation of an investor is to maximize the return on his or her investment.

According to (Kida, Moreno, & Smith, 2010), investment choices boil down to determining whether to increase future income to meet costs by increasing capital assets now. Thus, investment choices involve commitments of money resources at different points in time in expectation of possible economic rewards. Due to the fact that investment decision duties are financial management functions, they are carried out at the management level of a business (Van Parys & James, 2010). Investing in productive activities or assets enables you to make more efficient use of your money. Investment decisions are made in order to choose the most advantageous avenue of investment over a relatively extended length of time.

The majority of investment choices are made with regard to fixed assets, which usually have high cash flows and a big initial capital expenditure. Due to the high capital requirements, investment choices are sometimes referred to as capital investment decisions. According to (Chadwick, 2014), there are several reasons why investors put their hard-earned money to work in order to generate a profit. Numerous assessment approaches may be used to aid in selecting whether or not to invest in a firm, including the following: Payback period which basically helps in investment appraisal by disclosing how long it takes to recover the cost of the project.

- 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.

## **2.2 Theoretical Review**

### **Asset Theory**

According to the American Accounting Association, assets are aggregates of service potentials that are available for or beneficial in planned activities. They are economic resources allocated to a certain accounting body's business objectives. The financial statement's asset theory is predicated on the supply of important facts anticipated in the current souk value of economic resources and liabilities (Velte, 2017). In general, asset theory tries to establish theory about an organization's assets that is beneficial for management decision making. According to asset theory, when an asset is acknowledged and its fair value is determined, it must be revalued at a respected amount equal to the asset's fair worth. According to asset theory, the historical cost of an asset, which is its purchase price, should be changed to accurately capture the asset's worth between acquisition and appraisal (Suryanto & Komalasari, 2019).

The asset theory was historically based on historical cost accounting, but as a result of this, the limitations associated with historical cost accounting were associated with asset valuation, and it was suggested that adjustments be made to the financial report to reflect both the acquisition and valuation dates of an asset (Tanifor, 2012). However, asset theory may encounter difficulties in the domain of cost determination. The asset theory is limited by its inability to specify the group of individuals to whom this information is disclosed, implying the possibility of favouring one group of individuals over another, which simply explains why the information provided is not specific to a particular group of people (Suryanto & Komalasari, 2019).

### **2.3 Empirical Review**

Ogundana, Iyoha, Fakile, and Joshua (2018) investigated whether increased disclosure of fair value calculation (IFRS 13) results in more favourable investment choices. The research collected data from auditors at the Big Four accounting firms and professors at a few private institutions in Nigeria via a survey analytic approach. At a 5% level of significance, hypotheses were created and tested using the Pearson product-moment correlation and independent sample T-test. The results established a correlation between IFRS 13's increased openness and

investment choices. According to the research, the Nigerian Financial Reporting Council should guarantee that all Nigerian firms adhere to IFRS 13 in their financial statement preparation and presentation. Additionally, Ibidunni and Okere (2019) examined the link between fair value accounting and the trustworthiness of financial reporting. The data collection instrument was a questionnaire, and the report used both qualitative and quantitative methodologies. Fair value and accounting reliability, the research concludes, have a substantial link. Additional training programmes and conferences on the use of fair value accounting should be organised in Nigeria, according to the study's conclusions.

Okere, Lawrence, Ogunlowore, and Isiaka (2018) evaluated the influence of corporate social responsibility on investment choices in Nigerian listed manufacturing businesses using the panel method. The results indicate a good correlation between corporate social responsibility and firm investment choices in Nigeria, and it is also recommended that corporate social responsibility be connected to corporate value creation processes and capable of influencing investment decisions. On the other side, Bamidele, Ibrahim, and Omole (2018) investigated the effect of financial reporting efficiency on investment decision making using Zenith Bank Nigeria. We used descriptive and ordinary least square regression techniques to obtain data from Zenith Bank Plc's audited annual reports from 2009 to 2016. The results indicate that the elements have a large influence on investment, and it is advised that DBMs produce high-quality reports on their project, since this has been found to increase investor response and investment.

According to Acaranupong (2017), the study was undertaken to determine and assess the value relevance of investment property using fair value and cost models. For years, models such as the equal value and cost models have been used to evaluate and assess the value relevance of intellectual property (2010-2016). The researcher used a regression model to determine that the proportion of publicly traded companies that use the cost model for future investment property estimation is significantly greater than the proportion that use the fair value approach. Additional investigation into the relevance of other assets, such as EPP, trading securities, and securities available for sale, in determining fair value was recommended.

Philander (2016) examined the effect of using fair value as the basis for valuing financial statements on their usefulness. The study's target population was publicly traded corporations, and it used a mixed-methods approach that combined 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 should direct the financial statement consumer toward determining how the fair value measurement was determined so that the financial statement consumer can assess it.

Fraser, Ormiston, and Fraser (2016) used a commercial bank as a case study to investigate the impact of financial statements on investment decision-making. The survey took a descriptive approach, with 150 respondents drawn from the bank's main branch as the target population. The study discovered that financial statement analysis is the most critical statement in investment

decision making, and it recommended that commercial banks develop a self-evaluation form for clients that includes benchmarks for key assessment areas. Al-khassar and Dannoun (2016) conducted research to determine the effect of fair value accounting on the financial statement quality of commercial banks. The researchers used a descriptive-analytic approach and created questionnaires for the study. The study concluded that financial statement analysis is the single most critical statement in investment decision making, and it advised commercial banks to develop a self-evaluation form for clients that includes benchmarks for key assessment areas. Al-khassar and Dannoun (2016) conducted research to determine the effect of fair value accounting on the financial statement quality of commercial banks. The researchers conducted the investigation using a descriptive-analytic approach and developed questionnaires. The data indicated that an investing manual is frequently used and relied upon, highlighting the importance of simplicity when dealing with the additional benefits. Rather than attempting to analyse all possible benefits, the researcher suggests concentrating on a few key ones. Chen, Cai, Lai, and Xie (2016) investigated the relationship between user decisions and fair value knowledge. The study used ANOVA and structural equation modelling to collect responses from students enrolled in master's programmes in accounting departments at eight different universities. The findings indicate that representational faithfulness has an effect on the evaluation and utility of decision-making. The study concludes that the methodology used to calculate fair value has an effect on how consumers of financial statements perceive the qualitative characteristics of fair value data.

Aladwan, Bhanugopan, and D'Netto (2015) examined whether changes in the financial reporting climate as a result of the implementation of International Financial Reporting Standards (IFRS) resulted in more applicable financial information being produced outside of Nigeria over time. The study's core data came from the Jordanian Companies Guide (2008–2012), while secondary data came from annual reports of the companies, and multiple regression analysis was used. The findings indicated that investing in assets priced at fair value has a significant positive effect on a company's financial performance, and it was concluded that real estate companies' fair value accounting calculation has significant values during the study period.

Yahaya, Fagbemi, and Oyeniyi (2015) examined the impact of IFRS adoption on financial statements relating to fair value in Nigeria. The data were gathered from secondary sources, and the hypothesis was evaluated using least square regression. The data indicate that the adoption of IFRS has had a major effect on financial statements' fair value calculations. According to one recommendation, those engaged in financial statement study should pay special attention to trend analysis.

Alswalmeh and Dali (2019) conducted a study in Nigeria to determine the effect of financial information on the investment decisions of bank shareholders. The study's data were derived from the annual reports of five selected Nigerian banks from 2009 to 2018, and the correlation matrix and regression analysis were used to determine the relationship between variables. The findings indicated a positive relationship, implying that dividend per share has a sizable impact on bank shareholder investment decisions in Nigeria, and it was suggested that both current and prospective investors consider financial details relating to dividend per share when investing in

Nigerian bank stocks. Elfaki and Hammad (2015) conducted a study to determine the effect of using fair value on the quality of accounting information that is provided or produced. The study's questionnaires were used to assess many publicly listed companies. An inductive approach was used to evaluate problems and classify their components, while a deductive approach was used to generate hypotheses. According to the findings, fair value information enables users of financial statements to make more informed decisions.

Additionally, Balogun (2015) examined the fair value accounting technique and its effect on the historical cost method of asset valuation in public limited companies. Five petroleum businesses were chosen at random from a population of 12 registered on the Nigerian Stock Exchange, and data were gathered using a descriptive research design and a secondary approach. The results indicate a considerable difference in asset valuation when assets are evaluated at fair value vs when assets are valued at historical cost. According to the study, professional accounting organisations should continue debating how to compute asset value in order to develop a uniform method.

Al-Maamari, Alkadash, Al-Absy, Nagi, and Abdullah (2021) investigated the effect of IAS40 fair value accounting on profit volatility. Data were gathered from publicly listed firms and analysed using regression analysis. The results established that net income and book values are both positively and substantially connected to stock prices, and it was suggested that more study be undertaken on the impact of using fair value accounting on recorded owner's equity and in other industries globally. Changes in value have an effect on investment choices, according to Yarnold and Ravlic (2014). This was accomplished via the use of both qualitative and deductive reasoning. The results indicate that the adoption of IFRS 13 and its enhanced disclosure requirements has assisted investors in making investment decisions. However, the researcher cautions investors against investing in firms that use Level 3 valuation approaches, since they depend on estimations of unobservable inputs that are difficult to manage and prone to bias and inaccuracy.

Brousseau, Gendron, Bélanger, and Coupland (2014) conducted study to see if advancements in valuation techniques had an effect on investment choices. The data were gathered via the use of a qualitative and descriptive explanatory model, as well as semi-structured interviews with academics and audit professionals. The findings indicated that adopting IFRS 13 and its higher transparency rules aided investors in making more informed judgments. According to the research, investors should exercise caution when investing in businesses that use valuation methodologies due to their susceptibility to exploitation. Similarly, Kemuma (2014) conducted research on the influence of investment choices on the performance of firms listed on the Nairobi Stock Exchange. The research population comprised all 61 publicly listed firms, and descriptive and inferential statistics were used to analyse the data. The research showed a positive, significant, and considerable link between ROA and investment choices. According to the report, corporate leaders may boost their innovativeness, resulting in new investments and financial leverage to boost profitability.

Ghafeer and Abdul Rahman (2014) conducted research to shed light on the historical cost problem by restating some of an insurance company's financial assets using fair value valuation rather than historical cost valuation and analysing data derived using the historical cost and fair value principles. Questionnaires were employed in conjunction with a descriptive application approach to conduct the analysis. The data indicated that switching from historical cost



accounting to fair value accounting would provide different results. According to Paolucci and Menicucci (2014), the goal of the study was to summarise the important findings from accounting research on the influence of fair value accounting during the financial crisis. To aid in the examination of the literature, theoretical and empirical research works were evaluated and systematised. This article includes a comprehensive review of the literature. The study identifies a dearth of research on the role of FVA in the financial crisis and recommends additional research, as there is no empirical evidence that FVA contributed to the financial crisis.

### 3.0 Methodology

The data of the study was gotten from a secondary source which is the annual financial report of listed companies in the Nigeria stock exchange market. The population consists of all 169 companies listed on the Nigerian Stock Exchange. The report will use a sample size of 17 listed firms on the Nigerian Stock Exchange, which will be 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 will be included in this analysis.

### 3.1 Model Specification

To examine the relationship between fair value accounting and investment decision, the study adapted the model of Sodan (2015), which examined the relationship between fair value accounting and investment decisions in Nigerian listed companies. This objection can be written in a functional form as:

$$INVD_{it} = \beta_0_{it} + \beta_1 FVA_{it} + \beta_2 FAGE_{it} + \beta_3 LEV_{it} + \mu_{it} \dots \dots \dots (1)$$

Where

INVD= investment decision

FVA= fair value accounting

LEV= Leverage

FAGE= Firm age

$\mu_t$  is an error term that captures specifically uncaptured other explanatory variables in the model.

$\beta_0$  is the regression intercept.

$\beta_1, \beta_2, \beta_3$  are the regression coefficients

### 3.2 A-Priori Expectation

The a priori is such that:  $\beta_1, \beta_2, \beta_3, > 0$ . This implies that a significant link exists between the explanatory variables ( $\beta_1 FVA$ ,  $\beta_2 FAGE$ , and  $\beta_3 LEV$ ) 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 measure 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 (2021)**

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.

Test cross-section random effects

Dependent Variable: INVD

Table 3. 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
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.

Log likelihood	21.17287	Hannan-Quinn criter.	0.169954
F-statistic	121.7942	Durbin-Watson stat	1.103298
Prob(F-statistic)	0.000000		

*Source: Author's Computation (2021)*

Table 3. reveals the evaluation of the connection linking fair value measurement and shareholders investment decisions of the sampled listed firms in Nigeria. The table shows the total of 17 listed 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 accounting 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. This is similar to the study of Ibidunni and Okere (2019) as they both found a significant relationship between fair value accounting and investment decision of organizations in Nigeria, but the study result was different from that of Al-Maamari, Alkadash, Al-Absy, Nagi & Abdullah (2021) and Ogundana, Iyoha, Fakile and Joshua (2018) as they found positive relation between their variables. 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. This is similar to the finding of Okere, Lawrence, Ogunlowore, and Isiaka (2018).

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 article examined the relationship between fair value accounting and investment choices made on the basis of publicly traded companies in Nigeria, as well as the trend between the two variables over a seven-year period. The research used trend analysis to determine the relationship between the fair value of enterprises (as assessed by unrealised fair value gains or losses) and investment choices (as defined by shareholder funds, leverage, and company age) of chosen listed establishments in Nigeria. The research discovered that the pattern has not been sufficiently steady across the study period (2012-2018), which has an effect on investment decisions. Additionally, the investigation established that the pattern was inconsistent. Additionally, the research examined the relationship between the determination of fair value and the investment choices made by the firms examined. According to Asset Theory, this entails supplying and upgrading information about assets and liabilities that is equivalent to their real market worth. According to the study, there is a strong negative correlation between fair value estimate and investment decision-making.

The report's results indicate that the introduction of fair value accounting (IFRS 13) has a significant detrimental influence on corporate investment decisions in Nigeria, as measured by shareholder money, firm age, leverage, and unrealized fair value profits or losses. Based on the above findings and results, the following suggestions are made:

To begin, the report proposes that researchers do further investigations and research on this subject, focusing on additional indicators for fair value accounting and investment decision-making.

Second, the report advises that regular training programmes and professional conferences on accounting and valuation methods be organised for businesses in Nigeria so that they can determine which methods work best for their businesses.

#### **COMPETING INTERESTS DISCLAIMER:**

Authors have declared that no competing interests exist. The products used for this research are commonly and predominantly used 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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