

The application of fair value accounting in the Jordanian accounting environment

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I-Abstract:

This study aims to determine the application of fair value accounting in the Jordanian accounting environment.

The study concluded that institutions in the Jordanian economy use the fair value of accounting measurement and disclosure and have an important role in the adoption of the financial accounting system to calculate the fair value of accounting measurement as well as disclosure below.

Furthermore, the application of fair value accounting has a positive impact on the quality of accounting information by maximizing the qualitative characteristics of this information.

Obstacles and challenges were also found to make the Jordanian accounting environment suitable for the application of fair value.

Key words: fair value, international accounting standards, the quality characteristics of accounting Information, accounting measurement, financial accounting system.

The problem of the study:

The desire of Jordan to reach a competitive economy and provide a favorable business environment and attractive to investment at the international level, led to the application of various measures and reforms, including the change in the accounting system, and the fair value is one of the most prominent of the system as one of the measurement models, Accounting measurement and disclosure of fair value information is characterized by different and complex measurement and disclosure requirements. Unlike measurement and disclosure according to the historical cost used by the accountants, the challenge for Jordanian institutions is the multiplicity of factors affecting fair value. Active market can be relied upon to determine the fair value (real) of the asset to be assessed, but in the absence of active market accountant assumptions opted personal interpretations, which raises the question about the reliability of financial reporting and appropriate, which will be issued in accordance with these principles.

Hence the problem of the study, which summed up primarily in answering the main question of the following:

What is the reality in the application of the fair value of Jordan's accounting environment accounting, and what effect applied to the quality of financial statements?

The study falls under the following sub-questions problem:

1-What the extent of the application of fair value listed in the Amman financial market economic institutions accounting?

2-What the importance of the adoption of the financial accounting system of fair value accounting

3-Is there a relationship between the application of fair value accounting and to maximize the qualitative characteristics of accounting information?

4-Do provide the Jordanian accounting environment suitable ground and appropriate for the application of fair value accounting?

The study hypotheses:

Hypotheses have been prepared in line with research objectives and, through which to gauge the views of the target group in the sample with respect to the dimensions have been selected to be a measure of the importance of fair value they have.

These Assumptions are

1-Application listed on the Amman Financial Market economic institutions fair value accounting.

2-is available. Important role of fair value accounting in the financial accounting system

3-told relationship between the application of fair value accounting and to maximize the qualitative characteristics of accounting information...

4-husbands application of the fair value of many of the challenges of accounting under Jordanian accounting environment.

Objectives of the study:

This study aims to answer the questions contained in the problem of the study, in addition:

- 1- Shed light on the historical cost-based measurement problems as paving the way for the need to be dispensed with in the measurement of accounting for non-reliability measurement.
- 2- To identify the concept and approaches to valuation of fair value.
- 3- Identify the qualitative characteristics of accounting information and its relationship with the accounting measurement based on the fair value.
- 4- To determine the factors and obstacles to the use of fair value in the Jordanian accounting environment.

The research methodology:

To achieve the objectives of the research and answer the questions of the study and test hypotheses to reach the conclusions and recommendations, was based on the inductive method in the preparation of the theoretical framework of the study and through extrapolation as possible to be reached from the Arab scientific references and foreign specialized in the field of accounting and finance, Which were analyzed and extracted their strengths so that they can be used to address the problem of study.

As for the field side it has been relying on the same approach through the use of sub-represented in the curriculum of it.

Descriptive, through the use of the questionnaire tool to identify the views of a sample of specialists and interested in the subject, and then analyzed using statistical methods for each category of study, and thus access to a set of results.

Previous studies:

Researchers have been able to stand on a number of relevant research topics among them.

1- Study (Fallouh, hasen, 2011), entitled: "fair value accounting in insurance companies (Empirical Study)"

The objective of this study is to identify the concept of fair value and the importance of fair valuation of assets and liabilities of insurance companies And the problems and difficulties facing its application, and study the reality of the application of this assessment in the Syrian insurance companies And the difficulties it faces The study concluded that the most important set of results, the use of the concept of fair value in Overall valuation of assets and liabilities, , And the assets and liabilities of insurance contracts in particular offers significant advantages and benefits qualify him to be The most widely accepted and used measurement base in the world in the coming years to measure the assets and liabilities of the enterprise

Some Syrian insurance companies have also assessed certain financial assets and liabilities at fair value, Economic value As well as with regard to assets and liabilities insurance contracts.

However, the use of this expression was shy and the researcher. And was disclosed in the financial reports, felt that the reason for this is due to the following problems and difficulties: Weak activity of the Syrian stock market And the weakness of the Syrian experience of insurance companies And their cadres by applying international standards that include fair value and their measurement mechanism.

2- Study (Masoud Bukhalevi, 2013), Entitled "Impact of Disclosure at Fair Value on Financial Reporting in Institutions the Algerian"

According to fair value and its impact on reliability This study aims to address the issue of disclosure issued And the appropriateness of the resulting information for financial reporting users in Algerian institutions Study to a number of results:

- The existence of the importance of the adoption of the financial accounting system Algerian real value(fair)In the re-evaluation of varieties Which required the accounting system to be re-evaluated at fair value and disclosure accordingly.
- There is agreement that positively supports the use of fair value in disclosure It enhances the presence of qualitative characteristics for the four accounting information that he confirmed Financial accounting system and international accounting standards.
- There are challenges that Algerian enterprises can face in the case of real revaluation and disclosure in the financial statements.

3- Study (Christensen & Nikolaev, 2013), Entitled" Does Fair Value Accounting for Non-Financial Assets Pass the Market Test ?"

This study aims at clarifying the conditions of application Fair value accounting model as alternative to the historical cost, so that this study found a number of results, including Fair value is applied to non-financial assets such as buildings and equipment Are less efficient for decision-makers when compared to historical Financial reporting standards provided an advantage that was not provided by the standards that, cost preceded them Which it allowed the companies to choose the field between historical cost and fair value for With a commitment to stability in the disclosure Accounting policy used. the assets of non-financial

1- Historical cost and justifications for the trend towards fair value:

The principle of historical cost accounting principles that still adheres to the accounting theory in accounting it is one of the most important principles on which the contemporary accounting model is measurement based as a basis for evaluating both assets and liabilities.⁴

The historical cost refers to the amount of cash or equivalent borne by the enterprise in order to obtain the asset Date of acquisition, the actual cash exchange rate or Price Exchange cash equivalents at the date of Providing a high ,acquisition of the asset .The historical cost principle is based on several justifications degree of objectivity in the measurement where It is comparable numbers and facilitate the verification of the accuracy of historical cost data Thus giving a high degree of confidence in the accounting information. The use of historical cost as the basis for measuring and recording has continued Since it relied on facts that had already occurred and were supported by documents Not subject to differences in judgment and personal judgment, And easily verifiable, Measured against which the payment of cash or its equivalent at the time of The characteristic of the historical cost is that the monetary value of the function of the their occurrence value of the exchange process Represents the main source of value measurement.⁵

2- The concept and assessment of fair value entries:

- Definition of fair value

The definitions provided for the concept of fair value varied with the number of entities that provided them Fair value has been recognized by the IASB And in the International Accounting Standard (IAS39) As "the Settlement of obligation between knowledgeable and willing value under which an asset is exchanged parties, operating under normal market conditions".⁶

Defines fair value according to the International Financial Reporting Standard No (IFRS13) Fair value The price that can be obtained as a result of the sale of an asset Or pay it to convert a measurement commitment under a regular process between participants in the Market in the history of measurement "⁷ .

The Financial Accounting Standards Board has presented its Standard No(157) A comprehensive concept of fair value as defined by it "The price that will be received for the sale of one asset or paid to repay an obligation In an organized transaction between the market participants at the date of measurement " .⁸

3- The relationship of fair value to the specific characteristics of accounting information:

The qualitative characteristics of accounting information It is one of the basic components of the theoretical framework of financial accounting And the second level of the theoretical framework of accounting It is a bridge linking the objective of financial reporting on the one hand Concepts of recognition and measurement

on the other hand, it is also one of the features and benefits that must be enjoyed by the accounting information. They are also qualities that make accounting information very useful. 9

The US Financial Accounting Standards Board (FASB) has asked for relevance and reliability. A greater measure of fair value in the financial statements. This is due to the fair value of information more convenient link for each of the investors and lenders. Compared with the historical cost information. Since such measures better reflect the present financial situation of the institution. The publisher of its financial statements, and facilitate better evaluation of the past performance and future expectations. 10

4-Obstacles and difficulties in the application of fair value:

The application of fair value faces many obstacles and difficulties' Related to the Jordanian accounting. Summarize them in the following points and financial environment:

1-The difficulty of determining the fair value of fixed physical assets: This value is determined is under normal competition and possession of Buyer and seller sufficient information. 11

2-Opposes the application of fair value with fiscal law: In practice, it is presumed that a penalty text should be issued to allow valuation on a fair value basis. However, to date there is some reservation by the tax administration about this element. Perhaps this is because, in their view as threatening to cut tax revenues in large. Accordingly it does not recognize the method of calculating depreciation other than the method prescribed for it, particularly with respect to financial assets. 12

3-Lack of an efficient financial market in Jordan: International accounting development was the result of the globalization of financial markets, which makes the valuation of shares, bonds and derivatives based on the fair value method possible. 13

4-Absence of an information system for the national economy: The application of valuation in accordance with the fair value preferably provide sufficient information on Current prices of fixed and current assets. 14

II-The method and tools used:

1-Society and the study sample : The study population consists of the 15 institutions listed on the Jordanian Stock Exchange To study the extent of the application of these institutions to the fair value model, according to the financial accounting system, In addition it consists The community of academics was accepted within the study community based on their affiliation to graduate studies

As well as professionals who have a certificate of practicing the profession at least in the field of accounting or disciplines close to accounting ,To study the importance of the adoption of the financial accounting system for the fair value model.

The study sample consists of two categories:

The first category: a sample of industrial establishments listed on the Amman Stock Exchange

The second category: It is academics, professionals and consists of:

- University professors interested in the field of accounting.
- Accounting experts, accountants, certified accountants and employees of accounting expertise offices.
- Staff in the field of accounting and financial and economic institutions in the public and private sectors.

The researchers distributed 27 questionnaires on the first category and 55 questionnaires on the second category, Sometimes we adopted the method of direct delivery and receipt, Other times we did this by e-mail or by colleagues, And after sorting, sorting and organizing , It decided to maintain the 24 received form from the first category and 46 form the second category, The statistical methods were also used through the (SPSS) program and analysis of sample sample trends

Methods arithmetic average (Mean) standard deviation (Deviation Standard)in addition to the use of One (sample test) t-test

III-Results and discussion:

Appropriate property: It is generally evident that there is a relationship between the application of fair value accounting And maximize the appropriateness of the accounting information contained in the financial statements From the point of view of the study sample with an average of the first category of listed institutions(2.71) Standard deviation(0.345) and class II academicians, professionals The arithmetic mean(2.75) and standard deviation(0.28) respectively.

Reliability property: There is a relationship between applying fair value accounting and increasing the reliability of accounting information Contained in the financial statements from the point of view both categories With an average of the category of listed institutions(2.65) And a standard deviation(0.373), As for the category of academics and professionals, they showed an average of arithmetic(2.52)And a standard deviation(0.373) Suggesting that the answers are based within the scope of approval.

The results show which took the interest of the views of the category of institutions listed at the highest average of the calculation reached(2.92), the views of academics and professionals category with an average arithmetic mean(2.72).

The ability to understand: Susceptibility to understand is the third factor in the fair value test which tended to approve the views of the sample, The arithmetic mean for both categories listed institutions, academics and professionals reached(2.68,2.47) Respectively, Where the views of the category of listed institutions and the highest average account reached(2.42), The lowest arithmetic mean for academics and professionals where he reached(2.22).

Comparability property: Opinions of the study sample came in terms of comparability property Heading towards approval that fair value accounting provides a comparable property in the financial statements, where the average For the category of institutions listed to(2.59) And for academics and professionals(2.50).

From the point of view of the respondents as to whether the Jordanian environment provides the appropriate climate And appropriate for the application of fair value The results show that there are problems and obstacles that impede the application of fair value accounting From the point of view of the opinions of the interviewer sample, Where we find that the need of accountants in particular

And other relevant groups to develop and deepen their understanding of fair value ,It has got more support by an arithmetic mean of (2.92) Category of listed institutions, Class academics and professionals (2.85) , Also, through the questionnaire we see that the majority of the sample respondents (2.58) and(2.78) For the first and second categories, respectively , Thus, the respondent sample is convinced that this concept needs clarification , Over the Jordanian market franchise full competition away from government intervention And the impact of monopolies I got the lowest support from both categories with an average of , More Agree on the existence of ambiguity about the concept of fair value with an average of(1.42) For the category of institutions listed and arithmetic average of(1.33) Class academics and professionals .

-Test the hypotheses of the study: After analyzing and presenting the results of the study, this hypothesis is tested in this part, It has been a test- T and that the arithmetic mean of which was obtained by comparison For hypothesis paragraphs with the arithmetic mean of the study instrument, Discerned from the data that the value of t calculated for the institutions listed.

The first hypothesis: While its highly valued value has been extracted (2.145) By comparing the values that have been reached in testing this hypothesis, (14.257)It shows that the t values greater than the calculated values of t Scheduled, Therefore, it is rejected the hypothesis of nihilism and acceptance of alternative

hypothesis, which states that " Economic institutions apply listed in the Amman Financial Market Model Fair value " This confirms the value of t-Sig, which is equal to zero .

Where the results showed that the Jordanian economic institutions listed on the Amman Stock Exchange Fair value accounting is applied in accounting measurement and disclosure through the results of the responses, The results showed that the institutions apply the allowed alternative treatment (Revaluation) For its in-kind installations, buildings and land valued at historical cost, And also evaluates the financial fixations according to the fair value.

Thus, it can be said that the first hypothesis of the study, which says, "The economic institutions listed on the Amman Stock Exchange are subject to fair value accounting".

The second hypothesis: It is clear from the data received That the value of (t) Calculated for the class of academics and professionals reached (12.793) While its highly valued value was extracted (2.021), Comparing the values that have been reached in testing this hypothesis shows that the value of t calculated larger Of the scheduled t value, Therefore, it is rejected the hypothesis of nihilism and acceptance of alternative hypothesis, which states that "There is an important role to play in accounting for fair value in the financial accounting system(SCF)" This confirms the value of the t-Sig moral which is equal to zero.

Which showed the results of answers to the target group the second hypothesis is that there is an important role to play in the adoption of the financial accounting system (SCF) Fair value model for measuring the accounting and disclosure as well as under, This was confirmed by the results of arithmetic averages of the answers to members of the high category.

Thus it can validate the second hypothesis for the study, which says, "There is an important role for fair value accounting in the system Financial Accounting (SCF)".

The third hypothesis: It is clear from the data that the value of t calculated for the category of listed institutions amounted to(9.703) While its highly valued value was extracted (2.069), The value of t calculated(13.396) For the category of academics and professionals and their scheduled value(2.021) By comparing the values obtained in the test of this hypothesis, the values of(t) Calculated values greater than(t)scheduled , Therefore, it is rejected the hypothesis of nihilism and acceptance of alternative hypothesis, which states that "There is a relationship between the application of fair value accounting And maximize the qualitative characteristics of accounting information " This confirms the value of Sig-t Moral which is equal to zero .

Where the results of the third hypothesis emphasized that there is a relationship between the application of fair value accounting and to maximize the qualitative characteristics of the accounting information presented in the financial statements through the following :

- The fair value accounting application provides an appropriate feature where it produces predictive value information and high and more beneficial retracement move to make credit decisions because they achieve the right timing feature.
- The application of fair value accounting provides reliability property So that the use of fair value in accounting measurement will result in representation Honest accounting information contained in the financial statements.
- The application of fair value accounting provides the ability to understand where the fair value accounting application generates accounting information Categorized in a clear and concise manner that makes them understandable, free from ambiguity and complexity.
- The application of fair value accounting provides comparability property so that produces and through financial analysis of comparable financial indicators.

And this can validate third hypothesis for the study, which says" There is a relationship between the application of fair value accounting and maximize the qualitative characteristics of accounting information".

The fourth hypothesis: It is clear from the data that the value of t calculated for the category of listed institutions amounted to(9.817) While its highly valued value was extracted(2.069), The value of t calculated (10.364) For the category of academics and professionals and their scheduled value(2.021), By comparing the values obtained in the test of this hypothesis, the values of t Calculated values greater than t scheduled Therefore, it is rejected the hypothesis of nihilism and acceptance of alternative hypothesis, which states that" faces The application of fair value accounting has many challenges under the Jordanian accounting environment", This confirms the value of the t -Sig moral which is equal to zero.

By analyzing the results of the fourth hypothesis we conclude that the fair value faces many difficulties And challenges in order to apply them in the Jordanian reality As the economic and cultural environment of Jordan does not provide a suitable platform Appropriate for fair value is the basis for accounting measurement in Jordanian economic institutions This is for the reasons I came back, according to the study sample answers:

- 1-The study sample shows that it is not for members of the Jordanian financial community the same level of awareness of the concept of fair value.

2-Weak knowledge and awareness of members of the Jordanian financial community the foundations of the application of fair value accounting Making it difficult to apply the procedures.

3-Accountants and other related groups need to deepen and develop their understanding of fair value.

4-The Jordanian market is not characterized by full competition away from government intervention and the influence of monopolies.

5-Professional bodies and organizations in Jordan do not play the required role in education, training and training to help implement Fair value accounting.

6-Prices are not determined in Jordanian markets according to the law of supply and demand

Without external or governmental influences.

7-Domestic legislation plays an important role in the use or non-use of fair value.

8-Jordan suffers from slow development of the contents of accounting education in universities and training centers.

And this can prove the validity of the fourth hypothesis for the study, which says "The application of fair value accounting faces many challenges in the Jordanian accounting environment".

IV-Summary:

The importance of this study stems from the desire to know how important this system is to the concept of : fair value Prior to that study the application of the Jordanian economic institutions that concept As well as to examine the relationship between the application of fair value and optimization The qualitative characteristics of accounting information included in the financial statements In the last attempt to find out the appropriateness of the Jordanian environment To apply fair value accounting.

Finally, it can be said that this study concluded the following results:

-That the economic institutions listed in the Jordanian stock market Apply fair value accounting in some accounts such as financial fixations and some sample fixations are re-evaluated.

-The adoption of the fair value through the financial accounting system has an important role as a model for accounting measurement and disclosure.

-The application of fair value has a positive effect on the quality of accounting information by maximizing the qualitative characteristics of that information of relevance, reliability, comparability and comprehension.

-That there are obstacles and challenges that make the Jordanian accounting environment is not appropriate for the application of fair value most notably the lack of an economic environment ripe for application.

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