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Effect of Fair Value Based on IFRS 13 on the Qualitative Characteristics of Accounting Information:
An Exploratory Study in the Iraqi Environment

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ABSTRACT

The aim of the study to investigate the effect and relationship between accounting of fair value according to the standard of IFRS 13 and the qualitative characteristics of accounting information. The fair value made a good contribution in the field of accounting because it faced the deficiency in the principle of historical cost, which was subjected to many criticisms. The researcher designed a questionnaire where the number of the valid questionnaires was 135. The sample was distributed according to demographic variables (academic achievement, educational qualification, and years of experience). The researcher found through statistical analysis that there is a positive significant relation between the standard of fair value (IFRS 13) and the qualitative characteristics of the accounting information. Also, there is an effect of IFRS 13 on qualitative characteristics.

KEYWORDS

Accounting of Fair Value, IFRS 13, Qualitative Characteristics of Accounting Information

INTRODUCTION

Accounting problem arises from time to time; Accompanying that is the increasing criticism of the accounting profession regarding the inability to reach a standardized and acceptable concept of general acceptance. Perhaps this problem casts a shadow over the information contained in the financial statements and the extent of their reliability, especially in times of crisis, so the accounting measurement problem imposed itself during the global financial crisis, 2008 (Al-Jaarat, Al-Tabari, 2013). Despite the great support that accounting of fair value receives in preparing the financial statements for companies, the fair value faces many difficulties, constraints and scientific and practical problems in how to reach fair value estimates for the elements of financial statements and the implications of these investments for the performance of accountants and to achieve the requirements of qualitative characteristics of accounting information (Musa, Khalaf, 2018). providing appropriate and useful information to the beneficiaries is one of the most important objectives of the financial statements, which rely on these statements to make their decisions (Tkachuk, 2019) The financial statements must be genuinely reflecting the financial position and business results. It is necessary to show the assets and liabilities of the company at fair value because it is more objective and beneficial

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to the beneficiaries. The process of preparing financial statements uses several principles and tools for measurement, many of these foundations were recognized in the accounting standards by the IASB and FASB in order to facilitate making the necessary decisions in a timely manner for the users.

The fair value made a good contribution in the field of accounting thought because it has faced the insufficiency of measure the historical cost(Tkachuk, 2019). Fair value contribution by providing appropriate and objective information about the financial position and economic flows of the firm, so that it helps many beneficiaries, including the firm, to make appropriate decisions. Therefore, fair value accounting covered many shortcomings in the process of measurement and disclosure, despite some criticism directed by supporters of the historical cost principle.

BACKGROUND

This research focuses on two aspects, (1) Fair value according to (IFRS13); (2) Qualitative Characteristics of Accounting Information. Researchers tried to found the relation and effect between them.

FAIR VALUE ACCORDING TO (IFRS13)

CONCEPT OF FAIR VALUE

The most important definitions that dealt with the concept of fair value, we find: The Financial Accounting Standards Board definition: (FASB, 2006): “The price that can be obtained as a result of asset’s selling or paid to settle a liability in a regular transaction between the participants at the measurement date”.

Definition of GAAP, The fair value of any asset is defined: the amount by which that asset can be sold or bought, in a real ongoing process between two parties who are willing, in case no liquidation (Hitchner, 2003).

Definition of International Accounting Standards Board (IASB): The amount that can be exchanged for an asset or settlement of an liabilities between parties who wish to be treated on condition that they are independent.” (Kieso & Weygandt, 2011).

Standard of fair value (IFRS 13) is the only standard that speaks in detail on fair value measurement. It was issued in May 2011 by the International Accounting Standards Board and it was implemented in 2013, and this standard was the result of a 6-year effort between the International Accounting Standards Board and the Financial Accounting Standards Board. This standard was preceded by long and difficult discussions, and its issuance had two reasons: The first reason: IASB’s insistence on issuing a standard that defines fair value, the other reason relates to the coincidence of the dialogue on this standard with the global financial crisis and the attempt of relevant parties to solve it (Andrew Watchman, 2012).

VALUATION APPROACHES USED TO MEASURE FAIR VALUE

There are three approaches to measure fair value according to IFRS 13:(Andrew Watchman, 2012), (IFRS 13 Fair Value Measurement, 2012) (Aziz, 2015)

1- Market approach: It means that the institutions depend on the information and data that are available in the market to assess the fair value. This approach uses prices and related information arising from the market transactions of enterprises with identical and similar assets and liabilities. Likewise, valuation techniques include the pricing matrix that is used as a basis for evaluating