THE DEBATE AROUND THE INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS) FAIR VALUE ACCOUNTING CONCEPT

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Abstract
This paper examined the debate around the International Financial Reporting Standard (IFRS) fair value accounting concept. In doing so, it reviewed existing literature and articulated several arguments for and against the concept which is the core objective of the paper. Meta analysis was adopted which aided the discussions of the arguments. The discussions centred on the intelligible points which favoured adoption of IFRS (i.e establishment of market values, enhanced accounting information disclosure, promotion of capital and investment movement within and across national boundary, elimination of national accounting differences ,transparency etc which enhances comparability, reliability, relevance and understand ability) and those that are against it favouring Historical cost accounting (i.e linkage with the 2007 financial crisis, over valuation of assets and liabilities in periods of crisis, the presence of imperfect and illiquid markets, prudence among others). On the basis of the review the paper seeks support for the adoption of IFRS considering the many advantages it offers though with a caution that appropriate regulations and framework be put in place to eliminate its flaws. Finally, it noted that these two arguments certainly provide interesting as well as challenging observations on contemporary accounting practice and research which deserve investigation .It recommended that the arguments for and against the IFRS fair value concept are germane and should be tactfully noted, compiled, analysed, discussed and harmonised by the relevant national and international accounting standard setters with a view to ensuring standardization. This will bring about significant improvements to IFRS. Thus it will accelerate universal adoption of IFRS and finally make accounting language and reporting to be uniform as the world gravitates towards becoming a global village.

Keywords: International Financial Reporting, Fair value accounting, Historical cost accounting.

Introduction

Various concerns have been expressed and the confluence of several factors has been carefully recognized and identified as contributory to the root causes of the 2007 global financial crisis. Banziger (2008) in examining the causes of the global financial crisis notes that some commentators have pointed to the relaxed credit practices of banks as a critical factor, while others have blamed it on the use of fair value accounting (FVA) in financial reporting. The latter factor according to Banziger (2008), was considered to be deeply responsible for the 2007 global financial crisis because the International Financial Reporting Standards (IFRS) as well as the US Financial Accounting Standards (FAS) have widely employed the use of the fair value accounting (known also “mark-to-market” accounting) as an accounting measurement attribute .As such most companies in the US are reported to have embraced and complied with the adoption of fair value accounting in reporting their operations.(Banziger, 2008)

The fair value concept has been defined in various ways. According to IFR 3 Business combinations, the concept of fair value is defined as “the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Different models of fair value accounting exist in the literature. Some of the models are equity approach, the mixed approach, the income approach and the full fair value approach. The equity approach recognises that all unrealized, fair value changes are noted and admitted in revaluation reserve. This means that when the transaction is realised, fair value changes are disclosed in equity and they do not affect the income statement. This approach is supported by International Accounting Standard (IAS) 16. Under the mixed approach, unrealised fair value changes of transactions are also admitted in a revaluation reserve, but this realised fair value changes are only reflected in the income statement and not in equity. IAS 39 supports this approach. The income approach maintains that all holding gains and losses resulting from changes in fair value are reflected in the income statement. While, in the full fair value approach, all fair value changes (whether gains or losses) are reflected in the income statement including goodwill generated internally from the firm.

It is generally observed that the measurements of assets and liabilities of an entity have serious implications for such entity's financial position. Boyer (2007) in consideration notes that the fair value principles in IFRS tend to replace historical cost accounting (HCA) measurement by using an explicit evaluation of assets according to their expected returns over their lifetime. This suggests that if a market exists for the assets, the market value of the asset should be adopted in determining the financial position of the firm. On the other hand, where no market exists for the assets, the firm should rely upon explicit modeling of net present value (NPV) techniques of future earnings or cash-flow to get the value of the assets. With the growing acceptance of IFRS adoption by most countries of the world including Nigeria and the need for convergence of accounting practices, serious concerns are raised about the principles of fair value accounting (FVA) of IFRS and its sustainability for financial reporting across the world.

Against this backdrop, the objective of this paper is to take an in-depth exploratory review of the ongoing debate around the fair value accounting as contained in IFRS, by articulating the arguments for-(which is aimed towards convergence of accounting practice) and arguments against (which discourages accounting convergence), that favours Historical cost accounting (HCA).The justification being that it is expedient to present the two competing accounting and reporting systems and appreciate the clamour for IFRS fair value accounting in the world presently. The structure of this review proceeds along the following sequence: Section 2 outlines the conceptual and theoretical review of fair value accounting which is followed by Section 3 a survey of the arguments for and against the fair value accounting concept. Section 4 discusses the arguments while Section 5 summarises and concludes the review.

2. Accounting Convergence

It is noteworthy that the re-organization of International Accounting Standard Committee (IASC) into International Accounting Standard Board in 2001, was a welcome development in every sense of it aimed at developing global standards and related interpretations which are today collectively known to be International Financial Reporting Standard (IFRS). This re-organisation is particularly important and more highly appreciated if accounting as known widely is the language of business. As the world is becoming a global village, it is imperative therefore, that businesses all over the world cannot afford to continue to speak different accounting language to one another as they engage in exchange of financial information, resources /members and also expand activities beyond national borders to other international climes. This development calls for a definite universal accounting language and to achieve this goal, accounting convergence is no doubt imperative. Accordingly, accounting convergence is possible through IFRS which is a single set of worldwide accounting standards required to simplify accounting procedures and reporting language across the world (Nyor 2012).

Accounting convergence according to Ball (2006), refers to the process of narrowing the differences between IFRS, and accounting standards of countries that retain their own standards .For instance to support of accounting convergence, the European Union(EU) Parliament (2002) issued a statement which mandated listed companies that want to consolidate their operations to adopt IFRS beginning from the year 2005. The EU Parliament also stressed the need that "a single set of accounting reporting standards is regarded as essential to ensure a high degree of transparency and comparability of financial statements and hence the efficient functioning of the EU capital market.

Since the emergence of IFRS in the global scene, a good number of countries have indicated un-wavering interest to adopt IFRS while many have established the convergence processes lately and others in the nearest future. Notable amongst them are Korea (2009), Chile (2009), Brazil (2010), India (2010), Japan (2011), Canada (2011), Malaysia (2012), Nigeria (2012), United States (2007). For instance, Canada has allowed foreign companies operating in its shores to use IFRS since 2007. In the United States, the Security and Exchange Commission (SEC) announced IFRS adoption since November 2007, which allowed non-US companies to file financial results in accordance with IFRS requirements without reconciliation to United States, Generally Accepted Accounting Principle (GAAP) (IASB 2007). Also in 2008, the same United States SEC also allowed US companies the choice of using either IFRS or United States GAAP to prepare their financial statements.

In December 2010, the Federal Executive Council of Nigeria approved the adoption of IFRS. The Nigerian Accounting Standards Board (NASB) the national standard setter was re-designated as Financial Reporting Council of Nigeria (FRCN) .The council in preparation for the take–off of IFRS issued an implementation roadmap for its adoption with January 2012 set date for compliance by publicly quoted companies and banks in Nigeria. In addition, the Central Bank of Nigeria (CBN) and the Securities and Exchange Commission have also adopted this same date for compliance. They have equally issued compliance circulars to ensure full IFRS implementation in Nigeria (Isenmila and Aderemi, 2013). These efforts demonstrated by the countries to converge with IFRS are a clear indication of the growing number of countries embracing IFRS now and in the nearest future. For instance Delloitte (2009) documents that more than 100 countries around the world, including countries in Africa, Asia and Latin America have adopted IFRS..

Accounting convergence has also received tremendous support from capital market participants across the world. This is demonstrated by the study of IFAC (2007) which showed that a large majority of accounting leaders (which include policy-makers and chief executives of large corporations) around the world agreed that a single set of IFRS is important. In the study, of the 143 leaders from 91 countries who responded to the questions asked, 90 percent supported that IFRS was very important or important for economic growth in their countries. The EU (2005) survey of executives of Italian listed companies concerning accounting convergence issues reported by Cordazzo (2008), clearly indicates the responses of the respondents which reveal that communicating to stakeholders by using IFRS allows companies to benchmark themselves against their peers and also allow investors to compare firm performance with competitors globally. Convergence as Thomas (2009) observes offers substantial benefits to large companies both locally and internationally. SEC (2007) maintains that convergence will enhance US global competition. KPMG (2008) however, opine that convergence is thought to eliminate costly reconciliations. Nicolaisen (2005) however, notes that with IFRS, professionals and regulators would deal with a single set of standard, which would lead to a reduction in differences in accounting standards between countries and thus, more transparent financial statements would be prepared.

Accounting convergence despite its acclaimed advantages has not gone un-criticized. Huge cost disadvantages have been identified with accounting convergence. For instance, Chalmers, Clinck and Godfrey (2007) in their study, found that companies shifting from Australian Accounting Standards to IFRS incurred significant financial and other costs, including a 10% lower book value for equity. They also noted that changing accounting policies in accordance with IFRS also affect the liability. The reasons adduced according to them is that the adoption of IFRS have made companies to incur training cost for accountants ,purchase cost of IFRS compliant accounting software and cost of redesigning accounting and reporting systems. In addition the conversion to IFRS understate book values of equity as well as liabilities.

3.0 International Financial Reporting Standard Fair-Value Accounting Adoption Debate

Since the coming on stream of IFRS, predicated upon fair value accounting principle it has sparked off contentious arguments. The way the debate is unfolding, it has created two basic and distinct schools of thought with opinions at both extremes of the discourse. Each of the schools has advanced its position with strong points for and against, drawing strength from available circumstances, situations and practices. The debates so far has generated intellectual intercourse and the varied views expressed are presented hereunder for the purpose of providing a platform to assess the ongoing discourse.

3.1 Arguments for International Financial Reporting Standard (IFRS) Fair Value Accounting (FVA)

The proponents of IFRS Fair Value Accounting have continued to argue that traditional Historical Cost Accounting (HCA) which has been in practice decades ago till today is bedevilled with a lot of problems. To them, HCA was unable to provide useful information during times of changing prices. This is particularly noted by Sterling (1970) and Edward (1975) when they opine that the problems of HCA came to the fore when the global economy went through a period of seemingly intractable inflation in the 1970s. As such to avoid a repeat occurrence there was a concerted search for other accounting measurement techniques that are market value-based rather than cost-based as way out of the malaise of HCA. This school of thought against HCA ostensibly believe that market-value based accounting is imperative as it will undoubtedly provide more relevant information compared to information provided under the conventional HCA. Consequently the result of this search was the conception and eventual birth of the fair value accounting principle strongly advanced by the promoters of IFRS in contemporary accounting practice.

As the debate rages on Williams (2002) notes that IFRS brought in a revolution in accounting practices by moving away from established concepts of HCA towards the concept of investor decisions based on future cash flows and fair values. It is indeed note worthy that fair value accounting is not a new concept in contemporary times It has been in existence. For instance since the 1970s FVA has been gaining attention, support and legitimacy as an accounting standard that requires its application to be extended to various accounting jurisdictions. With nostalgia, Cheung and Morley (2008), aver that fair value accounting is a market-based measurement technique which has been part of Generally Accepted Accounting Principle (GAAP) for many years now.

In this regard, the FVA issue being subjected to criticisms as a result of the clamour for IFRS adoption is not an entirely new concept as it were, based on the arguments put forward by its proponents. They (proponents) outlined clearly that it was first mentioned in International Accounting Standard (IAS) in 1977, in the context of IAS 17 which deals with accounting for leases. To them the concept played a great role in determining the classification of a lease- as finance or an operating lease, as well as in the determination of profit or loss in sale and lease-back transactions. They argued further that many other IAS's have made valid reference to fair value before now. For instance, IAS 16 which deals with accounting for property, plant and equipment made specific reference to fair value as well as the 1995 agreement signed by International Accounting Standard Committee(IASC) with the international organization of securities commissions which sought to develop a set of new standards that would form an acceptable basis for reporting purposes for companies with cross-border listings. They maintain that the current vituperations against the concept is therefore, an unnecessary exaggeration of flaws. IFRS emergence does not say anything new but seeks to re-emphasize what has been in existence with subtle emphasis

In specific terms, the proponents of IFRS Fair value accounting mentioned IAS 16- Accounting for property, plant and equipment which allow a choice between the cost model and the fair value model in measuring these category of assets .To them this standard shows that an entity can opt for revaluation model to measure items of fixed asset at fair value. They however maintain that, such an entity has the discretion and is not mandated to carry fixed assets at fair value. Again, they drew strength from IAS 40- Accounting for investment property which also allows firms to choose between the cost and fair value model and the choice of one should be applied to all of the investment property. In their continued defence, according to International Accounting Standard Board (IASB) (2009), fair value places emphasis first on quoted prices in active markets which they refer to as Level One input. Amplifying this point, they maintain that an active market is when the entity has an immediate access to the market (that is it could exchange in current condition of the asset or liability) and in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis Such an asset should have a market quoted price. A quoted price in an active market provides the most reliable evidence of fair value and should be used to measure fair value whenever it is available. Examples of active markets are the capital market and the commodity market..

In furtherance of the arguments, Barth, Beaver and Landsman (2001) opined that fair value accounting has gained credence because investors perceive fair value estimates as more value relevant than historical cost amounts. To reinforce this position, Damant (2001) notes that IASC (1989) prescribes that company reports are produced to enable users to make economic decisions and that these decisions are concerned with an estimate of the enterprise's future cash flows. That, If investors are provided with information about future cash flows to make judgement about their investments, the accounts will also reflect economic reality. In a more robust defence, the proponents have argued that, the use of FVA will also encourage banks to follow a fair value measurement of assets and liabilities. According to them, all financial instruments including loans will be measured and recorded at their fair value. As such any changes (gains/losses) arising from changes in fair values as a result of changes in the underlying environment will go directly to a bank's income statement. In this way, without prejudice embedded losses and./or gains are fully recognised in the accounts. Casabona, Shoaf and Fontender (2001) interestingly depose that, FVA will help to alleviate problems of stewardship functions as long as market participants possess that knowledge or the necessary financial analysis tools.

O'Hara (2009) observes that although FVA is not perfect, it however portrays the value of assets available for sale or trading to investors in a more relevant and timely manner than figures based on HCA. Brown (2008) however, opine that fair value rules are not ideal but argue that they are still better than any existing alternative and provide much needed transparency for investors. Hughes

(2009) indeed notes with caution that fair value rules actually would help to provide transparency to investors and if there is a loss of transparency, the risk of litigation increases: every time there is a failure, but the questions would be asked would be "where were the accountants? Why wasn't this transparent.

Drawing from the above arguments, the study of IASB (2008) of chartered financial analysts members worldwide showed that 79 percent of respondents believed that fair value requirements improve transparency and contribute to investors' understanding of financial institutions' risk. Additional support came from International Standards Conceptual Framework (2008) which shows that supporters of the fair value model also believe that fair values give users of financial statements more useful information than other measures, such as depreciated cost, and changes in fair value which are inextricably linked as integral components of the financial performance.

Rankin (2009), opined that professional bodies such as Certified Professional Accountant (CPA) Australia are of the view that for some assets and liabilities measurements at the fair value will yield better " decision and be useful" financial information than historical costs for example, derivatives. Rankin continued that CPA Australia also believe strongly that the use of fair value derivatives and some financial assets reflected at fair values is the most effective method to reflect economic reality of such items. That, although fair value can be difficult to determine in current market conditions, but its benefits of transparency and comparability are undisputed. Rankin (2009) however, concluded that "the function of fair value financial reporting is like that of the thermometer – it mirrors reality, it does not create it.

According to Chartered Professional Accountants (CPA) Australia (2009), HCA is a flawed approach to evaluating financial assets and financial liabilities simply because its relevance becomes valueless overtime. The Institute maintained that notwithstanding the fact that it is difficult and challenging to come up with fair values particularly in illiquid markets, that does not impair the relevance of FVA as it remains probably the best measurement attribute for financial assets and financial liabilities. Drawing more support Hinks (2008) noted with reservations, a JP Morgan analysts comments blaming FVA for the 2007 credit crisis and that it is like going to a doctor for a diagnosis and then blaming him for telling you that you are sick. Hinks (2008) espoused further that, FVA and enhanced disclosures have helped to identify quickly where problems exist and how to respond to those problems. That the world's current financial situation might have been worse in the absence of FVA, because the magnitude of the problems would not have been recognised as quickly under traditional accounting methods. Lending more support, Wallace (2009) notes that according to an analyst, if FVA had been instituted earlier (and if the credit risk had been captured appropriately in the market values), the financial crisis would have been avoided. Ryan (2008) in another perspective contend that, the best way to stem credit crunch and damages caused by these actions is to speed the price adjustment process by providing market participants with the most accurate and complete information about subprime positions. Although imperfect, nonetheless FVA would provide better information about these positions and is a far better platform for mandatory and voluntary disclosure than alternative measurement attributes, including any form of amortised cost accounting.

Wallace (2009) writes that one of the most important qualities of information is that it is meaningful to its users. If fair values were not meaningful, then it would provide no information that is useful to investors regarding the underlying economic value of the securities that are carried at "fair value". He posited that the decline in the fair values of the mortgage securities issued in recent years is entirely consistent with the emergence of significantly higher default rates on these securities versus the expected defaults at the time of issue. As such, the fair value information regarding these securities cannot be regarded as meaningless, as it provides an estimate of the impact of higher defaults on current earnings.

The benefits of fair value accounting are not far-fetched. Fair values contain more information than historical costs in financial statements. It incorporates more information in financial statements and by definition makes them more informative, with potential advantages to investors, which other things being equal, makes them more useful for purposes of contracting with lenders, managers and other parties (Ball, 2006).

The push for FVA has been influenced strongly by both IASB and FASB, no wonder one of the FASB members commented strongly in favour of FVA that "The Board (FASB) has required greater use of fair value measurements in financial statements because it perceives that information provided are more relevant to investors and creditors than historical cost information. That such measures better reflect the present financial state of reporting entities and better facilitate assessing their past performance and future prospects. In that regard, the board does not accept the view that reliability should outweigh relevance for financial statement measure because noisy information on gains and losses is more informative than none ,and even the least reliable mark-to-market model" estimates, certainly incorporate more information", (Johnson, 2005). Despite the strong proposition of FVA by its adherents, it has been questioned whether it can be accepted to have the quality of sufficient reliability particularly when it has been identified as a major contributory factor to the 2007 global financial crisis.

3.2 Arguments against International Financial Reporting Standard Fair Value Accounting

The fair value concept has attracted a lot of debate in recent times. according to International Monetary Fund (2008), the FVA has drawn much attention worldwide and has been heavily, criticised for its role in the global financial crisis. In support Mallet (2008) contends that the financial crisis ignited fierce debate about the effect of fair value reporting in turbulent and illiquid markets. Drawing from that premise Rajni and Parmod (2012) note that the lack of organised and liquid markets for many assets and obligations poses difficulties in developing reliable fair value measures. For instance, many assets of financial institutions (such as loans) are illiquid, not standardised and are not traded in deep markets. Accordingly, in these illiquid markets, trading by managers can influence the quoted prices and hence allow them to manipulate fair value estimates. Arguing along the same line, Ball (2006) notes that when market prices are not available, estimates using fair value models are used to derive the fair value and not the actual arm's length market prices. Under this situation the fair value models, incorporate numerous assumptions and trivial changes which can lead to substantial alterations of income. This introduces a "model noise" owing to imperfect pricing models and imperfect estimates of model parameters. On this basis the estimates of future cash flows for example, would provide room for subjective judgements or manipulation of the values. Hence, fair values cannot be considered reliable because of the intrinsic error in either of the measurement tool.

From the banking perspective, Chen et al (2005) argue that fair values (market prices) are not readily available for bank assets and liabilities such as "middle market" business loans, commercial real-estate loans and some sovereign debts. The arising consequence therefore is that, a company's credit rating will deteriorate and leads to a decline in the fair value of that company's liabilities. For instance, if they were included at fair value, this would create a profit at a time when the company's performance or prospects may have worsened .In the light of this kind of situation occurring, Merton and Bodie (1992) caution that the valuation procedures, should be symmetric and hence unbiased.

Cheung and Morley (2008) however note with keen enthusiasm about what the former US Security Exchange Commission Chief Accountant comments regarding bankers' assertion concerning FVA as the root cause of the problem that plagued the financial industry. In 2007. According to the comments "the only thing FVA did was to force you to tell investors that you made a bunch of very bad loans". Building on this premise, James (2009) observes during the financial crisis some of the major companies fair value wiped out reported profits or increased losses by forcing them to report their assets according to the current market or modelled prices. Sequel to this , CIMA (2009) documents that one of the private equity billionaires in an interview with Financial Times regarding the crisis, called FVA standards "absurd and destabilising".

In furtherance, Brown (2008) documents the commentary of an American Federation of Labour Congress of Industrial Organization that " the mark-to- market seems to apply only when the market is liquid but can be naive and misleading. Fair value accounting breaks down when the trading slows and when there is no market- to- mark which then leads to mark-to-model and eventually "mark-to-mush. In another strand of the argument Rajni and Permod (2012) comment that fair value does not require a transaction to occur in order to recognise the change in value, as such it can recognise profits and losses earlier than under the historical cost approach. This submission however prompted the criticism that fair value adds to the "pro-cyclicality" effect by amplifying the effects of the business cycle.

Drawing from this argument Benson (2006) provides an example that practically illuminates the argument against FVA. According to him Enron used FVA in highly creative ways in a number of different circumstances. Enron used FVA for long term gas supply contract arising from a consensus document issued by the task force of FASB which allowed companies to use FVA with respect to long term energy contract. This leverage enabled Enron to record $34 million fair value of income, and because Enron controlled the gas market, it used its own estimates to manipulate the amount of revenue that it recognised. Another defect of FVA was noted by Washington Post (2008).According to the Washington Post, using FVA is like "pouring fuel on the fire" rather than simply 'measuring the flame'.

Cheung and Morley (2008) opine that FVA reporting of mark-to-market losses can cause further decline in market values, which can in turn affect losses reported by investors. As a follow-up Dzinkowski (2009) notes the comments of a former chairman of the US Federal Deposit Insurance Corporation 'that the economy is in deep trouble owing to its accounting system and the FVA mark-to-market reporting is the primary cause of the worldwide financial crisis .Thus it should be withdrawn immediately as 'hundred of billion dollars' have been lost because of these rules .In deed mark-to-market accounting would interfere with banks performing their fundamental function of taking relatively short term deposits and converting them into relatively long term loans to businesses and consumers.

Hoontrakul (2008) argues that fair value accounting requires companies' to mark their financial instruments at market prices and which can reflect bad news somewhat unmercifully. Hoontrakul particularly noted the arguments of the critics of FVA hinged on the fact that FVA rules actually exacerbated the global financial crisis by further depressing financial assets and making it harder for companies to access capital in markets where capital has evaporated. Noting further, Hoontrakul equally observed that since the mid-1990, several countries have adopted the FVA, which are acceptable in markets that are functioning well. However, in the wake of the global financial crisis markets have become dysfunctional occasioned by the sharp fall in the price of equities and as a result, most companies' balance sheets look dismal.

4. Discussion of the Arguments

Very intelligent and incisive arguments for and against IFRS FVA have been identified in the various works reviewed. The arguments have their merits as well as their demerits. The analysis revealed that, for the arguments in favour of fair value accounting, the fair value accounting is likely to provide useful information during times of changing prices as noted by Sterling 1970 and Edward (1975). However, Mallet (2008) notes, that the financial crisis ignited fierce debate about the effect of fair value reporting in turbulent and illiquid markets. In another dimension, the review found out that fair value accounting can engender investor decisions based on future cash flows and fair values provide more value- relevant information in investment decisions as well reflect economic reality which historical cost accounting does not provide (Williams, 2002, Cheung and Morley, 2008) Barth et al., 2001) and Damant (2001). On the contrary, it was gathered that estimates of future cash flows arising from fair value accounting provide room for subjective judgements or manipulations of the values consequently they can be unreliable because of the intrinsic error in either of the measurement tools.

Fair Value Accounting has been known to lay more emphasis on quoted prices particularly in active markets, thereby making transactions for assets or liability to occur with sufficient frequency and volume with the provision of pricing information on an ongoing basis (IASB, 2009) and (O'Hara, 2009). However, where there are no organized liquid and active markets for many assets and obligations, it poses difficulties particularly in developing reliable fair values measurements. As such trading by managers can influence the quoted prices and hence provide opportunity to manipulate fair value estimates (Rajni and Parmod (2002) and Bull (2006).Brown (2008) also show that, even in liquid market, fair value can be naive and misleading and it can breakdown particularly when trading is slow

Although as found out in the literature, fair value actually does not require a transaction to occur in order to recognise the change in value, it can recognise profits and losses earlier than historical cost approach. It also provides transparency by alleviating problems of stewardship function as market participants possess all requisite information and knowledge (Casabona et al (2001) and Hughes (2009). Critics however maintain that no matter how good the fair value accounting is, it has tremendously added to the pro-cyclicality effect which seriously amplifies the effects on the business cycle and has been described to be absurd and destabilizing. In addition FVA has been attributed to be one of the root causes which ignited the 2007 global financial crisis. Again, financial reporting by fair values can cause further decline in market values which invariably can affect losses reported by investors (James, 2009), CIMA, 2009), Brown, 2008), Rajni and Parmod, 2012), Washington Post , 2008), and Dzinkowsk ,2009).

Despite the attributable fact that fair value is a major cause of the 2007 global financial crisis, the point has been made that FVA actually enhanced disclosures which have helped greatly in identifying as quickly as possible where problems existed and engender policy responses to those problems thereby mitigating the destabilizing effect. If not for the adoption of FVA, the magnitude of the problems of the 2007 global financial crisis would not have been recognised on time and it would have been worst instead (Hinks (2008) and Wallace (2009). In a counter position, the FVA however good it was no doubt actually exacerbated the recent global financial crisis. It did not only cause further depressing of financial assets value it equally made it harder for companies to assess capital. In addition it caused dy-functionality of markets in the wake of the recent global financial crisis and caused a sharp fall in equity prices with attendant effect on companies balance sheets looking dismal (Hoontrakiu, 2008).

Clearly transparency is one key attributes of accounting. Thus in as much as Fair value accounting has as its hallmark transparency; it satisfies a cardinal requirement that would create confidence in the minds of investors and users of financial information within and across national setting. It would not only provide relevant, reliable quality accounting information but enhance understandability of financial information by diverse users It is noteworthy that fair value is also hinged upon the attribute of comparability. This is particularly important because investors and users of financial information would be more informed and can make comparison between companies accounting information in the same industry at the national as well at the international level..

With the adoption of IFRS worldwide the tendency to make markets such as stock markets to be viable and liquid is not in doubt. Illiquidity has been the bane to the growth and development of most stock markets particularly those in developing economies. This will open more avenues and opportunities for companies to be listed in different national stock markets and have access to investable capital which hitherto was not possible in their home countries. International visibility of countries is no doubt assured in this regard Further, it would also create in the minds of companies' management the culture and attitude of engaging in enhanced disclosures of financial information which in effect reduces asymmetry of information, as they recognise that competition is no longer within national boundary but across it. Thus onerous responsibility is placed on them to comply with common accounting rules, conventions and reporting practises to survive.

With the interconnection of economy of countries through information telecommunication, national borders of nations which hitherto were barriers are broken. This of course has made the entire world to be an entity otherwise called a global village. This development has made exchanges in resources between nations and companies to be easier and on the increase therefore, the need to have fair knowledge of resource values to accelerate trade and investment transactions has become compelling. In this light, it is therefore most expedient that a uniform accounting language is required which makes IFRS become inevitable. IFRS would eliminate national accounting differences often associated with individual country's generally accepted accounting principles.

Another important point to stress is that IFRS adoption has been considered to have the capacity to improve tremendously investors' protection in countries with weak investors' protection mechanisms Weak investors' protection is one factor that has undermine increased activities in most stock exchanges in developing countries. This has placed limits on the amount of foreign direct investments that find its way to those countries. The reason being that foreign investors are doubtful of the safety of their investments IFRS would enable investors to make proper assessment of a company and country risk exposure

Although some flaws have been identified with IFRS fair value accounting, particularly it's criticism of over valuation of financial derivatives values which led to the 2007 financial crisis, its relevance cannot be consigned to be inappropriate in an ever changing world where fair values are relevant to businesses. It is worth noting therefore, that economic realities are best reflected by fair values. Moreover, on the basis of logic and theoretical underpinning which underscores research, Fair value finds ready acceptance unlike HCA that lacks theoretical basis. It is important therefore, for proper regulations and framework be put in place to address the flaws affecting the fair value accounting measurement. In this regard, International and national accounting standards setting bodies that seek to ensure adoption of IFRS should be encouraged to look in this direction if the desire for reliability, understandability, comparability and relevance of accounting information relating to capital, investments and activities of companies which investors earnestly required is to be attained. Finally, these two arguments certainly provide interesting as well as challenging observations on contemporary accounting practice and research which deserve investigation.

Conclusion & Recommendations

The review of the existing literature and the discussions following actually point to the fact that the argument for and against fair value accounting towards ensuring accounting convergence are germane. As the world moves towards IFRS adoption (which is towards accounting convergence), the arguments(for and against) that have trailed IFRS fair value accounting should be tactfully noted, compiled , analysed ,discussed and harmonised by the relevant national and international standard setters. The harmonisation no doubt will reduce the various shades of misgivings expressed about the FVA and reinforce more support thereby providing the grounds for universal acceptance and adoption of FVA. This obviously will accelerate the universal adoption of IFRS particularly when the world has become a global village and accounting language needs to be uniform for purposes. of comparability, reliability and understand ability.

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