



Fair Value Measurement and Earnings Management In Selected Deposit Money Banks In Nigeria

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ABSTRACT

Globally, earnings management arising from managers' ability to creatively manipulate figures presented in the financial statements to influence entity's performance has been a long-standing concern for users of financial statements. This concern has intensified with the birth of Fair Value measurement (IFRS 13). Therefore, the need to assess the impact of fair value measurement on earnings management by deposit money banks in Nigeria using the Beneish Model (M-score model) as a proxy for earnings management. The research work adopted the ex-post facto research design. The population of this study will comprise of the fourteen (14) Commercial banks listed on the Nigerian Exchange Group as at the year 2023. The purposive sampling technique would be adopted for this study. Thus, the sample size was five banks for the period of 2013 to 2022. The study made use of secondary data. Descriptive statistics and linear regression analysis was adopted as the data analysis technique of this study. The result of the analysis showed a regression coefficient of -0.240 for fair value measurement. This implies that -24% of the variation in earnings management practices of banks is accounted for by the application of fair value measurement. In conclusion, our analysis reveals that fair value measurement insignificantly impacts earnings management practices among Nigerian banks, with a regression coefficient of -

0.240 indicating a 24% reduction in earnings management for every increase in fair value measurement. Based on the findings of the study, the following recommendations were raised; Management of deposit money banks should further integrate fair value measurement practices into their financial reporting systems by investing more on technology and expertise to enhance accuracy and reliability of fair value assessments.

Keywords: Earnings Management, Fair value Measurement, Deposit Money Banks

I. Introduction

Some Managers are more concerned with the presenting a financial statement that presents good financial performances (to satisfy the needs of the stakeholders) instead of focusing on its objectivity and accurately aims to achieve. Some managers, with the view to meeting up their expectations, satisfy the stakeholders and portray good performances may manipulate accounting numbers by managing the reported earnings (Charles & Uford, 2023). The act of manipulative accounting is often referred to as earning management. Manipulation of accounting performance numbers forces financial statement users to doubt the reliability of accounting information and as such increase's information asymmetry between managers and stakeholders



outside the firm (Ahmed, 2012; Enoidem et al, 2023). The fact financial statements are the independent and true means of communicating the performance of the managers to the outside world alone explains their motivation to towards earnings management (Uford, 2017; Ugebede, Lizam&Kuseri, 2013).

Globally, earnings management arising from managers' ability to creatively manipulate figures presented in the financial statements to influence entity's performance has been a long-standing concern for users of financial statements. This concern has intensified with the birth of Fair Value measurement (IFRS 13). Fair value measurement is believed to address the global need for a more acceptable method of asset valuation other than the use of the traditional Historical Cost Accounting. The essence of Fair value measurement is for firms to estimate the best possible price at which their current positions would be traded in orderly transactions based on current information and conditions (Akpan et al. 2022). Fair value measurement involves a fair value hierarchy system that prioritizes the inputs to asset valuation techniques used to measure fair value, giving highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). This is based on the thinking that the market value of assets, liabilities and transactions better reflects an entity's position and has higher value relevance on financial reporting (Hitz, 2007).

The increased use of fair value accounting (FVA) has been regarded as one of the most significant changes in accounting standards over the past decades (Mala and Chand, 2012). The application of fair value has become a controversial topic among proponents and detractors. Proponents argue that fair value provides timely information by reflecting current market conditions, resulting in increased transparency and encouraging prompt corrective actions (Malone et al., 2016). On the other hand, opponents claim that fair value measures are unreliable and irrelevant if they are based on managerial judgement (Yao et al., 2018).

Fair value accounting as a tool for earnings management is a new development in Nigeria. Fair value studies in Nigeria have been in other dimensions while previous studies on earnings management in the Banking industry in Nigeria have concentrated on Loan loss provisions as the earnings management tool. Also, empirical studies on Fair value accounting and earnings management conducted in other countries have

produced mixed and inconsistent results. Therefore, the need to assess the impact of fair value measurement on earnings management by deposit money banks in Nigeria using the Beneish Model (M-score model) as a proxy for earnings management cannot be over emphasized.

II. Review of Related Literature

Conceptual Framework

Fair Value Measurement

Fair value is the price agreed by a willing buyer and a willing seller in an arm's length transaction. Fair value is market-based measurement, which is not entity-specific. As observed by Ijeoma (2014) and Akpan et al., (2022) fair values exhibit "the most current and complete" value estimates of financial assets and liabilities reflecting the amounts, timing, and riskiness of the future cash flows attributable to such assets or obligations. It is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Measurement is a key factor in determining the reliability and relevance of reported details in financial statements, especially with respect to its assets, liabilities and equity.

Fair value measurement was premised on the following features:

Active Market: That is a market in which transactions for the asset and liability take place with sufficient frequency and volume to provide pricing information on ongoing basis.

Exit Price: The price that would be received to sell an asset or paid to transfer a liability.

Highest and Best Use: The use of a non-financial asset by market participants that would maximize the value of the asset or the group of assets and liabilities within which the asset would be used.

Most Advantageous Market: The market that maximizes the amount that would be received to sell the asset or minimizes the amount that would be paid to transfer the liabilities after considering transaction cost and transport costs.

Principal Market: The market with the greatest volume and level of activity for the asset or liability. IFRS 13 recommends three (3) approaches to valuation depending on the availability of sufficient data which maximizes the use of observable inputs and minimize the use of unobservable inputs. The three approaches are:

Market approach: Which uses prices and other relevant information generated by market transactions involving identical or comparable (similar) assets, liabilities, or a group of assets and liabilities (e.g. a business)



Cost approach which reflects the amount that would be required currently to replace the service capacity of an asset (current replacement cost).

Income approach which converts future amounts (cash flows or income and expenses) to a single current (discounted) amount, reflecting current market expectations about those future amounts.

IFRS 13 prescribes a Fair value hierarchy which categorizes the inputs used in valuation techniques into three levels. The hierarchy give the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are:

Level 1: A Fair Value measurement is classified as Level 1 in the fair value hierarchy, if the fair values is determined as the unadjusted Quoted price in the active market. It is important to remember that for a Quoted price in an active market:

- There should be actual and regularly occurring market transactions.
- The prices of those transactions should be regularly and readily available.
- Also, the fair value should be the unadjusted quoted price (not measurement based on quoted rate or index) observed in the active market. In case the quoted price is adjusted to arrive at a fair value, then it is not a Level 1 measurement. When fair value is not available due to lack of an actual transaction, it is recommended to use information from an active market.

Level 2: If quoted prices are not available for identical assets or liabilities and the fair value is estimated using quoted prices of similar assets or liabilities (market equivalents) and other observable inputs that require no significant adjustments based on unobservable inputs, then the resulting fair value measurement is classified as Level 2 measurement.

Level 3: If quoted prices of identical or similar assets or liabilities are not available or not objectively determinable, fair value is estimated using valuation methods based on present value techniques of future earnings, or cash flows and valuation techniques considering the significant unobservable inputs. This is classified a Level 3 measurement. The “unobservable inputs” are not based on independent sources but on “the reporting entity’s own assumptions about the assumptions market participants would use”. The entity may only rely on internal information if the cost and effort to obtain external information is too high.

Earnings Management

The term earnings management is used to refer to deliberate act alteration of a firms reported economic performance by insiders either to mislead stakeholders or to influence contractual outcome (Leuz et al.,2003; Akpan et al., 2022). This definition leads one to believe that managers main drive for earnings management is to mislead the stakeholders. Several reasons that have been attributed to the preparation of misleading financial statements. It ranges from the demand for higher returns by shareholders on their investments, the quest to maintain a giant corporate status in the eye of the business community or the need to satisfy the greed of company’s outsiders (Temitope et al. 2020).

Earnings management involves strategic process of misrepresentation of the true assets and income of an organization with the intention to mislead investors, and other stakeholders into believing that the business is performing as expected (Kumari&Pattanayak, 2015, Leuz et al., 2003). It is the artificial padding of accounting profit or revenue figures through innovative tactics. Earnings management is applied where managers desire to portray a favorable financial statement either with discretionary accrual, excessive reserve provisions, unsuitable recognition of revenue, intentional breach, bending, circumventing or taking undue advantage of financial reporting standard loopholes where a manager uses accounting principles that are flexible to manage earnings (Becker, 2006). Earnings management is the process of manipulating financial reports to make it look good in the eyes of users. Strakova, and Michalkova(2020) described earnings management as the intentional management of or interference in the external accounting reporting process with the motive of acquiring some personal benefits.

Measurement of Earnings Management

Beneishmodel: TheBeneish (1999) model, also known as the M-score, is a financial fraud detection model developed by Prof. Messod D. Beneish. The model uses a combination of eight financial ratios to identify the likelihood of financial manipulation or earnings manipulation in a company’s financial statements. It is primarily used by analysts and investors as a tool to assess the integrity and reliability of a company’s financial reporting. The eight financial ratios used in the Beneish model are Days’sales in a receivable index, Gross margin index, Asset quality index, Sales growth index, Depreciation index, Sales and general and administrative expenses index, Levitt’s



index, and Total accruals to total assets. By calculating the M-score, which is a weighted sum of these eight ratios, the Beneish model provides a numerical value that indicates the likelihood of earnings manipulation. A higher M-score suggests a higher probability of manipulation, while a lower M-score indicates a lower probability. It is important to note that the Beneish model is a statistical tool and should be used as part of a comprehensive analysis. It does not guarantee the presence or absence of fraud but serves as an indicator to highlight companies that may warrant further investigation. In this study the ratios were modified to suit banking sector data.

Theoretical Framework

The Prospect Theory

The prospect theory was propounded by Kahneman and Tversky (1979). It is based on the concepts of loss aversion and risk aversion. The theory observes that people react differently between potential losses and potential gains and that the value function of an individual is concave in gains and convex in losses. It suggests that decision-makers (shareholders and stakeholders) derive value from gains or losses with respect to a reference point, rather than from absolute levels of wealth. Hence, increase in value is at par when moving from a reference point i.e. from a loss to a gain (avoiding losses) or from a benchmark (avoiding decrease in earnings). This demonstrates that given the value function, there is a strong incentive for managers to manage earnings in order to move from points of loss to a point of gain or to meet or beat a particular earning benchmark since doing so would influence the value function and perception of decision makers. Some earlier studies hinged on the prospect theory to explain that zero change in earnings is a natural reference point for decision makers who calculate wealth as a multiple of earnings. This stated that if managers manage earnings to influence stakeholders' perception, managed earnings increases would revolve around the vicinity of zero levels of earnings. This theory supports the earnings management theory.

Empirical Review

Etim et al. (2023) obtained evidence on the influence of fair valuation on earnings management amongst Deposit Money Banks in Nigeria. The design adopted was Ex-post Facto research design; it covered the Banking industry in Nigeria for the period 2015 – 2021. The target population consists of Deposit Money Banks listed on the Nigerian Stock Exchange (NSE). Thirteen

(13) listed banks were selected using purposive sampling technique. Data were obtained from the audited annual accounts and financial reports of the selected banks. Descriptive statistics and multiple regression analysis were used to ascertain the influence and relationship between the dependent and independent variables specified in the model. Results show a positive association between Fair value intensity, levels 2 and 3 of Fair value on earnings management. Adjusted R square for Levels 2 and 3 fair values were 0.688 and 0.79 respectively while fair value intensity had an adjusted R square of 0.662, demonstrating that Fair valuations had been used significantly to manage earnings. Based on the findings of this study, it was recommended that investors, stakeholders and users of financial statements should be more circumspect and intensify scrutiny when assessing banks' performance based on reported earnings and pay close attention to the asset components of Fair values levels 2 and 3 since they increase the likelihood that the reported earnings are creatively management.

Enoitem et al., (2023) examined the effect of board monitoring mechanisms on earnings managements of non-finance firms listed on the floor of the Nigeria Exchange Group from 2012-2021. The independent variable of the study being board monitoring mechanism was proxied by board size (BODS), board independence (BODI) and board gender diversity (BGDV) while the dependent variable being earnings management was proxied by Modified Jones Model (MJON). Furthermore, in line with related extant literature, the study controlled the model goodness of fit by employing the variable of cash flow return from operations (CFOA). The research design adopted for this study was ex post facto, purposive sampling technique was employed and secondary source of data for the study. Least square variable regression was adopted to analyze and test the three hypotheses formulated for the study. The study revealed that board size, board independence, board gender diversity has significant negative effect on earnings management of non-finance firms listed on the floor of the Nigeria Exchange Group. It was thus concluded that board monitoring mechanisms have significant effect on earnings management of listed non-finance firms in Nigeria.

Ibrahim (2022) examined the effect of firm attributes on earnings management of deposit money banks in Nigeria. A total of 14 banks listed at the Nigerian Exchange Group were selected using census-sampling technique. The study covered the period of 10 years (2010–2019). The



dependent variable; discretionary loan loss provision (DLLP); was extracted as residual from Ordinary least square (OLS) regression while the overall model of the study was examined using the robust OLS regression. The study found that firm size and leverage have significant negative relationship with earnings management of Deposit Money Banks (DMBs) in Nigeria while profitability and liquidity insignificant negative relationship with earnings quality with DMBs in Nigeria. Hence, it was recommended that banks should strive to expand and diversify with a view to achieving production efficiency since high-level efficiency reduces opportunistic behaviour of the management.

Akpan et al., (2022) investigated the determinants of fair value measurement of biological assets drawing samples from listed agricultural firms in Nigeria from 2012 to 2020. The independent variable was determinant of fair value proxied by firms' size, auditor type and ownership structure while the dependent variable was fair value of biological assets. The research design adopted for the study was ex post facto and secondary data were used. Descriptive statistics, Correlation matrix, and binary logistic regression analysis were the analytical tools used in analyzing the work. The findings of the study revealed that firm size and auditor type significantly influence fair value measurement of biological assets while ownership structure insignificantly influences this measurement. It was thus concluded that the major determinants of fair value measurement of biological assets are firm size and auditor type. Based on the outcome of the analysis, it was recommended that the services of big audit firms should always be employed by companies since they have the capability to ensure compliance with accounting standard and also possess greater expertise and knowledge on complex applicability of IFRS 13 and IAS 41.

Chukwu et al. (2020) determined whether the perception of investors on the quality of earnings reported by banks is affected by the fair value gains and losses (FVGL) reported in income statements (NI) and other comprehensive income (OCI). The study used cross-sectional research design, and analysed data obtained over the period 2012 to 2016, from thirteen banks in Nigeria. Two hypotheses were tested using ordinary least square (OLS). The result revealed that investors' perception of earnings quality is not associated with the FVGL reported in NI and OCI. We attribute this result to learning curve and preponderance of unsophisticated investors in the

Nigerian stock market. They recommend regular training and retraining on accounting for financial instruments for preparers and users of financial statements, auditors and regulators.

Olaoye and Ibukun-Falayi (2020) assessed the effect of fair values on the earnings quality of selected banks in Nigeria is the main thrust of this work. To achieve this, the relationship between fair values and earnings quality was examined to determine its nature, and the effect of fair value adoption on earnings quality. Ten banks were purposively selected for the study using the data on their annual financial statements for period, 2012-2016, for analyses. The dependent variable is earnings quality (EQ), proxied by predictability (PRED) of earnings; while the independent variables are fair value through other comprehensive income (FVTOCI), log of total asset values (SIZE) and leverage (LEV). Employing ex-post facto research design using the panel data regression and correlation tests for analyses. The results showed that all the independent variables (FVTOCI, SIZE and LEV) have significant relationship with the dependent variable (EQ). The F-statistic, 0.000070 is significant at 5% level of significance. The adjusted R² indicated that about 49.61% variation in the EQ is because of FVTOCI, SIZE and LEV. The remaining 50.39% variation is due to variables not reflected in this model. It is recommended that management of banks should consider the state of the stock market and the economic climate while adopting fair value. Financial Statement regulators need to be forthcoming on conditions that favour the application of fair values in order not to impair earnings quality of banks.

Opudu and Eze (2022) examined the nexus of earnings management and managerial compensation in Nigerian manufacturing firms. The study collected panel data from audited annual financial reports of six selected manufacturing firms listed in the Nigeria Stock Exchange, covering the period from, 2012-2019. The data were analyzed using descriptive statistics, correlation and Panel Regression Model. The findings indicate that earnings management is a significant determinant of managerial remuneration. Therefore, the study concludes that managing earnings of firms has a positive significant relationship with executive remuneration, and as such compensation should be tied to performance of the firm in real values.

Shaban et al., (2020) examined the impact of fair value measurements on earnings predictability. Their study focused on analyzing the relationship between fair value measurements and



predictability as a measure of earnings quality. The primary data needed to achieve the study objectives were collected through the annual reports of Jordanian commercial banks. Data from ten commercial banks representing the study sample were collected and analyzed using a time series method covering a period of eight years, from 2011 to 2018. The resolution data were analyzed using the statistical program SPSS. The study concluded that the unrealized gains or losses of fair value forecasted through comprehensive income have a high predictive power of earnings quality. The results also prove that the unrealized gains or losses of fair value forecasted through net income have a high predictive power of earnings quality in the Jordanian commercial banks. The regression and correlation coefficient analyses also refer to a strong magnitude between the two variables, the dependent variable (fair value accounting) and the independent variable (earnings predictability).

Suren et al., (2019) examine the association between the fair value accounting and the small earnings increase reported by the banks attributable to earnings management. They used the statistical methodology followed by Beatty et al. (2002) to test the banks reported fair value assets and liabilities associated with bank reported small earnings increase. They use both the current year and one-year ahead data after controlling discretionary provision for loan loss, discretionary security gains and losses and other features of banks. They found evidence that; banks reported fair value assets and liabilities are positively associated with bank reported small earnings increase. They further use the fair value hierarchy; to identify which level of fair value assets and liabilities associated with bank reported small earnings increase and they found the evidence that the level 2 fair value assets and liabilities are a predominant determination for the association between banks reported fair value assets and liabilities associated with bank reported small earnings increase. The assets available-sales report under fair value is the primary use of item earnings management and the level 2 fair value assets and liabilities to reporting smooth earnings over the periods. Therefore, consistent with past research and present us, banks use the fair value measurements to manage the earnings.

Horsfall and Omah (2020) examined the effect of fair value measurement on organizational

performance of firms in Nigeria. The purpose of the study was to investigate the degree at which fair value measurement is accurately used in evaluating firm's performance of organizations in manufacturing activities. Ex-post factor design method was used. The few companies in the study were used because of their compliance with International Organizational Reporting Standards, for instance; 7-up Bottling Company Plc and Guinness Breweries Plc. The research tools used for data analysis where Pearson correlation coefficient, simple regression analysis and t-test statistical tool. The study observations prove that a quick implementation of fair value of assets measurement might allow some assess into organizational earning capability and organizational performance. A p-value of 0.00 corresponds with majority despondence as grouped at the rejected area of the hypothesis. In conclusion, the future cash inflows of periods in expectation is rated best because its analysis to forecast firms' capability in utilizing ample opportunities to solving related problems at hand. Due to the bet that the adoption of fair value accounting measurement has benefited organization in our country Nigeria. It was recommended among other that government should enact a compelling regulation capable of instilling some level of actions that can fight any misappropriation of external as internal operations of recent business places in operation, and the adoption of fair value measurement should be a point of companies' encouragement.

III. Methodology

The research work adopted the ex-post facto research design. The population of this study will comprise of the fourteen (14) Commercial banks listed on the Nigerian Exchange Group as at the year 2023. The purposive sampling technique would be adopted for this study. Thus, the sample size was five banks for the period of 2013 to 2022. The study made use of secondary data. Data from the financial reports were extracted using content analysis from the financial statements of the selected banks, partly obtained from (Etim and Uford, 2019).

The variables of the study are explained in this section of the study.



Table 3.1: Dependent and Independent Variables

S/N	Variables	Types	Definition	Apriori Expectation
1.	Earnings Management	Dependent	Beneish Model	
2.	Fair value measurement	Independent	Total fair value assets	Negative

Source: Researcher's Compilation (2024)

The model developed for this study are:

$$EM = \beta + b_1 FVM_{i,t} + \varepsilon \quad 3.1$$

Where: EM = Earnings Management, FVM = Fair Value Measurement, ε = Error Term, β = Constant, b_1 = Coefficients.

Descriptive statistics and linear regression analysis will be adopted as the data analysis technique of this study. Descriptive statistics include mean, minimum, maximum and standard deviation.

IV. Result and Discussion of Findings

4.1 Data Presentation

The data set for the study were secondary data and were obtained from the annual reports of five listed commercial banks in Nigeria. The selected companies were Access Bank Plc, First Bank Plc, Fidelity Bank Plc, FCMB Group Plc, and GTCO Plc. The data set covered the period 2013-

2022. The variables were fair value measurement measured by Total Fair value assets; Earnings management measured by Beneish Model.

Descriptive Statistics of the Variables

The descriptive statistics of the variables are presented in Table 4.2. The descriptive statistics were mean, median, maximum, minimum, standard deviation.

Table 4.1: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Earnings Management	50	.10	.89	.39	.16
Fair Value Measurement (N'000)	50	7,472,092.00	11,823,987,000.00	1,285,780,106.70	2,165,187,778.89
Valid N (listwise)	50				

Source: Researcher's Computation (2024).

The minimum fair value assets of the selected banks in Nigeria for the period 2013-2022 was ₦7,472,092,000 while the maximum value was ₦ 11,823,987,000,000. The average fair value assets of the selected banks for the period were ₦ 1,285,780,106,000. The minimum earnings management (M-Score) of the selected banks in Nigeria for the period 2013-2022 was 0.10 while the maximum value was 0.89. The average M-

Score (earnings management) of the selected banks for the period was 0.39.

Test of Hypotheses

The research hypotheses were tested in this section of the study. The test was carried out using Ordinary least square regression and Pearson Moment correlation analysis and the result is presented thus.

Table 4.2 Correlations

		Earnings Management	Fair Value Measurement
Earnings Management	Pearson Correlation	1	-.103
	Sig. (2-tailed)		.475
	N	50	50
Fair Value Measurement	Pearson Correlation	-.103	1
	Sig. (2-tailed)	.475	
	N	50	50

Source: Researcher's Computation (2024)

Table 4.3 shows the correlation between fair value measurement and earnings management of banks. The result of the analysis shows that there is a negative relationship between dependent and independent variables.



Table 4.3 Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.240 ^a	.058	.038	.16389	2.063

a. Predictors: (Constant), Fair Value Measurement
b. Dependent Variable: Earnings Management

Source: Researcher's Computation (2024)

Table 4.4 ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.079	1	.079	2.947	.093 ^b
	Residual	1.289	48	.027		
	Total	1.368	49			

a. Dependent Variable: Earnings Management
b. Predictors: (Constant), Fair Value Measurement

Source: Researcher's Computation (2024)

Table 4.5 Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients		Collinearity Statistics		
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	1.041	.378		2.755	.008		
	Fair Value Measurement	-.074	.043	-.240	-1.717	.093	1.000	1.000

a. Dependent Variable: Earnings Management

Source: Researcher's Computation (2024)

The null hypothesis states that there is no significant influence of fair value measurement and the earnings management of Banks in Nigeria. Based on the decision rule of the study, the null hypothesis of the study is accepted, and the alternate rejected because the p-value of 0.093 shown in Table 4.4 and 4.5 is greater than 0.05. The null hypothesis is further accepted because the t-calvalue of -1.717 is less than the critical value of t which was 2.009. Therefore, there is nosignificant influence of fair value measurementon earnings management of Banks in Nigeria.

4.3 Discussion of the Findings

The result of the analysis showed a regression coefficient of -0.240 for fair value measurement. This implies that -24% of the variation in earnings management practices of banks is accounted for by the application of fair value measurement. This result means that an increase in the use of fair value measurementsby banks in Nigeria will decrease earnings management practices by 24%. This is because of the negative relationship between fair value measurement and earnings management by selected banks in Nigeria. The findings shows that the application of fair value measurement by banks has reduced the possibility of earnings management by

24% within 2013 and 2022 for the selected banks in Nigeria. This finding disagrees with findings of Etim et al. (2023) who obtained evidence on the influence of fair valuation on earnings management amongst Deposit Money Banks in Nigeria. They asserted that a positive association exist between Fair value intensity, levels 2 and 3 of Fair value on earnings management.

V. Conclusion and Recommendations

5.1 Conclusion

In conclusion, our analysis reveals that fair value measurement insignificantly impacts earnings management practices among Nigerian banks, with a regression coefficient of -0.240 indicating a 24% reduction in earnings management for every increase in fair value measurement. This finding contradicts prior research by Etim et al. (2023), which identified a positive association. Further investigation is needed to fully understand the dynamics at play within the Nigerian banking sector.

5.2 Recommendations

Based on the findings of the study, the following recommendations were raised;

- Management of deposit money banks should further integrate fair value measurement practices into their financial reporting systems by



investing more on technology and expertise to enhance accuracy and reliability of fair value assessments.

- ii. The financial reporting council of Nigeria should intensify their oversight functions on the application accounting standards (fair value measurements) within the banking sector.
- iii. The auditors of banks should expand their scope of audit work on fair value measurement in other to obtain sufficient and appropriate evidence in forming their opinion on the financial statements of banks in Nigeria.

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