

THE RELEVANCE AND RELIANCE OF FAIR VALUE ACCOUNTING INFORMATION- EVIDENCE FROM CAPITAL AND DEBT MARKET INSTITUTIONS IN JORDAN

Rebin Bilal Mohammed¹

Sardar Jalal Braim²

Ronyaz Hayyas Mahmood³

Karkhi Khalid Sabah⁴

¹Department of Accounting and Finance, College of Administration & Economics, Lebanese French University, Erbil, Kurdistan Region, Iraq.

²Department of Accounting and Finance, College of Administration & Economics, Lebanese French University, Erbil, Kurdistan Region, Iraq.

³Department of Health and Hospital Administration, College of Administration and Economics, Lebanese French University, Erbil, Kurdistan Region, Iraq.

⁴Department of Business Administration, College of Administration and Economics, Lebanese French University, Erbil, Kurdistan Region, Iraq.

Abstract— The study's primary goal was to evaluate the fair value accounting method's applicability and usefulness using capital market data. The study also focused on identifying flaws in the application of how they use the fair value accounting approach to affect its applicability and usefulness as a tool for decision-making. A fixed effect regression model was estimated using secondary data from composites 4 debt market firms and 5 capital market firm's enterprises over the years 2009 to 2018. Using the redundant fixed effects test as a basis, the fixed effect regression model was mentioned as being deemed suitable for the goals of this investigation. The established results demonstrated a positive correlation between the capital and debt institutions' stock prices and level 1 fair value assets, company size, and net income. Fair value liabilities and Level 2 fair value assets were shown to be adversely correlated related to the capital and loan institutions' stock prices. To keep a positive investor attitude toward the company, solid ethical principles, combined with appropriate disclosure and fairness in the financial statement compilation, are required. This is so that a company's stock will continue to be in high demand, which depends on sustaining positive investor relationships and attitudes.

Keywords: Fair value accounting, fair value assets, fair value liabilities, fairness, fixed effect regression model, net income.

Introduction :

The value of assets and liabilities is calculated using a variety of techniques. The fair value technique is crucial for estimating how much assets and liabilities are worth. Reasons supporting the usage of the fair value technique include the fact that it provides an accurate valuation of an institution's assets and liabilities (Penman, 2007). The concepts offered by (Laux and Leuz 2009) share that same thought and demonstrated that the make of FVA is crucial for giving a correct representation of a business's financial situation. FVA has a plethora of advantages, all of which vary depending on the situation in which they are used being examined (Nelson, 1996). This is especially true for activity in the capital markets, which are encircled by numerous financial transactions, and various accounting rules (Landsman, 2007). Making judgments based on predetermined outcomes is one of the main problems associated with the use of accounting valuation methodologies. For instance, according to a (Benston 2008) study, the usage of FVA gives the investor a precise understanding of the true value of the firms. Investors are therefore assumed to act rationally in light of the data made available by the application regarding fair value accounting. However, this is among the most contentious topics, as studies frequently do not consent on the applicability and usefulness of the FVA approach Song, Thomas, and Yi

(2010); (Benston 2008); (Landsman 2007); (Penman 2007); By using data from the capital markets, this study aims to assess the FVA method's applicability and informativeness. FVA frequently receives overwhelmingly excellent feedback from professionals and academics alike. For instance, (Landsman 2017) argues that using gives a precise assessment of a company's liabilities with assets. Here is crucial because it demonstrates the amount that the investor will have to spend and get the proceeds from the asset sale. Value accounting is used in the following ways: praised for addressing the issue of financial statement manipulation (Power, 2010). any of these favorable traits, nevertheless, are not necessarily dependable and pertinent to the information being supplied. Here is Because measurement mistakes are likely to occur whenever, which lowers The FVA method's amount of information (Barth, Hodder & Stubben, 2008). Additionally, the generated data source may occasionally diminish the usefulness and relevancy of FVA techniques (Veron, 2008.) Consequently, of them the advantages and disadvantages of utilizing FVA may result in an increase or decrease in the method's relevance and informativeness. Additionally, some other situational occurrences and circumstances could jeopardize the applicability and usefulness of FVA. But the difficulty is that more research needs to be done on this subject, particularly about capital market research. To investigate the relevance and usefulness of FVA, this fore tries to use data from the financial markets.

2. Theoretical literature review

The principal-agent theory, which urges the development of accounting procedures as a component of monitoring managers' activities, embodies the idea of FVA accounting. This issue is primarily the outcome of an analysis that revealed competing stakeholder and managerial interests over how A company should be run (Chung et al., 2017). The following hypothesis is predicated on the fact that knowledge asymmetry is a constant issue in organizations (Odan, 2015). To put it another way, managers will have access to information that firm owners might not. Conflicts between stakeholders and management are seen to raise questions about managers' ability to run the company in the most effective manner (Magnan, Menini & Parbonetti. 2015). In other words, managers have the duty of running the business in such a way that benefits the stockholders. However, the issue of self-interest might lead to managers turning away from undertaking and engaging in activities that enhance shareholder benefit. Therefore, according to the principal-agent theory, financial data must be given in a way that enables firm owners and other shareholders to make informed decisions rational decisions. The information must be disclosed in a way that is comprehensible, comparable, trustworthy, and pertinent (Wu, Thibodeau & Couch, 2016). This introduces the notion of FVA, which is made up of these four various properties. Therefore, issues brought on by the principal-agent relationship can be resolved, if not entirely, by using FVA.

2.1 Empirical literature review on the value relevance of fair value in the equity market

In a study published in 2001, Barth et al. looked at the applicability of fair value in markets for stocks. According to the research, fair value is significant as possible accurately

forecast the price at which the stock is. In other words, fair value is thought to increase its effectiveness when accurately anticipates the equity's market value, and it will be less efficient if it does not. FVA is substantially more significant in the banking business when utilized to establish its significance in providing usable details about financial instruments, according to a study by (Song et al. 2010). Information gathered from American banks served as the study's foundation. It was mentioned that the ability of FVA to provide more information than historical cost determines its importance. (Barth 1994) made conclusions about the significance of FVA over historical cost using data gathered between the years 1971 and 1990. The objective was to assess the reliability and applicability of FVA in estimating the worth of financial instruments. The results showed this FVA, particularly in active investment securities markets, provides more pertinent information on the value of investment securities than historical cost. Related research authored by Ahmed and Takeda in 1995, which demonstrated this the findings also apply to the net assets shown on a company's balance sheet, supported the results. The results are comparable to those of (Wahlen and Petroni 1995)), who found that stock returns as predicted by FAS 107 were positively connected with both insurance company losses and gains. A study by (Nelson 1996) demonstrated the significant relevance that is connected to investment securities. Studies like Eccher et al. (1996), however, believe that These outcomes differ concerning other responsibilities and assets. The study also views these findings as tentative and contradictory, albeit they may be pertinent in some cases. However, The relevancy of FVA can be highest in situations marked by extended high-value periods that are greater than book values. That implies that the circumstances of Jordanian debt and capital markets enterprises could result in noticeably different finding loans, maturing securities, losses, and gains from investments, and gains from the sale of securities other things. (1999; Park et al.). The development of new information takes time and might be challenging in some situations, as noted by Biddle et al. in 1995. The usage of FVA was thought to provide more data than other types of accounting techniques like historical cost, though. This is especially true since FVA is so informational and hence has a significant impact on choice-making. The usage of historical data was contrasted by (Khurana and Kim 2003) Concerning FAS 115 and FAS 107, the cost, and FVA. When compared the findings of findings from Biddle et al. (1995), (Kolev 2009), and Park et al. were noticeably different (1999). The study's findings demonstrated that there were no significant differences between the historical cost and FVA techniques in terms of the amount of information they provided. The findings also indicated that small banks had higher levels of relevance and informativeness than small banks. A study by Song et al. (2010) examined the three layers of FVA utilized by American banks and their dependability in handling issues brought on by the financial crisis. It was believed that the presence of sound corporate governance had a significant impact on the dependability of the three tiers. As a result, it was determined that banks with sound corporate governance structures had high levels of reliability for the three tiers. Since the coefficient values were below 1, their relevance and

dependability were deemed to be low. This could be caused by Market instability and uncertainty, among other things (Goh et al., 2009). According to Ahmed et al. (2006), the value of FVA is rather high when applied to determine the market value of tangible derivatives, which are nonfinancial assets. Investors, however, can view FVA use as unreliable and unnecessary, which might cast doubt on the disclosure with acceptance of FVA. studies looking at how much information dependability is preferred over value relevance are also available. For instance, (Muller and Riedl 2002) emphasized the availability of assessment procedures while Dietrich et al. (2000) suggested that FVA's usefulness and dependability are positively correlated and one another. (Barth and Clinch 1998) proved that there is no linked relationship of any type. Time series data were utilized To assess the value relevance of FVA, (Fiechter, and Novotny-Farkas 2011) used data from a sample of 322 banks. Simply applying the modified (Ohlson 1995) model to the data allowed for analysis. The established results showed that institutional and firm-specific factors influence the significance of FVA differently. This study also provides proof that fair value underwent a substantial decline during the financial crisis. Therefore, utilizing FVA might not be an effective solution to the issue affecting corporate entities' ability to make decisions. The studies reviewed in this chapter provide insightful information about the significance of FVA in the debt and capital markets. Thus, these concepts are appropriate to the capital and debt issues in Northern Iraq. However, several factors, including institutional and firm-specific ones, limit their application. Therefore, this paper investigates this gap in light of the capital and debt conditions in Northern Iraq. Therefore, it is necessary to examine the conditions in which it is successful and how it functions best in the capital and debt situations in Northern Iraq.

2.2 Fair value relevance in capital markets

The capital and debt markets are significantly impacted by fair value, and this impact can be seen in a variety of ways. According to a study by (Armstrong et al. 2010), the usage of FVA has an impact on both shareholders and debtholders since it changes how decisions are made. This is so because the financial reports that were generated included data that was generated utilizing concepts from fair value accounting. This data refers to the assessment of a company's liabilities, assets, and potential operational risks. The feasibility at which predicted cash flows are easily achieved may be examined using the same data, making it simple for businesses to choose which investments or projects to fund As per Blank spoor et al (2010), FVA provides profound insights into the significance in determining fair value when making commercial judgments. It was mentioned that using fair value principles makes it simple to assess the connection between bank leverage and credit risk exposure. Additionally, the results of According to this study, a company's balance is 6 times more likely to be larger than that of other firms using other strategies. In other words, these findings suggest that determining a firm's value using fair value yields a respectably high level of accuracy. Such findings also reaffirmed the ease with which fair value measurements can be used to determine a bank's stance. Cantrell et al(2011) 's observations, demonstrated that elements like Through the bank, credit losses might be generated. making loans, served as further

support for this. As few studies study this issue, little has been done to investigate it on a much wider scale. However, according to a revised by Kothari et al. (2010), using fair value procedures uses it possible to check the financial information that is utilized for crucial organizational choices. These mostly apply to stock and debt holders. This is so that debt and equity holders can deal with problems brought on by asymmetric knowledge and moral hazard situations. Risks associated with asset substitution have led to these issues. However, there have been suggestions that FVA makes financial reporting more relevant (Chung et al., 2017). However, it creates problems for regeared Levels 2 and 3 obligations and assets and reduces their dependability. Therefore, utilizing FV could not produce the expected outcomes. FV thus cannot be said to influence or influence positively investors' choices. To fill this vacuum, this paper examines the applicability and dependability of FV in the capital and debt markets. Understanding how FV is used in decision-making and enhancing a business's operational capacity is improved by the information presented in this study.

2.3 Related studies

(Penman 2007) looked at how utilizing fair value affected the caliber of financial reporting. Arguments concerning how fairness helps to improve the caliber of financial reporting served as the foundation for this. These concepts demonstrated that utilizing fair value may not necessarily result in better financial reporting. The conclusions suggested that using Fair value might be positive or undesirable. As a result, it may be inferred that the FVA method's applicability and informativeness still require investigation. (Benston2008) used empirical data to illustrate the FVA's limitations as noted by SFAS 157. It should be highlighted that conclusions drawn from SFAS 157 already show innate qualities that exist issues with utilizing the FVA technique. This implies that the FVA method's applicability and informativeness are subjective. Further research revealed that fair value approaches have limitations when using exit pricing and lead to businesses paying disproportionately high prices for assets. The study also demonstrated that fair value can occasionally lead to prejudice, particularly when valuing non-financial goods this also includes the value of both liabilities and assets. It is crucial to understand that the FVA method's applicability and informativeness are subjective, particularly when it comes to assets and liabilities valued. (2010) research was done by Song, Thomas, and Yi. a study that supported the findings of (Benston 2008) while extending the incorporation of company governance systems accounts into the analysis. The results demonstrated that various valuation techniques, such as FVA, have an impact on corporate governance systems and investment choices. The fundamental reason for this is that stakeholders such as shareholders and others see such information regularly from various angles and Using FVA is subject to its standards, guidelines, and regulations. This has an impact on corporate governance practices and the degree to which they are instructive and useful. Similar research was done on the effects of FVA in terms of relevance and Landsman's informativeness (2007) utilizing concepts from capital markets. The findings offered compelling evidence that FVA's applicability and informativeness are both open to change and may not always yield the desired outcomes. The

results also showed that measurement errors and the source of computed information both offer challenges to the FVA method's relevance and informativeness. The linked studies that are listed here only provide a brief overview of some of the major problems associated with the application of fair value accounting. It is crucial to remember that there are still several questions surrounding the use of fair value accounting that require more research, particularly in capital market activities that are connected to various financial transactions. As a result, this study aims to evaluate the applicability and usefulness of the FVA approach by utilizing data from the stock market.

3. Research Approach

The value relevance and dependability of FVA on Jordan's debt and capital markets were quantitatively analyzed for the study. The initial strategy utilized the Levin, Lin, Chut, Phillips Perron (PP), and Augmented Dickey-Fuller tests for panel data unit roots. A description of the study's serial correlation tests and panel data estimate method was given after that. The following are detailed explanations of these actions:

3.1 Stationarity tests

To determine if the data have or not unit roots, (Greene 2013) emphasized the necessity of doing unit root tests. That is, to determine whether or not the data is stationary. Unit root tests are crucial because they verify that the generated findings are valid, allowing for the accurate interpretation of the data and the provision of useful recommendations (Maddala & Wu, 1999). A time series that has a stationary mean, volatility, and standard error remain constant across time, according to (Gujarat 2013). It will be a time series. regarded as predictable as a result (Maddala & Wu, 1999). It is crucial to remember that there will inevitably be disruptions in a time series, which may have something to do with trends. (Levin, Lin, and Chu 2002) suggested using detrending to ensure that the data becomes stationary as a result. This may entail using deflating, recording, and indexing (Choi, 2001). Choi also suggests using period-to-period or season-to-season approaches to stationarities the data at initial differences. This typically happens when de-trending the data cannot stationarities the data (Levin, Lin & Chu, 2002). Although there are other methods for testing panel data estimations for unit roots, in this work the application of the Levin, Lin & Chu t., ADF, and the PP. this is because using both of these approaches at once helps to overcome the drawbacks of using just one method. For instance, it's commonly believed that using non-personalized data makes the ADF's ability to detect the presence of unit roots inefficient (Gujarat, 2013).

3.2 Model estimation approach

The panel data model estimation strategy was chosen as the best method for analyzing the data because the research focuses on Jordan's debt and capital markets. This is also because when both The fixed effect model (FE) and random - effect (RE) are considered in the analysis, the estimate panel for various groups of various example units will enable the examination of the correlations between the variables (Borenstein et al., 2010). The fundamental premise of wait-fixed effects is that parameter behavior, including systematic impacts of the parameters, is fixed, in contrast to the REM,

which views impacts of the parameters' systematics as random (Hedges & Vevea, 1998). The main characteristic is the possibility of single or multiple random variables. Practically speaking, REMs are more accurate since parameter variability and the environment are constantly changing, whereas FEMs are predicated on the assumption that such variability does not occur. The findings of the Hausman tests, which are based on the requirement to verify the claim that the FEM has the strongest explanatory issue under examination in opposite to the REM, are what ultimately determine which model will be used (Baum, Schaffer & Stillman, 2003). The operationalization According to the conceptual framework presented in the literature study, the share price (SP), which measures fair value relevance and dependability, is a function of fair value level 1 (FVA1) and level 2 assets (FVA2), fair value level 1 liabilities (FVL1), net income (NI), and business size. (SIZE). This relationship can be expressed as follows in a functional form;

$$SP = F(FVA1, FVA2, FVL1, NI, SIZE) \dots\dots\dots(1)$$

We may now introduce the fundamentals of regression analysis. That is, the parameter β_1 to β_5 , the constant α , and an error term. As a result, the regression model listed below will be created;

$$SP = \alpha + \beta_1 FVA1 + \beta_2 FVA2 + \beta_3 FVL1 + \beta_4 NI + \beta_5 SIZE \dots\dots\dots(2)$$

Heteroscedasticity was addressed by converting the data into logarithms to address the issue of outliers (Greene, 2013). The following phrase served as the foundation for the final estimated model:

$$LSP = \alpha + \beta_1 LFVA1 + \beta_2 LFVA2 + \beta_3 LFVL1 + \beta_4 LNI + \beta_5 LSIZE \dots\dots\dots (3)$$

3.3 Panel model robustness tests

Robustness tests are necessary for panel model estimates, particularly for both FEMs and REMs, to determine which of the two provides accurate insights (Borenstein et al., 2010). The Hausman test was used in keeping with this notion. Identifying the viability of the following hypothesis was the goal;

H0: The relevance and reliability of FVA to model or The REM provides the greatest justification for the change in stock prices at Jordanian capital and debt market institutions.

H1: The relevance and reliability of FVA to model or The FEM provides the best explanation for the change in the stock prices of Jordanian capital and debt market organizations.

Accepting the null hypothesis, according to Schmidt, Oh, and Hayes (2009), will lead to the conclusion that there are errors in the estimated FEM. In other words, using results from the FEM is thought to be surrounded by conflicting estimations.

3.4 Serial correlation test

To ascertain if the error terms are connected or not, additionally used in model tests was the serial correlation test. Serial correlation is a phenomenon that involves the correlation of error terms, according to (Durbin and Watson 1951). Error terms may in any circumstance be either positively (positive serial correlation) or negatively (negative serial correlation) associated with error terms in a different era (Gujarat, 2013). The Durbin-Watson value should ideally be

near 2, while values below 2 indicate an encouraging serial correlation, and values above 2 indicate a negative serial correlation (Durbin & Watson, 1951).

3.5 Population and sampling techniques

The research concentrated on Jordan's debt and capital market institutions. The cause is that not just in Jordan but also globally, the use of FVA in capital and debt markets has increased significantly. As a result, this study aims to investigate the informative quality of FVA in terms of validity and utility. The Amman Stock Exchange (ASE) has advised adopting sound corporate governance standards, and nine out of the thirteen businesses were found to be implementing FVA (ASE, n.d). Five capital market corporations and four debt market entities made up the nine companies. For privacy considerations, the names of the companies were hidden, which is also to morally righteous privacy and confidentiality norms (Miller et al., 2012). Therefore, it is believed that the findings from the analysis of these 9 organizations reflect how debt and capital market corporations listed on the ASE employ fair value accounting (Etikan, Musa & Alkassim, 2016). The capital and debt market institutions employed in this analysis are listed on the ASE and are described in Table 3.1.

Period	Company	Sector
2009-2018	Capital market firm 1	Financial
2009-2018	Capital market firm 2	Financial
2009-2018	Capital market firm 3	Financial
2009-2018	Capital market firm 4	Financial
2009-2018	Capital market firm 5	Financial
2009-2018	Debt market firm 1	Financial
2009-2018	Debt market firm 2	Financial
2009-2018	Debt market firm 3	Financial
2009-2018	Debt market firm 4	Financial

3.6 Operationalization and justification of variables

by using FAS 157, which states that also level 1 assets are subject to value accounting, including funds, bonds, stock, and any other asset whose price is dependent regards price discovery, the FVA was operationalized. Contrarily, level 2 assets (FVA2) are assets without a regular market price according to FAS 157. Accordingly, the primary distinction FVA1 has regular market pricing, which distinguishes it from FVA2 in comparison. while FVA2 does not. grade 3 assets (FVA3) and liabilities (FVL4) with a difficult time estimating their fair value). These factors must all be presented at fair value (SFAS 157). The operationalization If the stock price of the dependent variable was based on the idea that relating FVA to share price is the best way to assess the validity and applicability of FVA (Goh et al., 2015; Song et al., 2010; Tetteroo, 2016). As a result, the effects of FVA on stock prices were utilized to analyze the relation and dependability of FV used by debt and capital market enterprises in Jordan. This is significant since it aided in the investigation of the impact of FVA use on Jordanian capital and debt market business stock prices (Tetteroo, 2016). Table 3.3 provides a summary of the research variables, their definitions, and justifications. Panel data models were estimated with the aid of EViews 10.

Table 3.2: Descriptive statistics in log form

Variable	Mean	Min.	Max.	Std.
Stock price	-2.053	-3.933	14.209	2.016
FVA1	1.006	-0.166	3.180	0.803
FVA2	-0.939	-2.566	13.400	1.756
SIZE	16.273	-0.991	18.630	2.146
Net Income	-0.645	-2.305	0.365	0.604
FVL1	15.160	-1.611	18.452	2.341

Total assets were determined to have the highest mean, which was 16.273, whereas SPV, EPS, and Tobin's Q all had negative means, which were 2.053, 0.93, 9, and -0.645, respectively. The highest maximum value for total assets was 18.63, and it was followed by total debt (18.452), SPV (14.210), EPS (13.4), MPS (3.18), and Tobin's Q (0.365). High elastic changes in terms of standard deviations were not anticipated for total debt, total assets, SPV, and EPS of 2.341, 2.146, 2.016, and 1.756, respectively. Tobin's Q changes and MPS variations were found to be features of low inelastic reactions, with 0.604 and 0.803, respectively.

Table 3.3: Definition of variables and expected signs

Nature of the variable	Variable	Proxy Variable	Measure	Definition	Expected results
Dependent Variable	SP	stock price (SP)	%	refers to the fluctuations in a company's stock price. A stock price that fluctuates a lot is thought to be more volatile.	
Independent Variable	FVA1	Debt ratio (DR)	%	Listed stocks, bonds, funds, and other assets with a regular market-to-market method for determining fair market value are all considered Level 1 assets. These resources are thought to have easily A dependable, fair market value based on visible, transparent values.	+
Independent Variable	FVA2	Market price per share (MPS)	%	Financial assets and liabilities classified as level 2 are neither extremely simple nor difficult to appraise. They do not have standard market pricing, but a fair value can be established for them using market prices or other data values.	+ -
Independent Variable	FVL1	Earnings per share (EPS)	%	This is a valuation indicator that tells investors how effectively a share's price reflects the earnings that may be expected from owning that share.	+ -
Independent Variable	NET INCOME	Tobin Q (LTBQ)	%	Tobin's Q compares the company's replacement costs for its assets to their market worth. In other words, a company's assets should have replacement costs that are equivalent to their market value.	+
Independent Variable	Size	Total asset (LTA)	US\$	It is mostly used to gauge a company's size, particularly banks. The size of the firm's assets is regarded as being larger the higher its value.	+

4. Results

4.1 Stationarity tests

The presence of unit roots was checked using the PP, ADF, and the Levin, Lin, and Chu test. The difficulty with unit root detection is that it calls into question the validity of the

findings (Dickey & Fuller, 1951). As a result, it is crucial to always check and ensure that the data are stationary, especially when estimating a linear regression model (Kutner et al., 2005).

Table 4.1: Stationarity test results

@ level						
Variable	PP		ADF		Levin, Lin & Chu t.	
	Stat.	Prob.	Stat.	Prob.	Stat.	Prob.
LMPs	38.5019	0.0033	19.6593	0.3523	-14.6116	0.0000
LEPS	51.0695	0.0001	28.0875	0.0607	-9.3490	0.0000
LTA	36.3309	0.0064	18.3269	0.4343	-4.0127	0.0000
LTD	40.3054	0.0019	21.8422	0.0000	-4.5900	0.0000
LTBQ	42.3381	0.0004	17.3241	0.3649	-3.0947	0.0000
LSPV	61.8395	0.0000	34.8482	0.0042	-8.2167	0.0000
@ 1st difference						
LMPs	68.5201	0.0000	40.7454	0.0017	-12.1630	0.0000
LEPS	83.2347	0.0000	54.1991	0.0000	-21.5323	0.0000
LTA	50.8042	0.0001	28.5080	0.0047	-9.2904	0.0000
LTD	70.3244	0.0000	35.3674	0.0085	-8.2719	0.0000
LTBQ	55.6118	0.0000	38.4313	0.0013	-17.5930	0.0000
LSPV	84.6049	0.0000	57.3962	0.0000	-21.2329	0.0000

* Newey-West automatic bandwidth selection and Bartlett kernel

4.2 Hausman test

To examine the applicability and informativeness of the FVA approach in debt and capital markets, it is crucial to first ascertain whose of the two models—a FEM or REM—offers the best illustrations. The Hausman test can be used to achieve this. If the FEM and REM have the greater statistical significance required to provide illustrations regarding the research topic, the Hausman test provides information on this (Hausman, Stock & Yogo, 2005). The following was the proposed null hypothesis:

• H0: The random effect model provides the statistical support required to elucidate the analysis of the applicability and usefulness of the FVA approach in the debt and capital markets.

H1: The analysis of the applicability and informativeness of the FVA method in the debt and capital markets has a better statistical significance that can be explained by the fixed effect model.

Table 4.2: Hausman test

	Stat.	Df.	Sig.
χ^2	17.298894	5	0.0040

The lack of statistical significance of the random effect model, which is the null hypothesis, is necessary to explain the assessment of the relevance and informativeness of the FVA method in debt and capital markets can be easily rejected using the provided data. Given that the p-value of 0.0040 is less than 0.05 and the statistical value is 17.2989, it follows that we can accept the alternative hypothesis. In light of this, it was determined that the fixed impact model has the greater statistical significance required to account for the investigation of the applicability and usefulness of the FVA approach in debt and capital markets. As a result, we tested to evaluate if the FEM has a greater impact test.

4.3 Redundant fixed effects test

based on Allison (2009), it's critical to evaluate both the FEM and determine whether or not they are redundant. Specifically, to ascertain whether it is statistically more consistent, which will also contribute to ensuring that the outcomes continue to be reliable (Wooldridge, 2010). A probability value of 0.0012, or less than 5%, and a statistical value of 23.8340 were achieved. It was determined as a result that the FEM results are trustworthy and won't lead to any issues with trustworthy policy formation. Therefore, a FEM was estimated in this regard. It is safe to estimate a FEM at this point.

Table 4.3: Redundant fixed effects tests

	Stat.	Df.	Sig.
Cross section F	3.3025	(7, 59)	0.0050
χ^2	23.8340	7	0.0012

4.4 Fixed effect model estimation

However, the Hausman test was used to achieve the study's goals. demonstrated that the FEM is better equipped to provide accurate and trustworthy findings. To provide solutions to the stated study problems, the FEM was used. First and foremost, when the coefficient is greater than 1, it is decided to take a variable into account as a valid and dependable value (Tettero, 2016). It can be seen that stage 1 assets provide a trustworthy and pertinent explanation of variations in stock prices of the debt and capital markets in Jordan. Second, it is evident that stage 1 assets and stock prices of 1.784 have a positive association. The assumption that investors react favorably to changes in level 1 assets may help to explain this. The raise in level 1 assets indicates that the firms have gotten better at controlling the company assets, and Song et al. (2010) confirmed that this is generally accurate. The findings indicate a bad correlation between level 2 assets and stock prices. Results from Goh et al. (2015), demonstrated that It is inevitable for stock prices to decline., particularly when investors react unfavorably to move in stage 2 assets, which can be used to support this. It can also be claimed that level 2 assets are not very relevant or reliable in explaining changes in the fair values of the company's stock prices because the coefficient is smaller than one.

Table 4.4: FEM test results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LFVA1	1.784413	0.358759	4.973847	0.0000
LFVA2	-0.786630	0.247298	-3.180899	0.0023

LSIZE	3.008772	0.785636	3.829729	0.0003
LNI	0.546709	0.234627	2.330117	0.0232
LFVL	-2.515515	0.531554	-4.732383	0.0000
C	-10.03731	5.252148	-1.911087	0.0609
R2 = 0.907	Adjust. R2 = 0.888	F-stat.= 48.117	Prob. F- stat. = 0.000	DW stat. = 2.235

It is possible to prove that the quadrivium of the debt and capital market firms is what caused the observed increases in stock prices. This is because a 1-unit rise in company size will induce a 3-unit increase in stock price. Additionally, it may be asserted that fluctuations in the fair values of the company's stock prices are highly relevant and reliably explained by the size of the business. This means that investors will welcome growth in the company's size as well. On the other hand, a 1 unit rise in income will cause a 0.547 unit increase in stock prices. This may imply that net income is not a significant factor in explaining pertinent and trustworthy fluctuations in stock prices. The outcomes conflict with Tettero's stated conclusions (2016). Investors may be more interested in value than profits for a variety of reasons. The findings also offer compelling evidence that level 1 obligations prevent investment (Simko 1999). Level 1 liabilities have a high degree of negative relevance and dependability in explaining fluctuations in stock prices. Liabilities lower the number of profits that may be distributed to investors, which is the fundamental reason for this. The findings reveal a relationship between a 1 unit increase in liabilities and a 2.516 unit decrease in stock values.

4.5 Serial correlation tests

The calculated FEM was put to the test using the obtained Durbin Watson (DW) to see if the serial correlation was a problem. To do this, the 2.2347 DW value that was obtained was compared to the both lower and higher DW values that were given in the DW statistics table. (Vinod 1973) suggested that to conclude that there is no serial connection, the DW value is necessary to be higher than both the lower and upper DW values. It can be observed from the data in table 4.5 that the DW value of 2.2347 is higher than the DW values at the lower and upper limits. Therefore, the computed FEM is said to be free of both the serial correlation problem.

Table 4.5: Serial correlation test

Description	FEM	
	DWL	DWU
	1.364	1.624
DW estimation values	2.2347	

4.6 Discussion of findings

Examining the fair value accounting's value relevance and dependability was the study's primary focus. The estimation of the panel FEM was used to confirm this goal, and it was decided to regard coefficients above 1 as having value significance and dependability. FASB issue 820, which views the stock price as a stronger indicator worth relevance and dependability, was used to operationalize value relevance and reliability. The findings indicate that a rise in stage 1 assets is

related to a pertinent and trustworthy fair value of the company as indicated by a move in stock prices. that supports claims based on corporate drivers of stock price theories. According to these beliefs, a rise in the firm's asset value and holdings tells investors that its managers are using effective asset management techniques, which is a favorable indicator for investors. As a result, the stock price of the company will rise as investors welcome the expansion of the business (in terms of total assets). stage 1 assets have also been found to provide pertinent and trustworthy explanations for variations in the fair value of debt and capital market firms. These findings support theories put forth by other earlier investigations. The findings also demonstrated the possibility of stock prices and level 2 assets have a negative relationship. Stock prices are influenced favorably by level 2 assets, according to (Tettero 2016). These variations are explicable by variations in operational settings. This is so that business efforts that raise earnings and company value can be supported by certain business and economic environments. In addition, a decline in stock prices brought on by stage 2 assets demonstrates that investors are taking stock price fluctuations poorly. On the other hand, it has been observed that growth in the size of the debt and capital market enterprises is creating a beneficial move in stock prices. This implies that big businesses have the propensity to influence investors to favor and invest in big businesses. This is mostly due to high asset returns, which are shown by improved business asset management skills. Therefore, growth in a company's stage 2 assets implies that more shares will be sought, increasing the share's value. More so, it may be claimed that the value relevance and dependability of a company's scale are rather significant. Additionally, it was demonstrated by the established results that hurt fair market value as represented by fluctuations in stock prices. Such impacts have been observed to be unreliable and of small or no importance. Specifically, the principal-agent issue asserts that managers aim to maximize income while corporate owners aim to maximize the company's value, which can explain these discrepancies. Therefore, it may be claimed that efforts to increase the firm's asset worth are harmful to Jordan's debt and capital markets. Therefore, it is said that business profitability has little to no significance or reliability concerning moves in the stock prices of capital and debt markets organizations in Jordan. In addition to all of the studies, that study is crucial to improving knowledge of how FASB 157 is applied. Both the adoption of asset management strategies and corporate governance objectives depend on this.

5. Conclusions

The research was motivated by the requirement to assess the applicability and usefulness of the FVA approach using data from capital markets. The application of FVA gives an appropriate valuation of business liabilities and assets, according to preliminary findings. This is significant because it demonstrates the amount that the investors will have to pay and receive upon the sale of the assets. Additionally, FVA aids in addressing the issue of financial statement manipulation. Most importantly, the data generated by FVA is crucial for making decisions and forecasting the firm's worth. convert in stock prices, which hint at prospective conversion in the firm's

worth, are the major indicators of such relevance and fairness. Therefore, it can be claimed that using FVA has a lot of advantages for corporate entities. All these favorable traits do not, however, always guarantee accurate and timely information about the company. This is because Measurement errors could happen at any time., which lowers the FVA method's level of informativeness. Additionally, the relevance and informativeness of the FVA approach can occasionally be diminished by the source of the generated data. Therefore, the FVA method's usefulness and informativeness may increase or decrease depending on both its advantages and disadvantages. In addition, other situational occurrences and conditions may undercut the FVA method's applicability and usefulness. But the difficulty is that this topic was not investigated, particularly capital market research. Through the use of data from the capital markets, this study filled in any gaps in previous research about the applicability and educational value of the FVA approach. The established findings offer compelling evidence that movements in stock prices in Jordan's capital and debt markets can be accurately and pertinently explained by fair value level 1 asset. A rise in assets brought on by such a capacity eventually raises stock prices. This is mostly because investors react favorably to changes in level 1 assets, which shows if organizational managers are capable of efficiently managing the company's assets. To put it another way, a rise in level 1 assets indicates that businesses have become better at managing their assets. Level 2 assets and stock prices are negatively correlated because negative stock price swings are inevitable, particularly when investors respond negatively to changes in level 2 assets. It can be claimed that level 2 assets have low relevance and dependability in describing conversion in the fair values of the company's stock prices because the coefficient was determined to be less than 1. Positive changes in stock prices, meantime, are caused by the size of capital and debt market enterprises. A further factor that has significant relevance and dependability in predicting conversion in the fair values of a company's stock prices is the size of the debt and capital market companies in Jordan. This occurs as a result of the variable size's coefficient being greater than 2. which suggests that investors will welcome a company's expansion in size. Regarding the rise in revenue of Jordan's debt and capital market enterprises, deductions can be made that are comparatively distinct. As a result, an increase in the in-net profit of Jordan's capital and debt market enterprises causes a negligible rise in stock prices of 0.547 units. As a result, Jordan's debt and capital market businesses' net income has minimal bearing on explaining pertinent and trustworthy movements in stock prices. However, even though level 1 liabilities' relevance and dependability hurt stock prices, they are said to impede investment. Liabilities frequently lower the number of profits that can be distributed to investors. These findings reveal conflicting opinions regarding the applicability and accuracy of fair value accounting. Thus, recommendations will be made in light of these discoveries.

Recommendations:

Because numerous firm-special variables have significant and varied impacts on stock prices, the following suggestions may be made:

- To enable debt and capital market organizations to make the most make of their assets, sound asset management methods are required. Both the size of the companies and the return on assets will benefit from this.
 - To make sure that all of the debts incurred by the company are used effectively and in a way that strengthens the company's ability to operate, good liability management strategies are required.
 - To increase the firms' performance, strategies for performance evaluation and revenue levels so that they do not decline to levels that jeopardize the fair value of the firm.
- To keep a positive investor attitude toward the company, solid ethical principles, combined with appropriate disclosure and fairness in the financial statement compilation, are required. This is so that a company's stock will continue to be in high demand, which depends on sustaining positive investor relationships and attitudes.

Suggestions for future studies:

In the study, concepts gathered from two distinct financial market entities are combined. Therefore, it might be suggested that future research compares the impacts of FVA on the value of the company.

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