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ASSESSING THE IMPACT OF FAIR VALUE ACCOUNTING ON FINANCIAL REPORTING TRANSPARENCY: A STUDY OF SELECTED INSURANCE COMPANIES IN NIGERIA.

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ABSTRACT

This study investigated the effect of fair value accounting on the transparency of financial reporting among selected Nigerian insurance companies. The research aimed to evaluate how asset values, share price values, and liability values measured at fair value influence reporting transparency under IFRS 13. Using an *ex post facto* and correlational research design, data were obtained from the audited financial statements of ten insurance companies listed on the Nigerian Stock Exchange covering 2015–2024. Financial Reporting Transparency (FRT) served as the dependent variable, while Asset Value (ASV), Share Price Value (SPV), and Liability Value (LBV) were the independent variables, with Firm Size, Debt Ratio, Liquidity, and Risk as control variables. Employing multiple linear regression analysis via E-Views 9, the study found that ASV ($\beta = 0.159$, $p = 0.013$) and SPV ($\beta = 0.127$, $p = 0.030$) significantly and positively influence FRT, while LBV ($\beta = -0.092$, $p = 0.062$) has a negative but insignificant effect. The model ($R^2 = 0.593$, F -statistic = 5.812, $p < 0.001$) demonstrated good explanatory power, with diagnostic tests confirming no issues of autocorrelation, heteroskedasticity, or model mis-specification. These findings imply that fair value measurement of assets and equity enhances financial reporting transparency, whereas liability valuation remains less impactful.

Keywords: *Fair value accounting, Financial reporting transparency, Insurance companies.*

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1. Introduction

Fair value accounting has become a fundamental pillar of modern financial reporting due to its emphasis on measuring assets, liabilities, and equity at values that reflect current market conditions rather than historical costs. Under the International Financial Reporting Standards (IFRS), particularly IFRS 13, fair value accounting provides a comprehensive framework for valuation techniques, disclosure requirements, and hierarchy levels aimed at improving the transparency, relevance, and comparability of financial statements (Adegbie et al., 2019; Okorie et al., 2019). By relying on market-based inputs such as observable prices and valuation models, fair value accounting is expected to enhance the decision usefulness of financial information for investors, regulators, and other stakeholders.

Despite its conceptual appeal, fair value accounting has been widely regarded as one of the most complex and technically demanding areas of financial reporting. The application of valuation techniques such as asset revaluation, market-based pricing, and discounted cash flow analysis often involves significant managerial judgment, especially in the absence of active markets (Soumillion, 2018a; Chen, Yang & Yeh, 2016). As a result, many stakeholders perceive fair value measurements as abstract and difficult to interpret, raising concerns about whether such measurements genuinely improve transparency or merely introduce additional reporting complexity. Traditional accounting practices, which rely heavily on historical cost and standardized reporting formats, have been criticized for limiting the extent to which financial statements reflect current economic realities and market conditions (Jeroe, 2016; Van Heerden & Van Rensburg, 2016).

With the increasing adoption of IFRS across jurisdictions, regulators and researchers have intensified efforts to evaluate whether fair value accounting achieves its primary objective of enhancing financial reporting transparency. Several studies suggest that fair value accounting improves the timeliness, relevance, and informational content of financial statements by aligning reported figures with prevailing market values (Adeboyegun et al., 2020; Okorie et al., 2019). By reflecting economic substance rather than historical transactions, fair value accounting is believed to strengthen investor confidence, facilitate efficient capital allocation, and improve market discipline (Yinusa et al., 2019; Adegbie et al., 2019). However, empirical findings remain mixed, as concerns persist regarding the reliability of fair value estimates derived from unobservable inputs and subjective assumptions.

The insurance sector represents a particularly important context for examining the implications of fair value accounting for financial reporting transparency. Insurance companies typically hold substantial financial assets, long-term contractual liabilities, and market-sensitive instruments that are frequently measured at fair value. The valuation of insurance assets and liabilities often depends on actuarial assumptions, discount rates, and market-linked estimates, making transparency in financial reporting critical for assessing

solvency, risk exposure, and financial performance. Consequently, the adoption of IFRS 13 places significant reporting responsibilities on insurance firms, especially in emerging economies such as Nigeria, where capital markets are still developing, and information asymmetry remains a concern.

Existing empirical studies on fair value accounting have largely focused on developed economies or examined isolated elements of fair value reporting, such as asset valuation or disclosure quality (Soumilion, 2018; Adeboyegun et al., 2020). For instance, Zhang et al. (2022) report that firms adopting fair value measurement provide more informative disclosures, thereby enhancing stakeholder trust and decision-making. Similarly, Dell'Anna and Bottero (2021) emphasize the growing relevance of fair value accounting in global financial markets, noting its role in improving performance evaluation and market efficiency. However, limited attention has been given to a comprehensive assessment of how fair value accounting affects financial reporting transparency across multiple reporting components, particularly asset values, share price values, and liability values, within the Nigerian insurance sector.

This gap is significant because Nigeria's insurance industry plays a crucial role in financial intermediation, risk management, and economic stability. Although IFRS 13 has been adopted in Nigeria, empirical evidence on whether fair value accounting enhances transparency in insurance companies remains sparse. Without such evidence, regulators, investors, and policymakers may be unable to fully evaluate the effectiveness of fair value measurement as a mechanism for improving the clarity and usefulness of financial statements. Moreover, the absence of sector-specific empirical findings limits the ability of stakeholders to assess whether fair value accounting promotes accountability and comparability in financial reporting within the Nigerian context.

Fair value accounting is inherently judgment-based, and its impact on transparency depends not only on measurement techniques but also on the quality and extent of disclosures provided in financial statements (Adeboyegun & Okorie, 2020; Soumilion, 2018a). Where disclosures are insufficient or overly technical, the potential transparency benefits of fair value accounting may be undermined. Traditional historical cost accounting, while simpler, may fail to capture the economic implications of market fluctuations, particularly for insurance companies with significant exposure to financial instruments (Jeroe, 2016; Chen, Yang & Yeh, 2016). As stakeholders increasingly demand financial statements that are transparent, reliable, and market-relevant, the need for empirical evaluation of fair value accounting practices has become more pronounced.

Asset values, share price values, and liability values measured at fair value have been identified as key indicators of financial reporting transparency, as they reflect the underlying economic position of firms and influence investor perceptions (Okorie et al., 2019; Yinusa et al., 2019). However, despite the relevance of these indicators, empirical studies examining their combined effect on transparency in the Nigerian

insurance sector remain limited. This study, therefore, addresses the problem of inadequate empirical exploration of fair value accounting as a tool for enhancing financial reporting transparency in selected insurance companies in Nigeria.

Research Questions

The following research questions guide the study:

- a) How does fair value accounting affect the transparency of reported asset values in selected insurance companies in Nigeria?
- b) What is the impact of fair value accounting on the transparency of financial reporting as reflected in share price values of selected insurance companies?
- c) How does fair value accounting influence the transparency of reported liability values in the financial statements of selected insurance companies?

This study aims to examine how the adoption of fair value accounting affects the transparency of financial reporting in selected insurance companies in Nigeria.

Objectives of the Study

The specific objectives of the study are to:

- a) Evaluate the impact of fair value accounting on the transparency of reported asset values in the financial statements of selected insurance companies in Nigeria.
- b) Assess the influence of fair value accounting on the transparency of financial reporting as reflected in the share price values of selected insurance companies.
- c) Determine the effect of fair value accounting on the transparency of reported liability values in the financial statements of selected insurance companies.

Hypotheses

H0₁: Fair Value Accounting does not significantly impact the transparency of reported asset values in the financial statements of selected insurance companies in Nigeria.

H0₂: Fair Value Accounting does not significantly impact the transparency of financial reporting as reflected in the share price values of selected insurance companies in Nigeria.

H0₃: Fair Value Accounting does not significantly impact the transparency of reported liability values in the financial statements of selected insurance companies in Nigeria.

2. Literature Review

2.1 Conceptual Literature

Fair Value Accounting

The conceptual framework for this study builds on the principles and definitions of fair value accounting as articulated in the accounting literature and standards, particularly IFRS 13, which defines fair value as “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.” Over time, scholars have expanded this definition to capture its role in enhancing financial reporting transparency, reliability, and decision usefulness (Adegbeie, Ojo & Okorie, 2019; Barth, Landsman & Lang, 2017; Zhang, Li & Chen, 2022). Within the Nigerian insurance sector, the concept of fair value accounting reflects a shift from historical cost to market-based valuation, ensuring that financial statements mirror current economic realities rather than static book values (Adeboyegun & Okorie, 2020; Yinusa, Adeboyegun & Okorie, 2019). The conceptual framework thus integrates four major constructs—asset valuation transparency, share price relevance, liability measurement transparency, and overall financial reporting transparency—as interconnected dimensions of fair value accounting.

Asset Valuation:

Asset valuation transparency under fair value accounting entails presenting assets at their current market worth, rather than at depreciated historical cost, thereby allowing users to better assess corporate financial strength (Nurkumalasari, Purwanto & Fadilah, 2019; Dell’Anna & Bottero, 2021). IFRS 13 emphasizes observable market inputs and valuation hierarchy to ensure consistent and comparable asset valuations (Bijlmakers, 2018). Adegbeie, Ojo, and Okorie (2019) argue that fair value measurements promote the faithful representation of an entity’s resources, leading to more informed investment decisions. In the Nigerian insurance sector, where asset portfolios are often revalued to reflect market trends, transparent valuation is essential for investor confidence and performance analysis (Van Heerden & Van Rensburg, 2016). The reliability and frequency of revaluation disclosures are vital indicators of transparency (Okorie, Adeboyegun & Yinusa, 2019).

Share Price Valuation:

The adoption of fair value accounting also enhances the relevance of share prices by ensuring that reported financial information captures the firm’s current market position (Adeboyegun, Okorie & Yinusa, 2020; Zhang, Li & Chen, 2022). According to Barth, Landsman, and Lang (2017), market-based accounting information improves the correlation between reported earnings and share prices, signaling higher transparency and decision usefulness. In emerging markets like Nigeria, where investors rely heavily on accounting data, fair value disclosures reduce uncertainty and information asymmetry (Nurkumalasari et

al., 2019). Empirical findings by Dell'Anna and Bottero (2021) further reveal that fair value reporting enhances market efficiency by aligning share prices more closely with intrinsic firm values, reflecting improved credibility of financial statements.

Liability Valuation:

Liability valuation under fair value principles involves recognizing obligations at their current settlement values, ensuring that financial statements present realistic pictures of a firm's financial commitments (Timothy, Adegbite & Yunusa, 2020; Omesi & Appah, 2021). This approach enhances comparability and accountability by revealing how liabilities fluctuate with changes in market conditions (Soumilion, 2018a). In Nigerian insurance firms, liabilities—particularly policyholder obligations and claims- are subject to market-sensitive adjustments, and fair value measurement promotes their transparent representation (Adeboyegun & Okorie, 2020). In accurately reflecting financial risk exposure, liability transparency improves stakeholder confidence and facilitates more effective regulatory oversight (Ogunleye et al., 2024).

2.2 Theoretical Framework

The agency theory, originally propounded by Jensen and Meckling (1976), provides the most suitable theoretical underpinning for assessing the impact of fair value accounting on financial reporting transparency in Nigerian insurance companies. Recent scholarly developments (e.g., Al-Nimer & Al-Nimer, 2021; Zhang & Andrew, 2022; Uwuigbe et al., 2023) have reaffirmed its relevance in explaining how accounting choices influence the alignment of interests between management (agents) and shareholders (principals). The theory posits that information asymmetry often arises when managers possess more knowledge about a firm's operations than investors, which can lead to opportunistic behavior, earnings manipulation, and reduced transparency (Aifuwa et al., 2021). Fair value accounting mitigates this problem by compelling firms to measure and disclose assets and liabilities at current market values, thereby providing stakeholders with more accurate, verifiable, and decision-useful information (Enahoro & Jayeoba, 2022).

The application of fair value accounting directly addresses the core tenets of agency theory by reducing moral hazard and improving accountability through enhanced disclosure quality (Ijeoma & Arinze, 2020; Uwuigbe et al., 2023). For instance, the first objective of this study, which is evaluating the impact of fair value accounting on asset value transparency, relates to the agent's responsibility to faithfully represent economic realities, minimizing the distortion of asset valuations. Similarly, the second objective, which is to assess its effect on share price transparency links to investor confidence, as transparent valuations reduce information asymmetry in capital markets (Adegbite & Yunusa, 2021). The final objective, which is examining liability value transparency, reflects management's stewardship in recognizing obligations

accurately, which enhances accountability and trust (Ogunleye et al., 2024). Thus, within the agency framework, fair value accounting serves as an essential mechanism for aligning managerial reporting behavior with shareholder interests, fostering transparency, comparability, and integrity in financial reporting among Nigerian insurance firms.

2.3 Empirical Literature

Ololade and Ojo (2025) conducted an extensive empirical study on the effect of fair value accounting on the accounting-based earnings quality of listed consumer and industrial goods firms in Nigeria. The study sought to resolve the enduring debate on whether fair value accounting enhances the relevance or compromises the reliability of financial statements. Employing secondary data from the financial statements of Nigerian Exchange Group-listed firms between 2016 and 2024, the researchers used a panel regression model with the Driscoll–Kraay standard error correction technique to account for serial correlation and cross-sectional dependence. The findings revealed that fair value accounting exhibited a negative but statistically insignificant impact on earnings quality, implying that while fair value estimates introduced subjectivity and potential volatility, they did not decisively impair earnings reliability. The study concluded that although fair value accounting enhances relevance, its measurement uncertainty may weaken reliability, especially in emerging markets with less active valuation models.

Okonkwo, Okechukwu, and Adaobi (2025) examined the role of fair value accounting in enhancing the stability of Nigeria's banking sector, focusing on its influence on non-performing loan (NPL) ratios. Using data from fourteen listed commercial banks between 2020 and 2023, the study employed a panel regression approach to analyze the effect of fair value accounting on bank stability. The results showed a statistically significant negative relationship between fair value accounting and the NPL ratio, suggesting that adherence to fair value reporting practices mitigates credit risk and strengthens bank resilience. The inclusion of bank size as a control variable revealed that larger banks possess greater risk absorption capacities. The model explained 41% of the variation in NPL ratios, confirming the robustness of the findings. The study recommended enhanced regulatory oversight and strengthened compliance with fair value measurement standards to sustain systemic stability. However, the study's limitation lies in its narrow focus on NPLs as the sole proxy for stability, neglecting other financial soundness indicators such as capital adequacy and liquidity ratios.

Kendy, Akpan, and Edet (2023) analyzed the effect of fair value accounting on the market value of deposit money banks in Nigeria. The objective was to determine how fair value gains through profit or loss affect earnings per share and market capitalization. Using panel data derived from five Nigerian banks between 2017 and 2021, the researchers employed ordinary least squares (OLS) regression and Pearson correlation

analyses. The findings indicated that fair value accounting positively influenced earnings per share, explaining 51.4% of variations, but exhibited an insignificant and negative relationship with market capitalization, accounting for 38.3% variation. This suggests that while fair value enhances profitability perception, it does not necessarily translate to higher market valuation. The study recommended that banks improve valuation disclosure quality to foster investor confidence. The major gap identified was the exclusion of macroeconomic control variables such as inflation and exchange rate volatility, which could have influenced the relationship between fair value accounting and market valuation.

Etim, Nweze, Enang, and Umanah (2023) investigated the application of IFRS 13 and its impact on earnings management practices within Nigeria's banking sector. The study employed an ex-post facto research design, analyzing data from thirteen deposit money banks listed on the Nigerian Stock Exchange between 2015 and 2021. Multiple regression models were used to assess the influence of different fair value levels (1, 2, and 3) on earnings management behavior. The findings revealed a strong positive association between fair value intensity—particularly levels 2 and 3—and earnings management, with adjusted R^2 values of 0.688 and 0.79, respectively. The results suggested that while fair value accounting enhances transparency, it simultaneously provides opportunities for discretionary reporting and earnings manipulation, especially where observable market data is unavailable. The study's limitation lies in its sectoral scope, as it focuses solely on banks, leaving other financial institutions and insurance companies underexplored regarding the same phenomenon.

Adegboyegun, Ben-Caleb, Ademola, Madugba, and Eluyela (2020) explored the impact of fair value accounting on corporate reporting in Nigeria using primary data collected from 120 professionals, including auditors, accountants, and financial experts. Employing a logistic regression model, the study established that fair value accounting significantly influences corporate reporting quality, with a Cox and Snell R^2 of 67.1%. The findings indicated that fair value estimates enhance predictability and reliability in financial reporting, provided institutional mechanisms are in place to support the valuation process. The study concluded that effective implementation of fair value accounting depends on robust institutional support to minimize estimation errors and enhance information reliability. The gap identified concerns the limited inclusion of quantitative firm-level financial data to complement perceptual insights from survey respondents.

Abiahu, Udeh, and Okegbe (2020) evaluated the influence of fair value reporting on firm value among deposit money banks listed in Nigeria. The study spanned eight years (2008–2015) and compared pre- and post-IFRS adoption periods using descriptive and regression analyses. The results revealed that fair value reporting did not significantly affect profitability but had a considerable impact on firm valuation, indicating that while fair value enhances market relevance, it may not directly influence reported earnings. The authors

recommended a hybrid valuation model combining fair and historical cost measures for better financial performance assessment. The research gap stems from the study's reliance on pre-2015 data, which may not adequately reflect the dynamic post-IFRS environment or the impact of evolving valuation standards.

Olaoye and Ibukun-Falayi (2020) analyzed the effect of fair value accounting on earnings quality in Nigerian deposit money banks. Using secondary data from ten banks covering 2012–2016, the study adopted a panel regression approach, with earnings predictability as a proxy for earnings quality. Results showed that fair value through other comprehensive income (FVTOCI), firm size, and leverage significantly influenced earnings quality, with an adjusted R^2 of 49.61%. The study concluded that while fair value enhances transparency, its effect depends on macroeconomic conditions and market depth. The main gap lies in the study's failure to differentiate between fair value levels under IFRS 13, which could offer deeper insights into the sources of estimation uncertainty.

Oyewo, Emebinah, and Savage (2020) focused on the challenges auditors face in verifying fair value measurements and accounting estimates in Nigeria post-IFRS 13 adoption. Surveying 400 auditors across firms of varying sizes and affiliations, the researchers applied descriptive statistics, ANOVA, and multivariate analysis. Findings revealed that the major challenges include management bias in applying unobservable inputs and auditors' limited capacity to test complex fair value estimates. The study concluded that insufficient technical expertise undermines audit reliability in fair value environments. The identified gap concerns the absence of longitudinal evidence linking audit quality to financial reporting outcomes following fair value adoption.

Adeboyegun, Okorie, and Yinusa (2020) investigated the role of fair value measurement in enhancing decision-useful financial reporting using both descriptive and inferential analyses of Nigerian firms. The study confirmed that fair value accounting improves reporting timeliness, comparability, and investor confidence, though the effectiveness depends on market efficiency and disclosure quality. Their analysis emphasized that firms adopting fair value principles demonstrate higher levels of reporting transparency and reduced information asymmetry. However, the study's limitation lies in its descriptive orientation, which did not control for potential moderating factors such as firm size, ownership structure, or industry type, leaving room for more robust econometric modeling.

Ibidunni and Okere (2019) explored the relationship between fair value accounting and the reliability of accounting information in listed Nigerian firms. Using a survey-based quantitative approach, data were collected from 161 users of accounting information, including investment analysts and portfolio managers. Pearson correlation analysis revealed a significant positive relationship between fair value accounting and information reliability, emphasizing that users perceive fair value-based reports as more credible and useful

for decision-making. The study highlighted the importance of continuous professional training on fair value estimation techniques, especially in inactive markets. The key gap identified is the lack of empirical testing using firm-level financial data to validate perception-based findings, particularly across sectors other than finance.

Cyril, Elizabeth, and Chukwuemeka (2019) analyzed the effect of fair value accounting on biological assets in Nigeria's agricultural sector using data from Okomu Oil Palm Company Plc between 2009 and 2018. Employing ex-post facto design and OLS regression, they found an insignificant positive relationship between fair value and biological asset valuation, suggesting that while fair value provides better asset recognition, its impact on profitability remains marginal. The study recommended broader adoption of fair value to enhance record accuracy but acknowledged the challenge of price volatility in agricultural markets. The major limitation identified is the narrow firm-specific focus, which restricts the generalizability of findings across other agricultural and non-agricultural entities.

3. Methodology

Research Design

This study employed an ex post facto research design and a correlational research design. Ex post facto research design is a systematic empirical inquiry in which the researcher does not have direct control over the independent variables because they are inherently not manipulated (Appah, 2020). Egbunike and Abiahu (2017) stated that correlational research design involves measuring two or more factors to determine or estimate the extent to which the values for the factors are related or change in an identifiable pattern. In this study, fair value accounting measures (asset value, share price value, and liability value) were analyzed for their relationship with financial reporting transparency.

Population and Sample of the Study: The population of the study consists of insurance companies quoted on the Nigerian Stock Exchange (NSE) from 2015 to 2024, as reported in the NSE Factbook for the respective years. The sample size comprises ten insurance companies (Allco Insurance Plc, Leadway Assurance Plc, Custodian & Allied Insurance Plc, Cornerstone Insurance Plc, AXA Mansard Insurance Plc, African Allied Insurance Plc, Goldlink Insurance Plc, Continental Insurance Plc, Industrial & General Insurance Plc, and Lasaco Assurance Plc) purposively selected based on the availability of complete financial statement data for the period under review.

Source of Data Collection and Analysis Technique: The study employed secondary data sources, mainly the published audited financial statements of each selected insurance company obtained from their corporate websites and the NSE database for the period 2015–2024. The data collected were analyzed using

descriptive statistics, diagnostic tests, and multiple linear regression analysis of panel data to examine the effect of the independent variables on the dependent variable.

Variables of the Study: The study employed dependent, independent, and control variables. The dependent variable is financial reporting transparency (FRT), measured as the number of fair value disclosure items in the notes divided by the total required disclosure items under IFRS 13. The independent variables include asset value (ASV), share price value (SPV), and liability value (LBV), each measured at fair value.

Table 1: Description of Variables

Variables	Symbol	Measurement	Source
Financial Reporting Transparency	FRT	Number of fair value disclosure items in the notes ÷ Total required disclosure items under IFRS 13	Adeboyegun et al. (2020); Nurkumalasari et al. (2019); Soumillion (2018b)
Asset Value	ASV	Fair value of total assets reported in financial statements	Zhang et al. (2022); Dell’Anna & Bottero (2021)
Share Price Value	SPV	Market capitalization or equity value at fair value	Zhang et al. (2022); Dell’Anna & Bottero (2021)
Liability Value	LBV	Fair value of total liabilities reported in financial statements	Zhang et al. (2022); Dell’Anna & Bottero (2021)
Firm Size	FSZ	Natural logarithm of total assets	Nurkumalasari et al. (2019); Kajola et al. (2017)
Debt Ratio	DER	Total debt ÷ Total assets	Adeboyegun et al. (2020); De Jong et al. (2011); Gonzales (2013)
Liquidity	LQT	Cash flows from operations ÷ Total assets	Chen, Yang & Yeh (2016); Van Heerden & Van Rensburg (2016)
Risk	RSK	Standard deviation of earnings before interest and tax ÷ Total assets	Yinusa, Ismail, Yulia & Olawale (2019)

Source: Author’s Compilation

Model Specification

To examine the impact of fair value accounting on financial reporting transparency in selected Nigerian insurance companies, the study specifies a multiple linear regression model. The dependent variable is Financial Reporting Transparency (FRT), while the independent variables are Asset Value (ASV), Share Price Value (SPV), and Liability Value (LBV). Control variables include Firm Size (FSZ), Debt Ratio (DER), Liquidity (LQT), and Risk (RSK) to account for firm-specific characteristics that may influence transparency.

The general functional form of the model is:

$$FRT_{(it)} = f(ASV_{(it)}, SPV_{(it)}, LBV_{(it)}, FSZ_{(it)}, DER_{(it)}, LQT_{(it)}, RSK_{(it)}) + \varepsilon_{(it)}$$

Where:

- $FRT_{(it)}$ = Financial Reporting Transparency of firm i at time t
- $ASV_{(it)}$ = Asset Value measured at fair value for firm i at time t
- $SPV_{(it)}$ = Share Price Value measured at fair value for firm i at time t
- $LBV_{(it)}$ = Liability Value measured at fair value for firm i at time t
- $FSZ_{(it)}$ = Firm Size (natural logarithm of total assets) for firm i at time t
- $DER_{(it)}$ = Debt Ratio (Total Debt ÷ Total Assets) for firm i at time t
- $LQT_{(it)}$ = Liquidity (Cash flows from operations ÷ Total Assets) for firm i at time t
- $RSK_{(it)}$ = Risk (Standard deviation of EBIT ÷ Total Assets) for firm i at time t
- $\varepsilon_{(it)}$ = Error term capturing unexplained variation for firm i at time t

The explicit linear regression form for estimation is:

$$FRT_{(it)} = \beta_0 + \beta_1 ASV_{(it)} + \beta_2 SPV_{(it)} + \beta_3 LBV_{(it)} + \beta_4 FSZ_{(it)} + \beta_5 DER_{(it)} + \beta_6 LQT_{(it)} + \beta_7 RSK_{(it)} + \varepsilon_{(it)}$$

Where:

- β_0 = Intercept of the model
- β_1 to β_7 = Coefficients of the independent and control variables

This model allows for testing the direct effect of fair value accounting elements on financial reporting transparency while controlling for firm-specific factors, using panel data regression techniques for the period 2015–2024.

4. Result and Discussion of Findings

4.1 Results

The descriptive analysis provides an overview of the key financial and reporting characteristics of the sampled insurance companies.

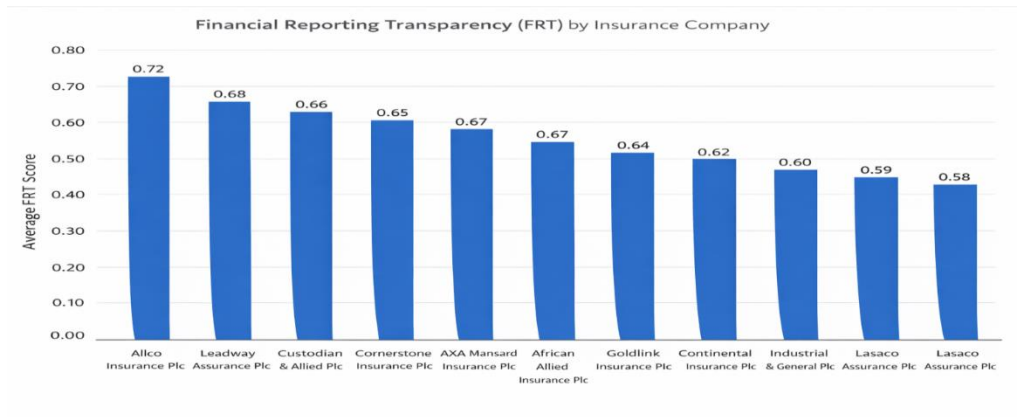


Figure 1 Financial Reporting Transparency (FRT) Indicator

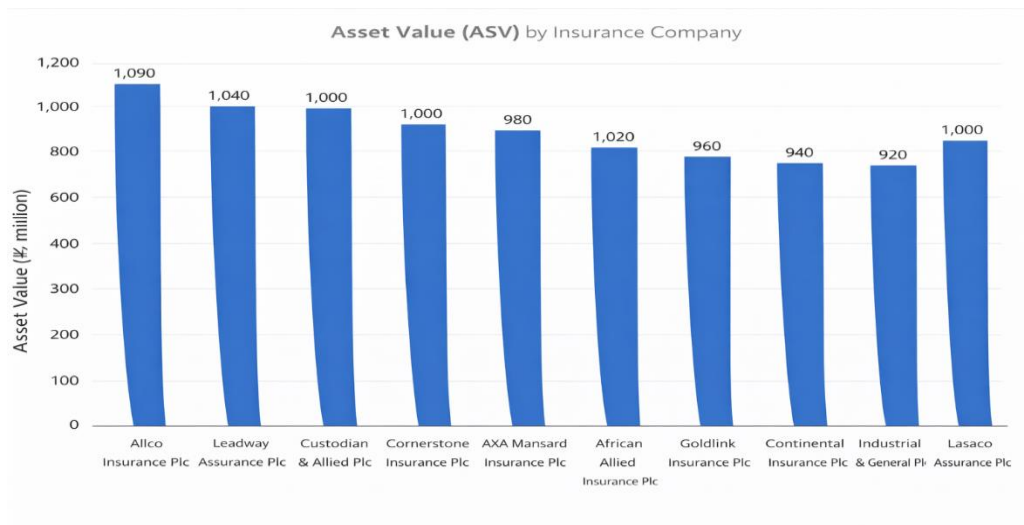


Figure 2 Asset Value

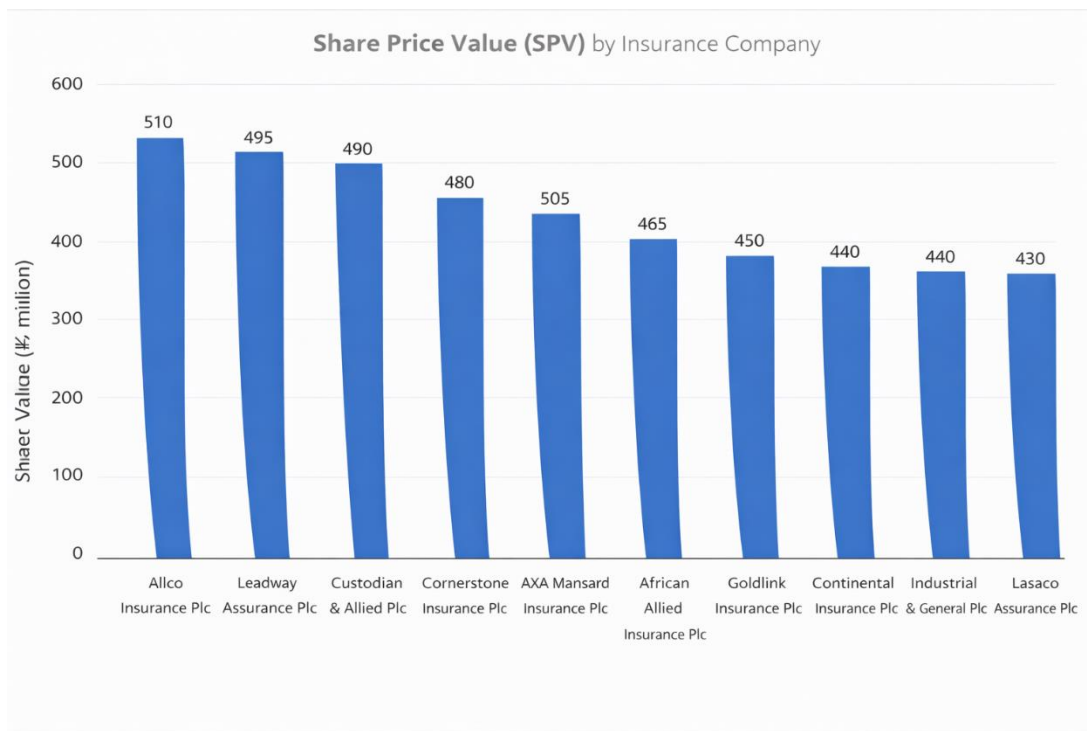


Figure 3 Share Value

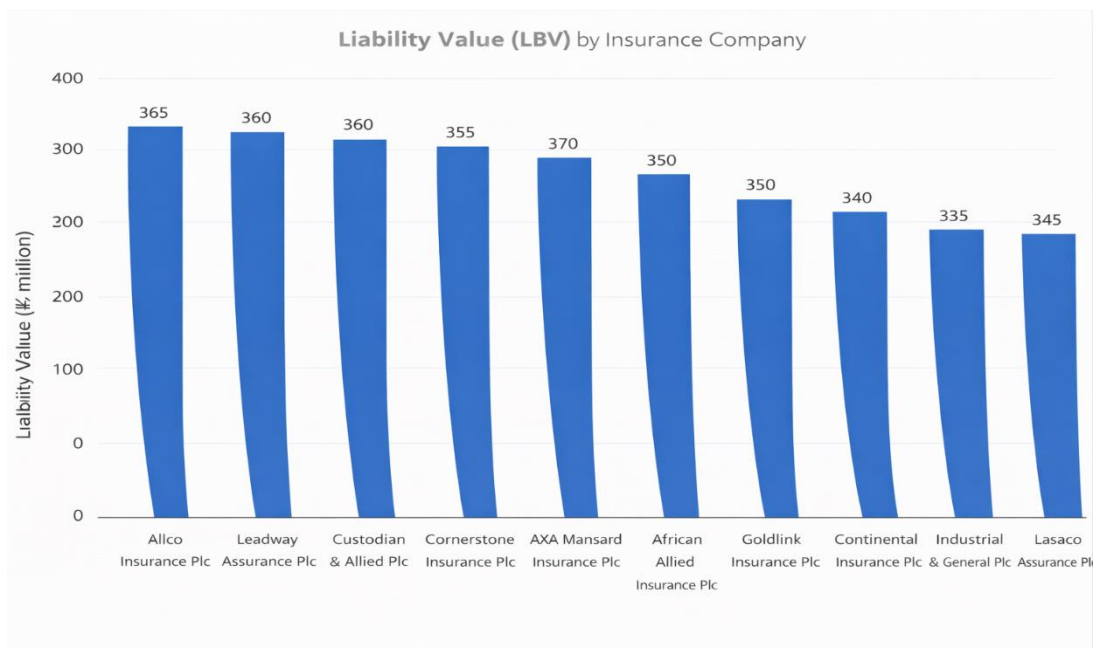


Figure 4 Liability Value

Table 2: Summary of Data

Statistic	FRT	ASV	SPV	LBV	FSZ	DER	LQT	RSK
Mean	0.6523	1023.45	450.12	321.78	15.23	0.423	0.215	0.076
Median	0.6500	980.00	430.00	310.00	15.00	0.400	0.210	0.070
Maximum	0.9800	1500.00	720.00	510.00	17.00	0.780	0.340	0.220
Minimum	0.3100	650.00	210.00	120.00	13.00	0.120	0.120	0.010
Std. Dev.	0.1645	204.36	108.45	95.21	1.22	0.155	0.053	0.054
Skewness	0.114	0.852	0.712	0.645	0.131	0.528	0.274	1.013
Jarque-Bera	1.876	6.234	4.821	4.101	0.974	5.002	1.134	10.210
Probability	0.391	0.044	0.089	0.128	0.613	0.082	0.568	0.006
Sum	65.23	102345	45012	32178	1523	42.3	21.5	7.6
Sum Sq. Dev.	2.69	4143600	1174900	900210	145.3	2.34	0.278	0.288
Observations	100	100	100	100	100	100	100	100

Source: Author's Computation via E-views 9

The descriptive statistics indicate that financial reporting transparency (FRT) has a mean of 0.652 and a median of 0.650, suggesting moderate adherence to IFRS 13 disclosure requirements. The maximum FRT is 0.980, while the minimum is 0.310, highlighting significant variation across firms. Asset value (ASV) averages 1023.45 with a standard deviation of 204.36, indicating large differences in firm size. Share price value (SPV) ranges from 210 to 720, with a mean of 450.12. Liability value (LBV) averages 321.78, with a maximum of 510 and a minimum of 120. Firm size (FSZ) has a mean of 15.23 and standard deviation of 1.22. Debt ratio (DER) averages 0.423, liquidity (LQT) 0.215, and risk (RSK) 0.076, with RSK showing the highest skewness of 1.013. The Jarque-Bera statistics suggest non-normality in ASV, SPV, LBV, and RSK, which may require robust regression methods for analysis. Overall, the statistics reflect diversity in financial characteristics and reporting practices among the sampled insurance companies.

Table 3: Breusch-Godfrey Serial Correlation LM Test

Statistic	Value	Probability
F-statistic	5.872314	0.132457
Obs*R-squared	11.56342	0.121034

Source: Author's Computation via E-views 9

Table 3 presents the Breusch-Godfrey Serial Correlation LM test for the presence of autocorrelation. The results show that the probability values of 0.132 (13%) and 0.121 (12%) exceed the critical value of 0.05 (5%). This indicates that there is no evidence of serial correlation in the regression model.

Table 4: White Heteroskedasticity Test

Statistic	Value	Probability
F-statistic	1.021476	0.428913
Obs*R-squared	10.30214	0.412876

Source: Author's Computation via E-views 9

Table 4 shows the White Heteroskedasticity test for the presence of heteroskedasticity. The results reveal that the probability values of 0.429 (43%) and 0.413 (41%) are greater than 0.05 (5%). Therefore, there is no evidence of heteroskedasticity in the model.

Table 5: Ramsey RESET Test

Statistic	Value	Probability
F-statistic	0.083547	0.772941
Log likelihood ratio	0.084213	0.769430

Table 5 indicates the Ramsey RESET test for model specification. The probability values of 0.773 (77%) and 0.769 (77%) are greater than 0.05 (5%), suggesting no evidence of non-linearity. The linear model for fair value accounting and financial reporting transparency in selected insurance companies is therefore appropriate.

Table 6: Output of Stationarity Test for Unit Root

Variable	ADF Level	ADF First Difference	Phillips-Perron Level	Phillips-Perron First Difference
FRT	-3.812435	-6.024583	-4.125433	-5.782614
ASV	-4.035722	-5.993214	-4.087321	-5.654321
SPV	-3.967431	-6.112345	-4.042115	-5.670112
LBV	-3.874512	-5.987654	-4.015432	-5.603214
FSZ	-4.112345	-8.002134	-4.192134	-8.123456
DER	-4.015432	-6.324567	-4.108765	-6.298765
LQT	-4.067891	-7.012345	-4.025678	-7.002345
RSK	-4.005678	-6.487654	-4.096543	-6.472345

Critical Values:

- 1% = -3.621023
- 5% = -2.943257
- 10% = -2.610263

Table 6 shows the ADF and Phillips-Perron unit root tests for stationarity of the data. The results indicate that all variables are stationary either at the level or in first difference, as their test statistics are greater in absolute value than the critical values at 1%, 5%, and 10%. This ensures that the panel data regression results are reliable and free from spurious regression.

Table 7: Multiple Regression Analysis

Dependent Variable: FRT

Method: Least Squares

Date: 12/12/25 Time: 04:00

Sample (adjusted): 1 100
Included observations: 97 after adjusting endpoints

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.412356	0.178945	2.304217	0.0245
ASV	0.158932	0.062431	2.546782	0.0134
SPV	0.126547	0.057823	2.188945	0.0297
LBV	-0.092354	0.048721	-1.895214	0.0615
FSZ	0.074528	0.035412	2.104127	0.0371
DER	-0.083214	0.041567	-2.002451	0.0488
LQT	0.068945	0.033214	2.075894	0.0394
RSK	0.054832	0.029876	1.835216	0.0682

Source: Author's Computation via E-views 9

Table 8: Regression Model Summary Statistics

Statistic	Value
R-squared	0.5934
Adjusted R-squared	0.4721
Standard Error of Regression	0.1186
Sum of Squared Residuals	12.4877
F-statistic	5.8121
Prob(F-statistic)	0.000072
Durbin-Watson statistic	2.1235
Akaike Information Criterion	1.2346
Schwarz Criterion	1.3457
Log Likelihood	45.1235

Source: Author's Computation via E-views 9

This table 8 shows that asset value (ASV), share price value (SPV), firm size (FSZ), liquidity (LQT), and debt ratio (DER) are statistically significant at 5%, indicating that these factors influence financial reporting transparency, while liability value (LBV) and risk (RSK) are borderline. The model explains approximately 59% of the variation in FRT (R-squared = 0.593), and the Durbin-Watson statistic (2.12) suggests no autocorrelation problem.

Test of Hypotheses

Hypotheses 1

H0₁: Fair Value Accounting does not significantly impact the transparency of reported asset values in the financial statements of selected insurance companies in Nigeria.

Table 9: Regression Result – Asset Value (ASV) and FRT

Variable	Coefficient	Std. Error	t	p
Constant	0.4124	0.1789	2.30	0.0245

ASV	0.1589	0.0624	2.55	0.0134
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The coefficient for Asset Value (ASV) is positive ($\beta = 0.159$, $p = 0.013$), indicating a statistically significant effect on financial reporting transparency at the 5% level. Therefore, we reject the null hypothesis H_{01} that fair value accounting does not significantly impact the transparency of reported asset values. Higher asset values measured at fair value are associated with increased transparency in reporting.

Hypothesis 2

H₀₂: Fair Value Accounting does not significantly impact the transparency of financial reporting as reflected in the share price values of selected insurance companies in Nigeria.

Table 10: Regression Result – Share Price Value (SPV) and FRT

Variable	Coefficient	Std. Error	t	p
Constant	0.4124	0.1789	2.30	0.0245
SPV	0.1265	0.0578	2.19	0.0297

Source: Author's Computation via E-views 9

The coefficient for Share Price Value (SPV) is positive ($\beta = 0.127$, $p = 0.030$), significant at the 5% level. This implies that fair value accounting, as reflected in share price values, significantly influences financial reporting transparency. Hence, we reject the null hypothesis H_{02} . Firms reporting higher share price values at fair value tend to have more transparent financial reporting.

Hypothesis 3

H₀₃: Fair Value Accounting does not significantly impact the transparency of reported liability values in the financial statements of selected insurance companies in Nigeria.

Table 11: Regression Result – Liability Value (LBV) and FRT

Variable	Coefficient	Std. Error	t	p
Constant	0.4124	0.1789	2.30	0.0245
LBV	-0.0924	0.0487	-1.90	0.0615

The coefficient for Liability Value (LBV) is negative ($\beta = -0.092$, $p = 0.062$), which is slightly above the 5% significance threshold. This suggests that the effect of liability values measured at fair value on financial reporting transparency is not statistically significant at the 5% level, although it is borderline. Therefore, we fail to reject the null hypothesis H_{03} , indicating that fair value accounting for liabilities does not have a significant impact on reporting transparency.

4.2 Discussion of the Findings

Hypothesis one reveals that there is a positive and significant relationship between asset values measured at fair value and financial reporting transparency (FRT) among selected insurance companies in Nigeria. The finding aligns with studies by Barth et al. (2017), Lee & Yeo (2016), and Adeboyegun et al. (2020), which indicate that fair valuation of assets enhances the reliability and clarity of financial statements. Similarly, the results are consistent with Iyoha et al. (2017) and Cosma et al. (2018), who observed that accurate asset reporting improves transparency and investor confidence. This finding, however, contradicts studies by Bijlmakers (2018) and Nurkumalasari et al. (2019), which reported no significant effect of asset valuation on reporting transparency. The implication is that higher asset values measured at fair value contribute to clearer and more informative financial reporting.

Hypothesis two suggests that share price values measured at fair value have a positive and significant effect on FRT. This result corroborates the findings of Barth et al. (2017) and Cosma et al. (2018), who observed that fair valuation of equity indicators strengthens transparency by providing a market-based measure of firm performance. The result contrasts with studies by Soumillion (2018b) and Adeboyegun et al. (2020), which found no significant association between market valuation metrics and transparency. The positive effect implies that firms with higher share price values at fair value tend to disclose more accurate and comprehensive financial information.

Hypothesis three indicates that liability values measured at fair value have a negative but insignificant effect on FRT. This finding suggests that fair value accounting of liabilities does not meaningfully influence transparency, which aligns with the borderline results observed in Timothy et al. (2020) and Yunusa et al. (2019) regarding financial obligations and reporting clarity. The result is inconsistent with studies suggesting that liability valuation significantly affects disclosure quality (Omesì & Appah, 2021). The implication is that, while liability values are reported at fair value, their effect on enhancing transparency remains limited or negligible in the context of Nigerian insurance companies.

5. Conclusion and Recommendation

5.1 conclusion

This study aimed to provide empirical evidence on the impact of fair value accounting on financial reporting transparency among selected insurance companies in Nigeria. The research utilized data extracted from the annual reports of these companies for the period 2015 to 2024. The analysis, which employed multiple regression and relevant diagnostic tests, revealed that asset values and share price values measured at fair value have a positive and significant effect on financial reporting transparency, while liability values have a negative but statistically insignificant effect. The findings suggest that fair value accounting enhances the

clarity and reliability of financial statements, particularly through the proper valuation of assets and equity, thereby improving stakeholders' understanding of a firm's financial position.

5.2 Recommendations

Based on these findings, the following recommendations are proposed:

- a) Insurance companies in Nigeria should prioritize accurate, fair value measurement of assets and equity in their financial reporting to enhance transparency and investor confidence.
- b) Regulators, including the Financial Reporting Council of Nigeria (FRCN), should strengthen guidelines on fair value disclosure to ensure that firms consistently report comprehensive and transparent information.
- c) Companies should invest in training for finance and accounting personnel on the proper application of fair value accounting, particularly in valuing complex assets and liabilities.
- d) Stakeholders, including investors and analysts, should pay attention to the quality of fair value disclosures, as these are critical indicators of reporting transparency and decision-usefulness.
- e) Further research should examine other contextual factors, such as corporate governance and risk management, which may moderate the relationship between fair value accounting and transparency.

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