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# ***Applying of Fair Value in Algerian Banks according to Financial Accounting System***

***Djihad Ghrissi***

*Doctorante, University of Algiers 3 / Algeria*

*ghrissi.djihad21@gmail.com*

***Dr.Youssef Boumedyan***

*University of Algiers 3 / Algeria*

*bouyoucef2@yahoo.fr*

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## **Abstract:**

*This study aimed to introduce fair value concept as a measurement basis, and how Algerian financial system can consider it, however fair value concept proposed as a solution to criticisms that faced accounting measurement because of using different accounting bases, especially historical cost .*

*Also, researchers discussed in the study the importance of accounting measurement, and efforts of international professional organizations and standards body setters especially International Accounting Standards Board(IASB) and American Financial Accounting Standards Board (FASB), to the necessity of proposing accounting measurement basis finalize the criticisms that directed to accounting profession relate to measurement, both boards agreed to consider fair value as the relevant accounting measurement , in spite of criticisms of it.*

*Finally, researchers discussed fair value in Algerian financial accounting system and related legislations, also the importance of applying fair value by Algerian banks as they represent the main core in Algerian economy, and as a part of international banking sector.*

*Researchers concluded to necessity of considering the latest amendments relate to fair value in international accounting standards by Algerian financial accounting system, and recommend to include the Algerian financial accounting system to all updating relates to fair value in order not to isolate Algerian economy from the global economy that does its best efforts to conceptualize fair value as an measurement basis that get rid of all criticisms of accounting measurement.*

***Key words:** Fair value ; Algerian financial accounting system; accounting measurement.*

## **Introduction**

Several international organizations adopted issuing accounting standards so as to achieve homogeneity in accounting figures at universe level, but adoption of these standards by banks represented a turning point to preparers and users of financial information in banking sector, especially after financial crisis 2007-2008, this issue resulted in a n intensity of discussion about the effects of its application in banking sector, fingers pointed to applying of fair value as it included in International Financial Reporting Standards(IFRS) as one of the main reasons of this crisis and latest fluctuations in global financial system, opinions and discussions questioned if standards are behind overstatement of banking crises and source of banking instability.

Algeria, one of those countries that started corrective procedures to accompany economic development in globe, by adopting financial accounting system derived from IFRS, that became effective by January of 2010, as a result of developments in accounting environment, many new accounting treatments and measurements concepts to elements of financial statements particularly in banks, fair value one of these concepts as accounting basis to get rid of disadvantages of historical cost that did not present the financial position and financial performance to entities accurately and reliably

### **-Problem of study**

According to for mentioned, researchers may questioned the problem of this study by the following main question: to what extent Algerian banks used fair value accounting to in its financial statements?

### **-Research questions**

-Does fair value has a clear, accurate, and stable scientific conceptual framework , or the related amendments assure the big gap in accounting profession to reach to associated understanding to fair value measurement?

-Is Algerian environment ready to apply fair value accounting?

## **1-Literature Review**

### **1-1-Measurement approach in accounting**

Accounting profession criticized sharply since it can not reach to unified and generally accepted measurement concept, the measurement problem became too serious during crises, especially in financial crisis 2007-2008, as accounting measurement problem imposed it self strongly, while measurement considered the core of accounting science, also measurement is a consequence followed other procedures as recognition and analyzing, at the same time it represents the base and pillar of next procedures as recording process, summarizing, presentation and quantitative disclosure.

Measurement defined by American Financial Accounting Standards Board (FASB): identifying figures to specific things or its characteristics according to specific rules ,also measurement may be considered as comparison process aimed to obtain accurate information to differentiate between two or more alternatives incase of decision making.<sup>1</sup>

According to French association for measurement, measurement represented by:<sup>2</sup>

- identification: and must be achieved completely accurate.
- Unified: as using the same methods in specific field.
- Simplification: as avoiding unnecessary treatments.

Also measurement can be defined allocation of values to events or specific elements attributable to entity, including recognition and classification of event.

The most popular definition of measurement set by American Accounting Association(AAA) in 1966, that is: accounting measurement is combining figures to past, current and future events in entity, according to past or current notices using specific rules<sup>3</sup>.

In details, conceptual framework of financial reporting issued by IASB defined measurement as assigning monetary amounts at which the elements of the financial statements are to be recognised and reported, The IFRS Framework acknowledges that a variety of measurement bases are used today to different degrees and in varying combinations in financial statements, including:

- Historical cost: **for assets**: cash or cash equivalent paid, or fair value to given considerations to acquire specific asset that recorded at acquisition date, while **for liabilities** earning received resulted in liability, or cash or cash equivalent expected to be paid to settle obligation in ordinary business
- Current cost: **for assets** : cash or cash equivalent that must be paid to acquire asset or equivalent asset in current time, while **for liabilities** undiscounted value of required cash or cash equivalent to settle obligation in current time.
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- Net realizable (settlement) value: **for asset** : cash or cash equivalent that can be obtained as a result of selling asset in systematic disposal, while **for liability**: undiscounted value of required cash or cash equivalent that expected to settle obligation in ordinary business

- Present value (discounted): recording **assets** in discounted future cash flows that expected to be generated by asset in ordinary activity, and recording **liability** by discounted future cash outflows that expected to be needed to settle obligations in ordinary activity.<sup>4</sup>

Accounting measurement as mentioned previously represented by figures to items included in financial statements, these items measured according to different bases considered as alternatives according to accounting standards, that, many arithmetic transactions conducted as summation and deductions to reach to totals, but this process – converting transactions into figures- surrounded by many risks can be drawn as follow:<sup>5</sup>

- **Accounting measurement alternatives and bases:** items presented in financial statements using several methods and alternatives, that lead to heterogeneity between figures, as every alternative converts transactions according to assumptions and rules differ from others, that absolutely reflected in financial statements, so every statement may be considered as a basket includes different fruits and vegetables and counted regardless of its shapes, tastes, values, this can be drawn on financial position basket and financial performance basket.

- **Changing measurement basis:** Many studies conducted showed that the option approved by IASB because of big pressures from European union during financial crisis 2007-2008 that permits reclassification of financial instruments from fair value category to cost or amortized cost categories reflected on financial performance by decreasing losses or profit, or vice versa. Banking sector that benefit from this option faced many inquiries relate to reality and reliability of business results, as many banks derecognized unrealized losses attributable to financial instruments in spite of most reclassifications relate to dept instruments resulted in decreasing losses some times by more than 50%.<sup>6</sup>

- **Insufficient disclosures about measurement bases in financial statements:** many related risks may be drawn as follow:

- Miss disclosures according to related to IFRS.
- Inability of evaluation financial positions and financial performances to entities because of insufficient information disclosed about elements of financial statements and related risks in annual reports.
- Insufficient, unclear, information and mistakes in its timeliness about risks that attributable to some financial products like mortgage pledges .

## 1-2- Historical cost

Traditional accounting depends on many measurement principles and concepts generally accepted as historical cost that characterized by high degree of objectivity since there are a sources to figures represented by documents historical cost considered till now the only measurement generally accepted, and used to measure elements of financial statements by the modern accounting according to its value upon initial recognition, and ignore all sequential changes in the economic value to these elements, that lead to ignoring purchasing power of money because of inflation, this situation resulted in making information included in financial statements not valid to conduct comparisons between financial periods to the same entity, and also between different entities.<sup>7</sup>

Historical cost considered as the classical module for documentation by recording assets, liabilities, expenses and revenues at the point of time of its initial recognition, this point of time represents the actual transactions took place between entity and other parties, supported by documents to make sure of the initial value recognized to financial elements regardless of fluctuations and changes in the currency unit, that evidenced high degree of transparency and reliability, and avoid personal judgments.

Researchers in the following part discussed several Definitions to historical cost :333

Kieso and others defined it as the price or the cost of asset or liability upon its occurrence, and considered as a method to measure most assets and liabilities.<sup>8</sup>

American Institute for Certified Public Accountants (AICPA) defined historical cost as measured values to elements or services performed or liabilities incurred to match goods and services received or receivable.

Also, historical cost can be defined: cost that can be measured by actual cash payments or equivalent from financial liabilities, at the same time of spending expenses.

According to for mentioned, historical cost represents the actual amount resulted from arm length transaction between two independent parties supported by documents that have legal evidence.

### **1-2-1- Justifications of using historical cost**

In spite of criticisms of historical cost, but there are reasons behind adoption of it, that assure the point view of those who support the fair of historical accounting, these reasons are:

- Historical cost represents the actual fair value at the acquisition date of asset.<sup>9</sup>
- Historical cost derived from actual not hypothetical transactions .
- Transactions and events that took place to acquire assets or incur liabilities are most reliable because there are documents support that transactions and events.

### **1-2-2-Criticisms of Historical cost**

- Historical cost ignores changes in earning power of money, that means items included in books of entity recorded in historical cost are inconsistency regarding its earning power, that resulted in misleading totals and treatments.
- Criteria of recognition that connect recognition of assets and liabilities with arm length transaction with external part, resulted in unrecognizing of intangible assets like internally generated goodwill in spite of there are benefits flow to the entity from these intangible assets, the absence of these assets distorts material or immaterial financial position and financial performance according to its importance and materiality.<sup>10</sup>

The criterion relates to arm length transaction with external party so as to record financial events and recognize items in financial statements, that resulted in absence of independency in accounting periods, accordingly, it is very difficult to evaluate the financial position and financial performance, also that affected interests of owners, since ownership changed along with accounting periods, so some of them gain while others lose because owners in accounting specific period are not the same in other period, lead absolutely to deficiency in fair allocation to income and interests.

### **1-3- orientation to apply fair value accounting**

Fair value concept developed in order to reduce or eliminate criticisms of historical cost accounting that became un able to meet the requirements of stakeholders, also huge improvements in investments impose hard burdens on accounting to develop measurement issues.

According to IAS 9 that superseded by IFRS 9 by January 2018, both standards relate to financial instruments: recognition and measurement , Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair value can be determined as follow:

- By quoted market price in an active market.
- If there is an absence to active market, fair value determined by evaluation method depends on most using of market inputs, it includes actual market exchange transactions according to current fair

value to other instrument that is very closed to the instrument to be measured, analyzing discounted cash flows, and modules of options pricing, the method of valuation must include all factors that considered by participants in the market so as to set a price meet the accepted policies in economic to financial instrument pricing.

- Fair value determined in the absence of active market to any equity instrument by cost less impairment, this method of measurement include the market value modified by impairment.

In spite of the fact that fair value comes as updating to measurement bases, but many related criticisms highlighted especially in global financial crisis 2007-2008, as a result , IASB modified IAS 39: financial instruments- recognition and measurement, and IFRS 7: financial instruments – disclosures, also gathering all issues related to fair value in one standard through issuing IFRS 13: fair value measurement, according to the latter standard fair value defined "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", this definition differs from that included in IAS 39.

The new definition emphasized the fundamental differences in conceptualization of fair value concept, those differences may be draw as follow:<sup>11</sup>

- The amount for which an asset could be exchanged" was replaced by " The price that would be received to sell an asset", so the new definition assumes sale of the asset instead of exchange it, but the asset required to be measured at fair value will not be sold or exchanged, beside the conceptual difference between sale or exchange, also, difference between price and amount is conceptual one, since IASB tries to set the concepts not by members of IASB but by a specialized people in linguistics.
- Settlement of liability" replaced by "transferring of liability", there is a big difference between settlement and transfer, since settlement required paying instead of liability, but transfer did not require that, liability may be transferred for example by converted it into equity like convertible bonds.
- Knowledgeable willing parties" replaced by " Participants in the market", the related parties required to be knowledgeable and willing in the former definition, but in the new one, these characteristics are not required, since participants in the market may be obliged to do such transactions, or the participants are monopolists, or not knowledgeable, and other parties that probable to be in the market without stipulating fair as characteristic to the participants.
- Arms length transaction" replaced by " Ordinary transaction", the first one recognizes with real exchange, in spite of inexistence of the transaction, but the concept tries to pear in our minds the existence of arm's length transaction to determine fair value even it was assumed, but IFRS 13 did not determined all related issues to ordinary transaction was not, such as: its characteristics, its assumptions, its limitations and so on, arm's length transaction is more preferable in my mind than ordinary transaction.
- Also, market added in the new definition, that was not mentioned in the previous definition, according to my opinion it it a fundamental addition in determining the place in which fair value determined, in spite of mention more than one market.
- Also, another addition in IFRS 13, relates to date of measurement, that was not mentioned in the previous definition, so, determining fair value just in the date of measurement not before or after that.<sup>13</sup>

But those who criticized fair value focus on risks of measurement by fair value, since it is assumed value determined mostly according to market prices that subjected to different control factors such as supply and demand, availability of transparent information that prices determined according to it<sup>12</sup> so, all factors affect market must affect fair value, some researchers consider fair value as the mean reason of financial crisis that called liquidity crisis, the most obvious evidence to that is modifying IAS 39 and IFRS 7, the amendments in two standards focus on reclassification of financial instruments from fair value based categories to cost based category, in order to derecognize unrealized losses because of big reduction and sharp impairment in its fair

values, so fair value considered during financial crisis as unsuitable method of measurement, instead of that cost considered as preferable and suitable measurement method.

#### **1-4- Fair value in banking sector according to Algerian financial accounting system**

Algerian banking sector considered as one of the most important spirited and needful sectors that affect activation and sustainability of national economic, in this part of the study, researchers will discussed the accounting aspect in Algerian banks as it included in financial accounting system relate to measurement and valuation by fair value.

##### **1-4-1 Financial instruments in commercial Algerian banks :**

Bylaw no 09-08 dated December 29, 2009 related to financial instruments accounting valuation and recording by banks and financial institutions aimed to identify rules of accounting valuation and recording by the following:

**1-4-1-1 Financial instruments:** according to article 02 of the above bylaw, financial instrument defined as every contract produced financial asset to specific entity and capital instrument to another entity, in article 03 financial asset defined as cash and capital instrument in other entity, contractual right to receive cash or other financial asset from another entity, or contractual right to exchange financial asset or liabilities with another entity in preferable conditions to the entity, funds considered as part of financial assets especially assets in Algerian bank, public treasury, postal checks center and other banks, shares, bonds and other similar securities.

while financial liability defined according to article 04 of the above mentioned bylaw that every liability takes the form of:

- deliver cash or any other financial asset to another entity.
- Exchange assets or liabilities with another entity in conditions may be preferable to the entity,

According to article 05 of the above mentioned bylaw, special financial instrument is every contract include residual interests in assets of specific entity after deducting its liabilities.

**1-4-1-2 Fair value concept** can not be determined reliably, biological asset measured at its cost less any depreciations and impairments.

**Investment properties:** these assets measured after including it in primary books and considering it as fixed assets as follow:

- Cost less accumulative depreciation and accumulative impairments using cost module, or
- Its actual value

At the same time, module used must be applied consistency, and to all investments properties until disposing it or reclassifying it according to change in intended use.

##### **1-4-2- Accounting recording and measurement for financial assets in Algerian banks using fair value:**

According to article 14 of bylaw 08-09, financial assets must be measured at initial recognition at its cost that considered to be its fair value for given or received considerations to acquire asset including any commission expenses, non refundable fees, and bank expenses, other than dividends, interest receivable accrued before acquiring asset.

**1-4-2-1 Accounting recording and measurement for financial assets classified as held for Trading (HFT):** these assets measured at initial recognition at its fair value, changes in fair value recognized in results account.

**1-4-2-2 Accounting recording and measurement for financial assets classified as Available for Sale(AFS):** these assets measured at initial recognition at its fair value, changes in fair value recognized by decreasing or increasing special funds, those changes recognized in the following situations:

- When selling, collecting or transferring asset.
- When an objective evidence indicates an impairment in the asset, in this case, recognized accumulative net loss must be reclassified from special funds to net result as impairment loss.
- When disposing of financial assets that classified as available for sale, recognized differences in comparison to initial recognition must be reclassified to result of business with out any offsetting between losses and gains attributable to different assets.

**1-4-2-3 Accounting recording and measurement for financial assets classified as held to Maturity (HTM):** these assets and other loans measured at initial recognition at its amortized cost, and subjected at the end of financial period to impairment test to determine the probable loss in its value.

**II-3 Accounting recording and measurement for other financial assets:** other financial assets measured at initial recognition according to general rules that approved by decision dated June 23, 2008 that determines accounting and measurement rules, contents of financial statements and its objectives, also accounts records and its rules.

**according to 08-09 bylaw**

Fair value defined according to article 06 of the above bylaw that is amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction under conditions of normal competition.

Financial accounting system determine using of fair value in the following items: biological assets, investment properties, and financial instruments, as follow:

**Biological assets:** these assets measured at initial recognition and at the date of closing books by its actual value less any estimated expenses at point of sale, in case of actual value

**1-4- Accounting recording and measurement for financial liabilities in Algerian banks using fair value:** financial liabilities according to bylaw 08-09 include the following:

- Financial liabilities held for trading.
- Other Financial liabilities

## 2-methods and materials

The researchers conducted a Field study using two methods of data collection, the first one is interviews, and the second one is financial statements to one bank (Kuwait- Jordan bank ) using fair value as a measurement basis, results of analyzing data as follow:

### 2-1-Analyzing of interviews:

Researchers use structural interview, with six questions, population of the study to interviews are Algerian banks, sample consist of 25 respondents, answers of the five questions as follow:

#### 1<sup>st</sup> question: do you support using fair value as alternative measurement basis to historical cost?

All the respondents support using fair value instead of historical cost, for several reasons such as: fair value meets the investors needs in estimating and forecasting cash flows, also, fair value corresponds comprehensive income from one hand, and from the other hand it includes recording process for all financial transactions by recognition of all derived outcomes.

Also respondents consider fair value measurement as a method of settlements dispute between economists and accountants relate to difference between economic income and accounting income, beside providing investors with awareness and future look about value of entity.

**2<sup>nd</sup> question: Can fair value considered as a clear concept for measurement to all employees in accounting in banking sector?**

Respondents that are not in responsibility positions had not an understanding to fair value after adoption of Algerian financial accounting bylaw No 09/04 that set fair value as measurement and valuation basis includes banking account tree, accounting rules applied in banks and other financial institutions issued in formal journal no 76 on June 23, 2009, articles 3-5. that is because no sufficient training courses held for employees in banking sector.

On the contrary, auditors are well understanding to fair value because there are responsible for applying financial accounting bylaw , so it necessary for them to understand it .

**3<sup>rd</sup> question: Is there an impact to fair value on qualitative characteristics of financial information in banking sector?**

All respondents whether are auditors or preparers of financial statements assured the important influences and impacts to fair value measurement on qualitative characteristics of financial information in banking sector especially on measuring financial instruments, because such assets and liabilities must be measured according to fair value, that results in creditability and reliability of financial statements to decision making process by stakeholders, it affects both financial performance through recognition of gains and losses and also affects financial position through valuation of financial instruments.

**4<sup>th</sup> question: Do Algerian banks apply fair value on measuring items in financial statements?**

Respondents assured that Algerian banking sector did not yet apply fair value measurement in spite of legal requirements, that because Algerian banks did not have the ability and awareness of accounting measurement and disclosure accurately , the reasons why mostly because they consider financial accounting bylaw is complex and ambiguous, beside there are no sufficient preparations to legal, economic, and cultural requirements to apply fair value concept.

**5<sup>th</sup> question: what is the role of central bank in encouraging Algerian banks for adoption of fair value concept?**

Respondents criticized that central bank had not make any pressures on banks for the purposes of applying fair value, they look to this criticism as a good and positive point since Algerian environment not ready yet for applying of fair value, so any pressures by central bank on Algerian banks may resulted in bad effects on banking sector.

**6<sup>th</sup> question: In your opinion, what are the criticisms to applying fair value in Algerian accounting environment?**

According to respondents answers, applying of fair value resulted in maximizing gap in accounting measurement, lead to more manipulation in business results, and a method to management to cover its bad practices, auditors look to fair value as a method of overstating profits through considering market prices when it goes up, that lead to misinformation needs to making decisions.

**2-2-Analyzing of financial statements:**

Researchers will use six ratios set by Professor Khaled Jamal Jaarat to analyze financial statements of Kuwait-Jordan bank<sup>14</sup> for the period between 2010 and 2014 Results of analyzing financial statement as follow:

### 1. Gains or losses attributable to fair value to profit or loss for the period

This ratio can be calculated using the following ratio:

$$\frac{\text{Gains or losses attributable to fair value recognized at profit or loss}}{\text{Profit or loss for the period}}$$

**Profit or loss for the period**

**Table (1) includes the result of calculating this ratio**

Gains / losses	2010	2011	2012	2013
Gains of financial assets in FVTPL	-	2262323	4025504	(1102954)
Losses attributable to HFT	(30973)	-	-	-
losses of financial assets designated in FVTPL	(9118)	-	-	-
Cash dividends from financial assets FVTOCI	-	1487764	1424477	1603609
Gains attributable to AFS	2941931	-	-	-
Total	2910958	3750087	5449981	500655
Gains/losses	52213883	39696706	46607908	47417835
Ratio	5.58%	9.45%	11.69%	1.1%

It is very obvious that total gains and losses attributable to fair value is material, in addition, these gains and losses instable and change in a high percentage.

### 2. Gains or losses attributable to fair value to other comprehensive income for the period

This ratio can be calculated using the following ratio:

$$\frac{\text{Gains or losses attributable to fair value recognized at OCI}}{\text{OCI for the period}}$$

**OCI for the period**

**Table (2) includes the result of calculating this ratio**

Gains / losses	2010	2011	2012	2013
Net change FV of financial assets in FVTOCI	-	(257552)	(781390)	(3066725)
Net change IN FV OF AFS	1018945	-	-	-
Total	1018945	(257552)	781390	3066725

OCI	1018945	(257552)	781390	3066725
Raito	100%	100%	100%	100%

It is also very obvious that all of OCI consists of gains and losses attributable to fair value, in addition, these gains and losses are very high, very material, in stable, and changeful.

### 3. Total Gains or losses attributable to fair value to total comprehensive income for the period

This ratio can be calculated using the following ratio:

**Total Gains or losses attributable to fair value recognized at OCI**

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**Total comprehensive income for the period**

**Table (3) includes the result of calculating this ratio**

Gains / losses	2010	2011	2012	2013
Gains and losses recognized at profit or loss	2910958	3750087	5449981	500655
Gains and losses recognized at OCI	1018945	(257552)	781390	3066725
Total	392903	3492535	62313371	3567380
TCI	52222828	39439154	47389298	50484560
Ratio	7.53%	8.86%	13.15%	7.07%

If results in both table (1) and table (2) totaled, It is also very obvious that gains and losses attributable to fair value is material and constitute a high percentage of total comprehensive income(TCI), and absorbed most of operating profits.

### 4. Assets measured at fair value to total assets

This ratio can be calculated using the following ratio:

**Assets measured at fair value**

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**Total assets**

**Table (4) includes the result of calculating this ratio**

Gains / losses	2010	2011	2012	2013
Financial assets in FVTPL	-	125026796	103930302	78264937
HFT	397989	-	-	-
Financial assets designated in	2274283	-	-	-

FVTPL				
Financial assets in FVTOCI	-	21662983	23325166	27273622
AFS	365158639	-	-	-
Total	367432922	146689779	127255468	105538559
Total assets	208396605	2273649683	2409637456	2552465748
Ratio	17.63%	6.45%	0.528%	4.14%

Table (4) shows that Assets measured at fair value very material in 2010, but after that became less material, also absolute number whether represents gains or losses still high, beside difference in type of assets and focusing on specific assets .

### 5. Allocation of TCI between Assets measured at fair value and total assets

This ratio can be calculated using the following ratio:

$$\text{TCI} = \frac{\text{Total gains and losses attributable to FV}}{\text{Total assets}} + \frac{\text{Residual income}}{\text{other assets}}$$

Table (5) includes the result of calculating this ratio

Gains / losses	2010	2011	2012	2013
Total FV gains and losses	3929903	3492535	6231371	3567380
Residual income	48292925	35946619	41157927	46917180
TCI	52222828	39439154	47389298	50484560
Total assets measured at FV	367432922	39439154	47389298	50484560
Other assets	1716532683	2126959904	2282381988	2446927189
Total assets	2083965605	2273649683	2409637456	2552465748
FV gains and losses/FV assets	1.07%	2.38%	4.9%	3.38%
Residual income/other assets	2.81%	1.69%	1.8%	1.92%
TCI/total assets	2.51%	1.74%	1.97%	1.98%

Table (5) shows FV gains and losses as a return on assets measured at FV is relatively low, in comparison with residual income to other assets, and most of return on assets measured at fair value represents gains as a result in trading by assets measured at fair value .

### 6. Weighted materiality of FV gains and losses

This ratio can be calculated using the following ratio:

**Total gains and losses attributable to FV × assets measured at FV**

**TCI**

**Total assets**

Table (6) includes the result of calculating this ratio

	Gains / losses	2010	2011	2012	2013
Assets measured at FV	Total FV gains and losses /TCI	7.53%	8.86%	13.2%	7.07%
	Assets measured at FV	17.63%	6.45%	0.528%	4.14%
	Weighted materiality ratio	1.33%	0.06%	0.07%	0.03%
Other assets	Residual income/other assets	2.81%	1.69%	1.8%	1.92%
	Other assets/total assets	82.37%	93.55%	94.72%	95.87%
	Weighted materiality ratio	2.32%	1.58%	1.71%	1.84%
Comparability	Weighted materiality to assets measured at FV/ Weighted materiality to other assets	50.26%	36.14%	40.66%	15.9%

Table (6) shows an accurate and clear image about weighted materiality, according to that, the recognized and unrecognized gains and losses in relation to assets that measured at fair value, and comparing it with return on other assets, it is clear that the weighted materiality to assets measured at fair value very high in comparison with other assets, the highest level 50.26% in 2010, and in the lowest level – 15.9% in 2013.

**Conclusion:**

According to for mentioned discussion, researchers concluded the following:

- Fair value characterized by conceptual instability, till now scientific conceptual framework for fair value as a measurement basis not vanished yet, this clearly emphasized by comparing the new definition to fair value according to IFRS 13: fair value measurement, and its definition according to IAS 39: financial instruments –recognition and measurement, also, efforts of IASB TO conceptualization of fair value as accounting concept and as a linguistic concept.
- IFRS 13: fair value measurement that issued by IASB is a mirror to FAS 157 that issued by FASB, that shows the big pressure of American FASB over IASB.
- Fair value added anew dimension to problem of accounting measurement, as pluralistic of measurement bases makes homogeneity in accounting figures difficult to be achieved in financial statement, but the new dimension that added by fair value measurement is homogeneity difficult to be achieved at the level of items measured at fair value since there are several markets fair value determined in, and fair value hierarchy that consisted of three levels, also fair value measurement approach includes three measurement approaches.
- Human characteristics can not be drawn on human outcomes and separate it to describe those outcomes by it, for example the opposite of fair value can not be called unfair or injustice value, so, there is amass need to focus on man who adopts measurements, recognition, valuation, recording, in order to protect his fair, as a result guarantee his behaviors through code of conduct to accountants and those work in accounting profession.
- Algerian financial accounting system adopts historical cost principle, in spite of permitting measurement an valuation by fair value, that is because of absence of qualified financial market to

determine in which prices of shares and bonds and its derivatives determined according to fair value.

- In spite of measurement bases for fair value measurement, but Algerian financial accounting system does not determine specific basis for fair value measurement that is because Algerian financial market still unqualified to apply fair value.

According to for mentioned conclusions, researchers recommend the following:

- The necessity of finalizing conceptual framework of fair value concepts by the standards setters as measurement basis, also the necessity of contributing of setter of Algerian financial accounting system in this framework.
- The necessity to IASB to avoid political pressures especially those practiced by FASB and European union.
- The necessity of minimizing the gap of measurement by fair value basis, other than enhancing the accounting measurement problem.
- Take care of human being involved in accounting profession, through focusing on ethics and morals in accounting to control their practices and behaviors.
- The necessity of transfer in Algerian financial accounting systems to apply fair value, and prepare the relates requirements especially financial market.
- The necessity of including Algerian financial accounting systems by a specific method for measuring fair value

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