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Disclosure Practices of Fair Value Measurement (IFRS-13): A Study on the Listed Banking Companies of Bangladesh

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Abstract: *The study aims to examine the extent to which banking companies listed with DSE and NYSE comply with Fair Value Measurement, to explore the relationship between the size of the firm and the level of compliance by the listed banking companies and the relationship between the profitability of the companies and the level of compliance. Thirty companies listed with DSE and six companies listed with NYSE have been taken as sample for the study. Findings from the study revealed that almost all the banks listed with DSE have scored less than average and sample companies listed with NYSE scored 100%. The study also found that there is a negative significant relationship between level of compliance to IFRS-13 and the size of the firm and a negative significant relationship between the profitability of the firm (ROA) and the level of compliance to BFRS-13. The study also recommended that all regulatory authorities of Bangladesh should give emphasis on the compliance status of the applicable rules and regulations by the company and the role of auditor in case of auditing financial statements should also be supervised.*

Key words: *Banking Companies, Compliance, Fair Value Measurement, Financial Statements.*

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I. Introduction

IASB is the standard setting body of IFRS Foundation. The main objective of IASB is to issue IASs and IFRSs that are essential to enhance the comparability of annual reports produced by companies across the world. In September 2006 and February 2007, the FASB issued two key fair value accounting (FVA) standards which focused on providing guidelines for fair value measurement (through a classification hierarchy), expanding disclosure requirements, and also allowing business entities to increase the application of FVA(Laghi et al.,2012). As a member of the International Federation of Accountants (IFAC), the ICAB adopts IFRSs and IASs as BFRSs and BASs respectively (Hassan, 2015) that are mandatory for all listed companies of Bangladesh to follow. Bangladesh has adopted IFRS as BFRS in July 2006. Bangladeshi companies prepare their annual reports in conformity with legal provisions to achieve shareholders confidence (Parry and Khan, 1984). This financial reporting is regulated by the companies Act, 1994 and SEC Rules, 1987 in Bangladesh (Hossain, 2014). Strengthening capital market and maintaining management transparency and governance are preconditions to restore investor's trust and increase investor's awareness of the fair value. The greater degree of disclosure indicates the better reliance on the disclosed information and vice versa. The decision makers will be benefitted more by taking accurate investment and other financial decisions if the companies disclose the compliance of accounting standards properly (Hossain, Hasan & Safiuddin, 2015). IFRS 13 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" (i.e. an exit price). Also, this definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific measurement. (http://www.ifrs.org)

Statement of Financial Accounting Standard (SFAS) 157 defines fair value to be 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.

The debate between historical cost accounting and fair value accounting gained popularity after the recent financial crunch. There is so much writing for and against fair value measurement and relevancy for historical cost accounting. Application of IASs and IFRSs largely depends on the market conditions and management interest of the companies. Fair Value supporters argue that to increase the quality of financial information, application of fair value is necessary. On the other hand, opponents of fair value accounting argue that fair value measurement can provide misleading information if the market becomes inefficient. However, by taking consideration of the objective of Fair Value Measurement: IFRS-13, The ICAB adopts IFRS-13: Fair Value Measurement as BFRS-13 on January 1, 2013 in Bangladesh. And it is mandatory for all listed companies of Bangladesh to comply with the disclosure requirements of adopted BASs and BFRSs by ICAB and the auditors have the responsibility to conduct audit in accordance with International Standards of Auditing (ISA), referred by (Hossain et al., 2015).

The analysis in this study involves constructing a disclosure check list (DCL) based on IFRS-13: Fair Value Measurement, to explain the level of disclosure by the listed banking companies in Bangladesh, to explore the relationship between the size of the firm and the level of compliance by the listed banking companies, the relationship between the profitability of the companies and the level of compliance and To identify the disclosure gap by comparing between Bangladeshi banks listed with DSE and banking companies of USA listed with NYSE.

II. Literature Review

Landsman, (2007) indicated that fair value is more informative than historical cost. The objective of IFRS13 is to improve consistency, comparability and reduce complexity in fair value applications. As a result, IASB developed fair value hierarchy. This hierarchy includes three levels of inputs: level 1 depends on quoted prices in an active market; level 2 depends on inputs other than quoted prices used in level 1 that are observable for assets and liabilities; and level 3 which includes unobservable inputs for the assets and liabilities (Picker et al., 2012).

(Al-Kababji, 2016) studied the extent of compliance with disclosure requirements for fair value measurement (IFRS 13) in Palestinian corporations, found out direct relationship between the size of the firm and the level of compliance with the disclosure requirements for fair value measurement of the firms, no correlation between the profitability of the firm and the level of compliance with the disclosure requirements for fair value measurement of the firms. In addition,

Alkababji (2016) referred that using fair value accounting was one of the most important reason for the financial crisis in banking sector. So, if the market is suffering from lower level of efficiency and high level of illiquidity, the fair value would provide a misleading information, especially if it is based on the input of level 2, and level 3 which requires investors to discount the fair value due to its reliance on other than observable inputs and the management's judgment (Goh, Li, Ng, & Yong, 2015, p. 3 cited in Daas & Jammal, 2018).

Latridis (2010) studied listed firms on London stock exchange, that the IFRS implementation has positive effect on the financial performance (measured by profitability and growth potential) of firms.

Ali et al. (2009) studied the extent of adoption of International Financial Reporting Standards (IFRSs) within three major South Asian countries such as India, Pakistan and Bangladesh. The result shows that the overall level of adoption of IFRSs regarding measurement and disclosure practices is higher in Pakistan compared with India and Bangladesh.

Hossain et al. (2015) examined the extent of application and disclosure of IASs and IFRSs among the listed companies in Dhaka Stock Exchange (DSE) of Bangladesh using the data that have been collected randomly from the annual reports of the companies and a survey was conducted to independent accountants and company management from 2010 to 2013. “The study showed that the banking industry has the highest standard deviation which is far more away from other sectors. Therefore, the highest inconsistency in applying IASs and IFRSs observed in this sector. It was identified that the reasons behind non-disclosure was mainly posed due to the desire and awareness of the management of the companies. From the part of company accountants, three factors are dominants for non-disclosure of accounting standards properly that are adherence to business risk, chance of losing potential customers and the standards are irrelevant to the company. From the part of the independent auditors that reveals that the major influencing factors behind non-disclosure of practices of BASs and BFRSs are intention of the management of the company to hide important information, lack of expertise in measuring and reporting value of items by the company, chance of losing the potential investors, adverse mindset of the entrepreneur to disclose the information, inadequate expertise of the accountants to measure different elements where fair value of financial instruments is applicable, awareness of the users of accounting information to get the information and adherence of business risk.”

For the developed countries, to ensure reliability of financial information, fair value accounting is considered as a good measure but in the developing countries, the question of active market is a major concern. They also showed that if organizations prepare financial reporting using fair value accounting and historical value accounting, the benefits of fair value accounting there is derivable (Enahoro& Jayeoba, 2013).

(Jain,2013) concluded that infrastructure to support understanding, provide oversight, enforcing proper application of the concept, providing training & awareness programme are some of the essential elements for successful implementation of Fair Value Accounting.

Ogundana, et al. (2018) showed that there is an association between IFRS 13 increased disclosure requirement and investing decision. Hence, the adoption of IFRS 13 in the preparation and presentation of financial statement should be encouraged amongst companies.

Uyar, et al. (2013) studied Turkish manufacturing companies listed in Borsa Istanbul and found a positive association between voluntary information disclosure level and the variables such as firm size, auditing firm size, and proportion of independent directors on the board, corporate ownership, and corporate governance. But variables namely, profitability, listing age, and board size were found to be insignificant. However, leverage and ownership diffusion were found to have negative significant association with the extent of voluntary disclosure.

Sochi (2016) studied to understand and examine the level of mandatory disclosure made by the listed companies in Bangladesh and found that many corporate annual reports do not meet the disclosure requirements of the regulatory bodies in Bangladesh. The results also showed that Companies that are larger in size measured by total capital employed and annual sales are likely to disclose more information.

Hasan (2015) investigated the extent and level of mandatory and voluntary disclosure practice of companies in Bangladesh using sample of 54 listed companies in Bangladesh for a data period of 2010 -2013. This paper analyzed that the mandatory disclosure compliance is poor among listed companies and on an average 71% of the companies analyzed disclose above-average number of additional information. The explanatory analyses has shown that firm size in terms of total asset and status of the company significantly and positively affect the level and extent of voluntary disclosure in the annual report of Bangladeshi companies. On the other hand company size in terms of total asset and sales, and company profitability was also found to have no effect on mandatory disclosure.

III. Objective of the Study

(1) To examine the extent to which the Bangladeshi banking companies listed with DSE comply with Fair Value measurement: IFRS-13.
(2) To explore the relationship between the size of the firm and the level of compliance by the listed banking companies.
(3) To explore the relationship between the profitability of the companies and the level of compliance.
(4) To identify the disclosure gap by comparing between Bangladeshi banks listed with DSE and banking companies of USA listed with NYSE.
(5) To find out the valuation techniques used by USA companies to ensure the application of Fair Value hierarchy.

IV. Methodology of the Study

Selection of sample

All the banks listed with DSE and 5 banks listed in NYSE have been taken as a sample for the study. The name of the 30 banks listed in Dhaka Stock Exchange is 1.ABBANK,2.ALARABANK,3.BANKASIA,4.BRACBANK,5.CITYBANK,6.DHAKABANK,7.DUTCHBANGL,8.EBL,9.EXIMBANK,10.FIRSTSBANK,11.ICBIBANK,12.IFIC,13.ISLAMIBANK,14.JAMUNABANK,15.MERCANBANK,16.MTB,17.NBL,18.NCCBANK,19.ONEBANKLTD,20.PREMIERBAN,21.PRIMEBANK,22.PUBALIBANK,23.RUPALIBANK,24.SHAHJABANK,25.SIBL,26.SOUTHEASTB,27STANDBANK,28. TRUSTBANK,29.UCB and 30.UTTARABANK and the six banks listed with New York Stock Exchange namely, 1. Ally Financial Inc.2.Axos Financial, Inc.3. Banc of California, Inc. 4. Bank of America Corporation 5. Bank of Hawaii Corporation and 6. Citigroup Inc.

Both descriptive and inferential statistics have been used for this study. Data has been collected from Annual Report, 2017 of the respective bank. A disclosure check list has been prepared based on IFRS-13: Fair Value Measurement.

To determine total disclosure of compliance, the formula has been used as follows,

$$TD = \sum_{i=1}^{n} di$$

Where, d= 1 if the item di is disclosed
0 if the item di is not disclosed
0.5 if the item is partially disclosed
n= number of items.

Hypothesis Development

H1: There is a positive relationship between the size of the company and the level of compliance to IFRS-13 by listed banking companies of Bangladesh.

H2: There is a positive association between the profitability of the company and the level of compliance to IFRS-13.

Total Assets of respective banks are used to determine the size of the company and Return on Assets (ROA) is used as indicator of the profitability of the company. SPSS software has been used to analyze data and the relationships among the variables are tested using Karl Pearson correlation coefficient.

Disclosure Checklist

The following disclosure checklist has been prepared according to the requirements of IFRS-13: Fair Value Measurement

Serial No.	Particulars	Paragraph
1.	For recurring and non-recurring fair value measurements, the fair value measurement at the end of the reporting period, and for non-recurring fair value measurements, the reasons for the measurement	93(a)
2.	For recurring and non-recurring fair value measurements, the level of the fair value hierarchy	93(b)
3.	For assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis	93(c), 95
4.	For recurring and non-recurring fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation technique(s)	93(d)
5.	For recurring fair value measurements categorized within Level 3 of the fair value hierarchy:	93(e)(f) , 95
6.	-total gains or losses for the period recognized in profit or loss	
7.	-total gains or losses for the period recognized in other comprehensive income	
8.	-purchases, sales, issues and settlements	
9.	-the amounts of any transfers into or out of Level 3 of the fair value hierarchy	
10	For recurring and non-recurring fair value measurements categorized within Level 3 of the fair value hierarchy, a description of the valuation processes used by the entity	93(g)
11	For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, a narrative description of the sensitivity of the fair value measurement to changes	93(h-1)
12	For financial assets and financial liabilities, if changing one or more of the unobservable inputs	93(h-2)
13	For recurring and non-recurring fair value measurements, if the highest and best use of a non-financial asset differs from its current use	93(i), 97
14	An entity shall present the quantitative disclosures required	99
	Total points to be disclosed in the financial statements under BFRS-13: Fair Value Measurement	14

(Source: Alkababji, 2016)

V. Results and Discussion

Table 1: Compliance Status by the Sample Companies listed with DSE

Serial No.	Bank Name	Points gained out of 14 points	Percentage
1	ABBANK	Not Applicable	-
2	ALARABANK	4	28.57%
3	BANKASIA	5	35.71%
4	BRACBANK	4	28.57%
5	CITYBANK	4	28.57%
6	DHAKABANK	3	21.43%
7	DUTCHBANGL	2	14.29%
8	EBL	4	28.57%
9	EXIMBANK	4	28.57%
10	FIRSTSBANK	4	28.57%
11	ICBIBANK	7	50%
12	IFIC	4	28.57%
13	ISLAMIBANK	2	14.29%
14	JAMUNABANK	3	21.43%
15	MERCANBANK	4	28.57%
16	MTB	4	28.57%
17	NBL	3	21.43%
18	NCCBANK	3	21.43%
19	ONEBANKLTD	4	28.57%
20	PREMIERBAN	3	21.43%
21	PRIMEBANK	5	35.71%
22	PUBALIBANK	2	14.29%
23	RUPALIBANK	3	21.43%
24	SHAHJABANK	3	21.43%
25	SIBL	2	14.29%
26	SOUTHEASTB	2	14.29%
27	STANDBANK	3	21.43%
28	TRUSTBANK	3	21.43%
29	UCB	2	14.29%
30	UTTARABANK	2	14.29%

From above analysis, it is evident that almost all the banks have scored less than average. Only one bank has scored average. Out of 30 listed banks one bank named AB Bank excluded from analysis because it does not apply BFRS-13.

DESCRIPTIVES VARIABLES=Score
/STATISTICS=MEAN STDDEV MIN MAX.

Table 2: Descriptive Statistics of Sample Companies listed with DSE

N	Valid	29
	Missing	0
Mean		3.3793
Median		3.0000
Mode		4.00
Std. Deviation		1.14685
Skewness		1.005
Std. Error of Skewness		.434
Kurtosis		2.091
Std. Error of Kurtosis		.845
Minimum		2.00
Maximum		7.00

Table 3: Volume of Disclosures by Sample Companies listed with DSE

Score

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2	7	24.1	24.1	24.1
	3	9	31.0	31.0	55.2
	4	10	34.5	34.5	89.7
	5	2	6.9	6.9	96.6
	7	1	3.4	3.4	100.0
	Total	29	100.0	100.0	

The mean score of the banks is 3.38. The maximum banks have scored 4 out of 14 points and the standard deviation of the scores is 1.15.

<u>H1:</u> Correlation between level of compliance to IFRS-13 and the size of the firm (Total Assets)

Pearson Correlation Test has been used to test the relationship between two variables.

Table 4: Correlation between the level of compliance to IFRS-13 and the size of the firm.

Correlations

		Score	TA
Score	Pearson Correlation	1	-.416*
	Sig. (2-tailed)		.025
	N	29	29
TA	Pearson Correlation	-.416*	1
	Sig. (2-tailed)	.025	
	N	29	29

*. Correlation is significant at the 0.05 level (2-tailed).

From the above table, it is found that there is a negative significant relationship between level of compliance to IFRS-13 and the size of the firm that is with the increase of the size of the firm, the compliance level does not increase.

H2: Correlation between level of compliance to IFRS-13 and the profitability (ROA) of the firm.

Table 5: Correlation between the level of compliance to IFRS-13 and the profitability (ROA) of the firm.

Correlations

		Score	ROA
Score	Pearson Correlation	1	-.474**
	Sig. (2-tailed)		.009
	N	29	29
ROA	Pearson Correlation	-.474**	1
	Sig. (2-tailed)	.009	
	N	29	29

**. Correlation is significant at the 0.01 level (2-tailed).

Table-5 shows that there is a negative significant relationship between the profitability of the firm (ROA) and the level of compliance to IFRS-13.

The study also found that

i. 77% banks' annual report contained status "Complied" for IFRS-13. 13% of the sample companies have status "Not applicable" for IFRS-13 by the auditor and 10% of the companies have status "Partially complied". Here the role of external auditor is questionable.
ii. No note of Fair Value Hierarchy was found in the annual reports of the sample banks.
iii. Almost all of the banks have scored less than average.
iv. No company complied fully with IFRS-13: Fair Value Measurement. Besides, companies use historical cost for the valuation of assets and liabilities.
v. Companies use fair value measurement for securities only.
vi. All the banks' annual reports have been audited by "A" category audit firm ranked by Bangladesh Bank.

After analyzing the six sample banks listed with New York Stock Exchange (NYSE) named:

1. Ally Financial Inc.
2. Axos Financial, Inc.
3. Banc of California, Inc.
4. Bank of America Corporation
5. Bank of Hawaii Corporation, and
6. Citigroup Inc.

After analyzing the annual report-2017 of the respective banks, it was found that all the banks have scored 14 out 14 points.

The valuation techniques used by USA companies to ensure the application of Fair Value hierarchy.

The following analysis is adapted from the annual report 2017 of the banks namely,

1. Banc of California, Inc.
2. Bank of America Corporation, and
3. Bank of Hawaii Corporation.

The degree of management judgment involved in determining the fair value of a financial instrument is dependent upon the availability of quoted market prices or observable market inputs. GAAP specifies a three-level hierarchy that is used when measuring and disclosing fair value. The fair value hierarchy gives the highest priority to quoted prices available in active markets (i.e., observable inputs) and the lowest priority to data lacking transparency (i.e., unobservable inputs). The topic describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability. Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets and Liabilities Measured on a Recurring Basis

Securities Available-for-Sale

The fair values of securities available-for-sale are generally determined by quoted market prices in active markets, if available (Level 1). If quoted market prices are not available, the Companies primarily employ internally developed discounted cash flow models (an income approach) that use a market-based discount rate and consider recent market transactions, experience with similar securities, dealer quotes, current business conditions, yield curves, live trading levels, trade execution data, market consensus prepayment speeds, benchmark securities, bids, offers, and reference data from market research publications and analysis of the underlying collateral, as available. To estimate cash flows, we are required to utilize various significant assumptions including market observable inputs (e.g., forward interest rates) and internally developed inputs (including prepayment speeds, delinquency levels, and credit losses).

Level 2 securities include SBA loan pool securities, GSE and agency securities, private label residential mortgage-backed securities, agency residential mortgage-backed securities, non-agency commercial mortgage backed securities, collateralized loan obligations, and non-agency corporate bonds.

When a market is illiquid or there is a lack of transparency around the inputs to valuation, the securities are classified as Level 3 and reliance is placed upon internally developed models, and management judgment and evaluation for valuation.

Loans Held-for-Sale

Loans held for sale was determined based on quoted prices for similar loans in active markets, and therefore, is classified as a Level 2 measurement or, in the case of loans repurchased out of Ginnie Mae loan pools, Level 3. The fair value includes the servicing value of the loans as well as any accrued interest.

Mortgage Servicing Rights

Mortgage servicing rights do not trade in an active market with readily observable market data. As a result, the Company estimates the fair value of mortgage servicing rights by using a discounted cash flow model to calculate the present value of estimated future net servicing income. Significant assumptions in the valuation of mortgage servicing rights include estimated loan repayment rates, the discount rate, servicing costs, and the timing of cash flows, among other factors. Mortgage servicing rights are classified as Level 3 measurements due to the use of significant unobservable inputs, as well as significant management judgment and estimation.

Derivative Assets and Liabilities

Derivative Instruments Related to Mortgage Banking Activities.

Derivative financial instruments recorded at fair value on a recurring basis are comprised of interest rate lock commitments ("IRLCs"), forward commitments, interest rate swap agreements, foreign exchange contracts, and Visa Class B to Class A shares conversion rate swap agreements. The Company enters into interest rate lock commitments (IRLCs) with prospective residential mortgage borrowers. These commitments are classified as Level 2 in the fair value disclosures, as the valuations are based on market observable inputs. The fair values of IRLCs are calculated based on the value of the underlying loan held for sale, which in turn is based on quoted prices for similar loans in the secondary market. However, this value is adjusted by a factor which considers the likelihood that the loan in a locked position will ultimately close. This factor, the closing ratio, is derived from the Bank's internal data and is adjusted using significant management judgment. As such, IRLCs are classified as Level 3 measurements.

The Company hedges the risk of the overall change in the fair value of loan commitments to borrowers with forward loan sale commitments and trades in to-be-announced (TBA) mortgage-backed securities of GSEs. These forward settling contracts are classified as Level 2, as valuations are based on market observable inputs.

Interest Rate Swaps and Caps

The fair value of these derivatives is based on a discounted cash flow approach. Due to the observable nature of the inputs such as market yield curve, effective date, maturity date, notional amount, and stated interest rate used in deriving the fair value of these derivative contracts, the valuation of interest rate swaps is classified as Level 2. In addition, the Company includes in its fair value calculation a credit factor adjustment which is based primarily on management judgment. Thus, interest rate swap agreements are classified as a Level 3 measurement.

Foreign Exchange Contracts

The fair value of these instruments is determined at each reporting period based on the change in the foreign exchange rate. Given the short-term nature of the contracts, the counterparties' credit risks are considered nominal and resulted in no adjustments to the valuation of the short-term foreign exchange contracts. Due to the observable nature of the inputs used in deriving the fair value of these derivative contracts, the valuation of these contracts is classified as Level 2.

Assets and Liabilities Measured on a Non-Recurring Basis Securities

Held-to-Maturity

Investment securities classified as held-to-maturity are carried at amortized cost. The fair values of securities held-to-maturity are generally determined by quoted market prices in active markets, if available (Level 1). If quoted market prices are not available, fair values were estimated primarily by obtaining quoted prices for similar assets in active markets or independent pricing services that utilize pricing models to calculate fair value. Such fair value measurements consider observable data such as dealer quotes, market spreads, cash flows, yield curves, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and respective terms and conditions for debt instruments (Level 2). The Company employs procedures to monitor the pricing service's assumptions and establishes processes to challenge the pricing service's valuations that appear unusual or unexpected. When a market is illiquid or there is a lack of transparency around the inputs to valuation, the securities are classified as Level 3 and reliance is placed upon internally developed models, and management judgment and evaluation for valuation.

Loans

The fair value of the Company's loans was estimated by discounting the expected future cash flows using the current interest rates at which similar loans would be made to borrowers for the same remaining maturities

Time Deposits

The fair value of deposits at Level 3 was estimated by discounting projected cash flows based on discount factors derived from the forward interest rate swap curve.

Short-term borrowings and Long-term debt — Level 2 debt was valued using quoted market prices for similar instruments, when available, or other means for substantiation with observable inputs such as market spreads, cash flows, yield curves, credit information, and respective terms and conditions for debt instruments (Level 2). Debt valued by discounting projected cash flows using internally derived inputs, such as prepayment speeds and discount rates, was classified as Level 3.

Financial instruments for which carrying value approximates fair value — certain financial instruments that are not carried at fair value on the consolidated balance sheet are carried at amounts that approximate fair value primarily due to their short-term nature and limited credit risk. These instruments include restricted cash, cash collateral, accrued interest receivable, and accrued interest payable, trade receivables and payables, and other short-term receivables and payables.

Securities Sold Under Agreements to Repurchase: The fair value of the Company's securities sold under agreements to repurchase was calculated using discounted cash flow analyses, applying discount rates based on market yield curve rates for similar maturities.

VI. Conclusion, Implication, Further Research

The debate between historical cost accounting and fair value accounting gained popularity after the recent financial crunch. There is so much writing for and against fair value measurement and relevancy for historical cost accounting. Application of IASs and IFRSs largely depends on the market conditions and management interest of the companies. Fair Value supporters argue that to increase the quality of financial information, application of fair value is necessary. On the other hand, opponents of fair value accounting argue that fair value measurement can provide misleading information if the market becomes inefficient. However, by taking consideration of the objective of Fair Value Measurement: IFRS-13, The ICAB adopts IFRS-13: Fair Value Measurement as BFRS-13 on January 1, 2013 in Bangladesh. Bangladesh is a developing country. Here, banking sectors play an important role for the economy. Financial statements are the mirror of the companies' position. Quality of information is the precondition for effective decision making. In order to ensure the quality of information, the bank must comply with the reporting rules and regulations. The study concentrated on the extent to which the Bangladeshi banking companies listed with DSE comply with Fair Value Measurement: BFRS-13. Findings from the study revealed that almost all the banks listed with DSE have scored less than average and sample companies listed with NYSE scored 100%. The study also found that there is a negative significant relationship between level of compliance to IFRS-13 and the size of the firm and a negative significant relationship between the profitability of the firm (ROA) and the level of compliance to BFRS-13. That means with the increase of the size and profitability of the firms, level of compliance to IFRS-13 have not increased. The study recommends that

1. A separate accounting board can be set up with the representatives from ICAB and ICMAB with the responsibility to oversee the degree of compliance with the disclosure requirements.
2. BSEC & IFRC should not publish the companies' financial statement that is not prepared in full compliance with IFRS-13.
3. The role of auditor in case of auditing financial statements should also be supervised.

4. The problems that the companies are facing to fully complied with IFRS-13 needed to be overlooked by the regulatory bodies.

The study concentrated only one sector and one period. Further study can be done on other sectors and multiple periods also. Comparative study can also be done with other countries. Suggestions for further research also include finding out the problems that the companies are facing to fully complied with IFRS-13. The consequences for partially compliance and non-compliance with IFRS-13 can also be analyzed. The compliance status of all BFRS adopted by ICAB among different sectors can also be analyzed.

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