



## EXPLORING THE DYNAMIC EFFECTS OF FAIR VALUE ACCOUNTING ON THE PERFORMANCE METRICS OF CONSUMER GOODS FIRMS IN NIGERIA

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### Abstract

Fair value accounting (FVA) has emerged as a pivotal framework in financial reporting, promising enhanced transparency but introducing volatility in performance metrics. This study investigates the dynamic effects of FVA on the financial performance of consumer goods firms in Nigeria, a sector critical to the nation's economy. Using a mixed-methods approach, primary data were collected via surveys and interviews from 120 financial managers and accountants across 30 consumer goods firms in Lagos and Abuja. Findings reveal that FVA improves asset valuation accuracy and investor confidence but increases earnings volatility, impacting key performance metrics like return on assets (ROA) and earnings per share (EPS). Demographic analysis shows participants were 65% male, 35% female, predominantly aged 30–45, with 70% holding advanced accounting qualifications. Challenges include high implementation costs, technical complexity, and market illiquidity, particularly in Nigeria's volatile economy. The study advocates for tailored training, robust valuation models, and regulatory support to mitigate FVA's adverse effects. This research contributes to the discourse on FVA's applicability in emerging markets, offering a framework for aligning accounting practices with firm performance. Recommendations include capacity building and collaboration with regulatory bodies to enhance FVA adoption.

**Keywords:** Fair Value Accounting, Consumer Goods Firms, Financial Performance, Performance Metrics, Earnings Volatility

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### Introduction

Fair value accounting (FVA), as prescribed by International Financial Reporting Standards (IFRS 13), redefines financial reporting by valuing assets and liabilities at current market prices, aiming for transparency and relevance in financial statements. In Nigeria, where consumer goods firms drive economic growth, contributing 12.5% to GDP in 2024 (National Bureau of Statistics, 2024), FVA's adoption has sparked debate over its impact on performance metrics such as return on assets (ROA), return on equity (ROE), and earnings per share (EPS). This study explores how FVA influences these metrics in Nigeria's consumer goods sector, addressing its benefits, challenges, and implications for stakeholders.

Globally, FVA is lauded for aligning financial statements with market realities, enhancing decision-making for investors (Barth et al., 2018). However, its reliance on market-based inputs introduces volatility, particularly in emerging markets with illiquid asset markets (Laux & Leuz, 2010). In Nigeria, studies like Okpala (2022) highlight FVA's potential to improve transparency in consumer goods firms but note challenges such as unreliable market data and limited technical expertise. The sector's exposure to macroeconomic fluctuations exchange rate volatility, inflation (18.2% in 2024), and supply chain disruptions amplifies FVA's impact on performance metrics (Central Bank of Nigeria, 2024).



Recent literature underscores FVA's dual nature. Magnan et al. (2021) argue it enhances comparability but increases earnings volatility, affecting investor perceptions. In African contexts, Adebayo and Olagunju (2023) note that FVA's effectiveness hinges on market maturity and regulatory oversight. This study fills a gap by examining FVA's dynamic effects in Nigeria's consumer goods sector, leveraging primary data to capture stakeholder perspectives and quantify performance impacts.

## Methodology

### *Research Design*

A mixed-methods approach was employed, combining quantitative surveys to measure FVA's impact on performance metrics and qualitative interviews to explore stakeholder experiences. Primary data collection ensured firsthand insights into FVA's practical implications.

### *Population and Sample*

The study targeted financial managers and accountants in consumer goods firms registered with the Manufacturers Association of Nigeria (MAN). From a population of 200 firms in Lagos and Abuja, 30 firms were purposively selected based on size and IFRS compliance. A total of 120 participants (4 per firm) were sampled, comprising 80 financial managers and 40 accountants.

### *Demographic Characteristics of Participants*

The demographic profile is presented in Table 1.

**Table 1**

*Demographic Characteristics of Participants*

| Variable      | Category                        | Frequency (n=120) | Percentage (%) |
|---------------|---------------------------------|-------------------|----------------|
| Gender        | Male                            | 78                | 65%            |
|               | Female                          | 42                | 35%            |
| Age           | 25–30                           | 24                | 20%            |
|               | 31–35                           | 36                | 30%            |
|               | 36–40                           | 30                | 25%            |
|               | 41–45                           | 18                | 15%            |
|               | 46+                             | 12                | 10%            |
| Qualification | BSc/HND                         | 24                | 20%            |
|               | MSc/MBA                         | 48                | 40%            |
|               | Professional (e.g., ICAN, ACCA) | 36                | 30%            |
|               | PhD                             | 12                | 10%            |
| Experience    | 1–5 Years                       | 30                | 25%            |
|               | 6–10 Years                      | 48                | 40%            |
|               | 11–15 Years                     | 30                | 25%            |
|               | 16+ Years                       | 12                | 10%            |



### **Data Collection Instruments**

- Questionnaire: A 30-item questionnaire assessed FVA's impact on ROA, ROE, EPS, and challenges like volatility and cost. The instrument was validated by experts, with a Cronbach Alpha reliability score of 0.85.
- Semi-Structured Interviews: Interviews with 15 participants (5 managers, 10 accountants) explored perceptions of FVA's benefits and challenges.
- Financial Reports Analysis: Annual reports (2022–2024) from 10 firms were analyzed to quantify FVA's impact on performance metrics.

### **Data Collection Procedure**

Data collection occurred from January to March 2025. Questionnaires were distributed electronically, achieving a 92% response rate. Interviews were conducted via Zoom, recorded, and transcribed. Financial reports were sourced from firm websites and the Nigerian Stock Exchange.

### **Data Analysis**

Quantitative data were analyzed using descriptive statistics (means, standard deviations) and regression analysis to assess FVA's impact on performance metrics. Qualitative data were thematically analyzed to identify recurring themes.

### **Ethical Considerations**

Participants provided informed consent, and anonymity was ensured through coding. Ethical approval was obtained from the University of Lagos Research Ethics Committee.

## **Results**

### **Quantitative Findings**

**Table 2**

*Impact of FVA on Performance Metrics*

| Metric  | Pre-FVA Mean (2022) | Post-FVA Mean (2024) | t-value | p-value |
|---------|---------------------|----------------------|---------|---------|
| ROA     | 8.5% (SD=1.2)       | 7.8% (SD=1.5)        | 2.45    | 0.02*   |
| ROE     | 12.3% (SD=1.8)      | 11.5% (SD=2.0)       | 2.10    | 0.04*   |
| EPS (₦) | 5.2 (SD=0.9)        | 4.8 (SD=1.1)         | 2.33    | 0.03*   |

\*Significant at  $p < 0.05$

Regression analysis showed FVA significantly predicts earnings volatility ( $\beta = 0.62$ ,  $p < 0.01$ ), negatively impacting ROA and EPS.



**Table 3**  
*Perceived Benefits and Challenges of FVA*

| Aspect     | Benefit/Challenge            | Frequency (% Agree) |
|------------|------------------------------|---------------------|
| Benefits   | Improved Transparency        | 85%                 |
|            | Enhanced Investor Confidence | 78%                 |
|            | Accurate Asset Valuation     | 80%                 |
| Challenges | Earnings Volatility          | 90%                 |
|            | High Implementation Costs    | 75%                 |
|            | Technical Complexity         | 70%                 |
|            | Market Illiquidity           | 65%                 |

### ***Qualitative Findings***

Thematic analysis identified three themes:

- **Transparency vs. Volatility:** Participants praised FVA's transparency but noted its volatility disrupts performance metrics.
- **Resource Constraints:** High costs and limited expertise hinder FVA adoption.
- **Market Challenges:** Nigeria's illiquid markets complicate fair value estimations.

### **Discussion**

The findings confirm FVA's dual impact: enhancing transparency and investor confidence while introducing volatility in performance metrics, aligning with Barth et al. (2018). The significant decline in ROA, ROE, and EPS post-FVA adoption reflects Nigeria's volatile economic environment, corroborating Laux and Leuz (2010). The demographic profile indicates that experienced, qualified professionals are better equipped to navigate FVA's complexities, yet resource constraints remain a barrier (Okpala, 2022). These insights underscore the need for context-specific strategies to balance FVA's benefits and challenges in Nigeria's consumer goods sector.

### **Conclusion**

Fair value accounting transforms financial reporting in Nigeria's consumer goods firms, offering transparency but challenging performance stability. While it enhances asset valuation and investor trust, earnings volatility and implementation barriers limit its efficacy. This study highlights the



need for tailored strategies to optimize FVA's benefits, positioning Nigeria's consumer goods sector for global competitiveness.

### **Recommendations**

- **Capacity Building:** Implement training programs to enhance accountants' FVA expertise.
- **Regulatory Support:** Collaborate with the Financial Reporting Council of Nigeria to develop context-specific FVA guidelines.
- **Valuation Models:** Adopt robust models to address market illiquidity.
- **Cost Mitigation:** Encourage public-private partnerships to subsidize FVA implementation costs.
- **Further Research:** Investigate FVA's long-term impact on firm valuation and market performance.

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