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HISTORICAL COST ACCOUNTING VERSUS FAIR VALUE ACCOUNTING: A COMPARATIVE EFFECT ON FIRM PROFITABILITY

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ABSTRACT: This study is on the Historic cost accounting versus fair value accounting: A comparative effect on firm profitability. Data were sourced from the financial report of three different manufacturing companies for a period of four years ranging from (2015-2018). Descriptive Statistics (Mean), Pearson product correlation moment and model summary were employed in the analysis of the data collected with the aid of Statistical Package for the Social Sciences (SPSS) version 22. Findings from the analysis revealed that a there is a positive correlation of historic cost accounting and fair value on firm profitability, and that fair value accounting exerts positive effect on the earnings per share on the firms. The study thus concluded that fair value accounting as it is being practiced and implemented by Nigerian firms, exerts a significant change in firms' profitability. It therefore recommended, Companies should prepare their financial report using fair value accounting since it gives a more conservative view of the financial state such that the accounting principle of prudence is upheld.

Key Words: Historical cost Accounting, Fair value accounting, Earning per share and Profitability

INTRODUCTION

Accounting to financial reporting proposal. The Internal Accounting Standard Board (IASB) and Financial Accounting Standard Board (FASB) have agreed to a global uniform framework that establishes a standard definition of fair value that is applicable in ascertaining the worth of assets and liabilities without involving market value in the years past, there have been some controversy over the use of fair value accounting as opposed to the historical cost accounting method. While financial statements are prepared to reflect treatment for various assets can have a significant impact on its financial statements and management decision regarding future corporals actions. It is vital that the appropriate method be applied. This work reviews the historical cost accounting by comparing it with fair value accounting and the effect it has on the financial statement on firm's profitability such as the balance sheet, income statement and the statement of call flows.

Financial accounting standard board (FASB) describe fair value as the price at which knowledgeable and willing parties will exchange or settle assets or liabilities. Fair value accounting is the practice of declaring the value of the asset or liabilities.

FASB (2011) under fair value accounting a company resets the prices of certain assets on its balance sheet every quarter to reflect changes in the market price.

Considering the price

The exist price is considered as the fair value of the security based on the assumption that transaction took place between willing and knowledgeable participants the buyer and the seller of the security, the exist price may fail to reflect the fairness of the asset or liability value especially when one participant is not knowledgeable or willing to transact. The FASB and IASB have agreed on a modified method to determine fair value instead of basing market price.

Weetman (2011) determining the true market value of an asset in sometimes controversial especially for assets that do not have active and liquid markets. He stated that the fair value does not need the existence of an active market.

The IASB offers guideline that looks at the type of assets or liabilities. For instance, for property plant and equipment depreciated replacement cost is recommended. IASB recommended the use of discounted present value of future cash flow for biological assets (Animal and plant). Fair value measurements in the other way does not bring any new accounting principle rather it provides financial analysis and auditor with additional information on how the FASB intends fair value to be measured in any instance it is required in financial reporting.

HYPOTHESIS

H_{01}: There is no relationship between historic cost accounting and the profitability of manufacturing companies in Nigeria

H_{02}: There is no significant relationship between fair value accounting and earning per shares of manufacturing companies in Nigeria

H_{03}: There is no significant relationship between historic cost accounting, fair value accounting on dividend of manufacturing companies in Nigeria

LITERATURE REVIEW

Historical Cost Accounting (HCA) Versus Fair Value Accounting (FVA)

By analyzing the accounting literature the two concept, it seems that they are different because of the typology primary criteria used to choice between HCA and FVA are the different typologies of economic context and market and financial reporting information.

By assuming that the market is perfect and complete FVA measurement can continue to provide relevant information for investors and creditors.

Laux and Laux (2009) state that the adoption of HCA instead of FVA cannot be good in time of crisis.

The critics on fair value measurement do not translate in support of historical cost measurement. By assuming that the market is imperfect and incomplete.

HCA measurement can focus on little relevant information to the management while the fair value measurement can provide a misinterpretation of the items of the balance sheet.

Comparative Effect Of HCA & FVA On Firms Profitability

The choosing of the model of the accounting evaluation has been debated more from traditional evaluation at historical cost to the evaluation of market value or fair value accounting. The fair value measurement for financial reporting appeared mainly from the investors searching better management of their share capital which resulting the choice of managers to the concept of share holder value by maximizing profits. The managers of firms are interested in increasing the market value of share increasing business value and the size of individuals. The value may be more useful than the price managers use evaluation alternatives usually with favourable implications for the value of the entity's asset.

The debate is that the investors must have equal right with the suppliers, employees, customers, community not a coalition of interest.

The manager of firms must search the entity's common goals wealth maximization, the concept of stakeholder value which goes beyond the monetary value and moral value.

The international accounting standard board (IASB) state the conceptual accounting framework gives some evaluation bases historical cost, current cost realizable value and present value without indicating a preference for one or other of these evaluation bases. IFRS point out that fair value is the price that would be received to sell on asset is to pay in order to transfer a liability from a common transaction between the market participant at the date of the evaluation.

Deacon (2009), said that the fair value accounting measurement provides better information and comparison on the current and future performance of the entity as it comprises a current information offered by the market which bring about the comparability of the information.

Fair value accounting measurement reduces the difference between the accounting value and the stock value for listed firms, it involves evaluating all the element of financial statements at the amount based on the capital market information. According to Deacon (2009) further that fair value accounting has a more universal character than the historical cost accounting that fair value does not always provide reliable information because it is difficult to calculate by staff of the firms without the contribution of an evaluation expert especially in the case of untitled for which the stock market does not give through picture.

The main idea of fair value accounting in that firms assets and liabilities are preserved in the balance sheet at values close to those existing on the market. But in real practice fair value would be utility value or value of future cash flows market value, replacement value, net book value.

Tournier (2010) claimed that the concept of fair value is either the basic quality of evaluation convention or accounting principles or an application the market value and not least an estimation and not a conclusion as with the market value.

Ristea (2003) stated that historical cost accounting in the accounting system accepted without reserves by the accounting profession, the (HCA) is being objective, being based on transactions already made and being generally understood by users.

The disadvantages to the historical cost of accounting in that they are based on older principles generated by the needs of industrial enterprise, thus explaining the absence of recognition in the balance sheet structure of the firms.

The historical cost measurement helps leaders to manage financial risk, historical cost model under valuation or overvaluation of some elements in the financial statement, the real value of the items in the balance sheet and the profit and loss account. The current requirements imposed by the financial statements in justified to evaluate all elements in the financial statements with the historical cost measurement and other evaluation bases. The study concentrates on the comparison between two approaches to accounting. The approach based on the principles of historical cost principles and the principle of fair value. The IASB led to the change of accounting measurements to the fair value accounting while the European legislation had focused on the historical cost accounting before IFRS adoption.

Some researchers suggested that fair value accounting standards, played a major role in the financial reporting on firm profitability.

EFFECTS ON BALANCE SHEET

The accounting treatment for recording certain financial assets, which do not required faire value accounting rules which can result an impact on the balance sheet more especially for companies with large investment port folios such as insurance or bank.

In amortized cost, financial securities held up to maturity and debt securities are always carried on the balance sheet at the acquisition price paid by the firm.

On the other hand, with fair value accounting, the price of debt security is adjusted with accordance to the market price at a given time.

Zyla (2010) state that fair value accounting would have significant impact on the daily operation of the business. The business entity for instance the law requires financial institutions (banks) and insurance companies to maintain certain level of equity usually portrayed on the balance sheet. Standard accounting defines equity as the difference between assets and liabilities. In the non-financial sector such as manufacturing wholesale and retail industries, the balance sheet values are less important compared to financial sector but they still have a real impact investors and creditors rely on the value of assets in determining the credit worth of an entity under consider the value of assets as collateral while investors consider the value of asset as the indication of the entity's operation.

Zyla (2010) the decline of assets will cause problems within the entity and the company will not be able to service its loans and at the same time it will not attract investors because of pessimism resulting from that decline. Fair value accounting will have effects on balance sheets of entities, however, financial institution are likely to be more affected than non-financial sector.

EFFECTS ON INCOME STATEMENT

The changes that flow through income statement have a direct impact on net income, the value of available for sale securities. Laux (2010) state, categorically that trading assets are held with an aim of disposing them in the near future e.g securities like bonds and treasury bills are market table securities, thus they are reported at fair value whereby the changes noted are recognized in the income statement.

Deutsche bank group (2009) states that security (bond or treasury) with a book value that is greater than market value. The gross loss recorded is equal to the difference between the book value and the fair value. The difference in recorded in the income statement as a reduction of the earnings.

EFFECTS ON CASH FLOW STATEMENT

The income statement, the use of fair value accounting does not have a direct impact on the statement of cash flows of an entity. The entities will eliminates any charge that applies under fair value accounting back into their income statements as part of operating cash flow.

The statement of cash flows only reflects the interest payments, dividends and realized gain from selling securities that are already included in net income. The change to the statement of cash flows is indirect in that the net income figure will be different in the two methods when using fair value accounting, the cash flow statement will most likely start with a lower net income. The net results shown by the statement of cash flows of either methods, historical cost accounting and fair value accounting are generally similar. The statement of cash flows is basically affected by taxes.

MANIPULATION OF FINANCIAL STATEMENTS

Both the historical cost accounting and fair value accounting methods have some faults in that entities may use them to manipulate their financial positions and results firm using historical cost accounting method may manipulate its figures on depreciation in order to increase or overestimate the useful life of an asset or its residual value.

The firm will overestimates its income and inflating income to attract investors and creditors by deriving them about the profitability and financial position of the business.

Belinna (2008) said using historical cost accounting the management teams have more leeway to hide bad investment decision and avoid the consequences of declining levels of equity and assets and it is not easy for any entity to disclose it financial failure through historical cost accounting method. He also state that using fair value accounting entities can still manipulate their financial statements.

The management team can decide to take large charge in a single quarter. The earnings in subsequent period as cash flow are stronger than what the values carried on the balance sheet would suggest, investors consider returns on equity since the financial statements of such equity is low as compared to its returns.

Belinna etal (2008) state using fair value accounting the entity incurs a loss before enjoying future subsequent benefits while in historical cost accounting the benefits to the firm comes first then loss thereafter. But in either method used by an entity the investors and creditors are likely to suffer from the manipulation.

OBJECTIONS TO FAIR VALUE ACCOUNTING

Many entities are still opposing fair value accounting because of it associated flaws in the mark to market. As the economic cycle falls, asset prices also fall depressing earnings for companies more than the historical cost method. This leads to raising capital when company valuation are how, further compounding the problems for a company to ascertain the exact fair value of an asset or liability.

American bankers association (2011) state where a secondary market of an asset does not exist. It is very difficult to replace such an asset with an identical one. The determination of fair value of that asset is then up to the notice of the executive for assets without market prices. Fair value accounting relies on appraisals and the calculations of production cost as well as index numbers.

The fair value accounting method are based on discretion of management though of accounting; hence, the termed fairness may not imply fair value because of –subjectivity

Advantages of Fair Value and Historical Cost Accounting

Penman [2007] state out some advantages of fair value accounting as follows;

- ✓ Investors are interested in value rather than costs so that information must be reported using fair value
- ✓ Historical cost becomes irrelevant for establishing the company's financial situation. Prices provide an updating of the information regarding the value of the assets. The accounting system based on fair values reports an economic result.
- ✓ The fair value determined based, on market prices is not affected by factors that are specific to certain companies.

The work has reviewed historical cost accounting method in comparison with fair value accounting. Historical cost accounting method is considered easy to use and simple to understand while fair value accounting consider historical cost accounting as obsolete because of flaws such as it focuses on cost allocation rather than in the value of an asset and during times of significant inflation, the price for an asset remains unchanged, historical cost accounting does not reflect reality or the current market situation.

Fair value accounting quotes the current value of assets and liability after the market conditions.

In fair value accounting FASB and IASB have given guidelines on how assets and liabilities should be valued. The statement FAS 157 state how assets and liabilities to be valued using the market while FAS 159 for entities to measure the value of assets and liabilities on contractual basis like historical cost.

Fair value accounting affects the financial statements balance sheet and income statement fair value has no direct impact towards the statement of cash flows unless there is a tax benefit granted when using fair value accounting. According to Moran (2010) fair value accounting has some flaws like subjectivity and complexity.

METHODOLOGY

The research design for this study is cross sectional and descriptive design attempts to provide a methodological framework. The study made use of secondary data from Nigeria Stock exchange. The annual report of selected manufacturing companies for four years. The companies include Guiness Coca cola company and Seven up company.

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

DATA GATHERING

Data gathered is a reflection of balances in the financial statements; the annual report of Guiness Plc for 2015, 2016, 2017 and 2018 was prepared to reflect financial period of four years (4). The annual report of Coca cola company for four years ranging from 2015, 2016, 2017 to 2018. The annual report of Seven up(7-up) company for four years ranging from 2015, 2016, 2017 to 2018.

We assumed that the transactions/profits for four years financial year happened uniformly to enable us prorate the transactions vis a vis the profit to reflect 12 calendar months. The outcome is thus what is reflected in the tables.

The Fair value, Earnings per share and Historic cost as the variables were obtained from the annual report of the three companies.

Table 1: Reported Profit made by the three (3) companies for four years

Year/company	**2015** **₦** **0,000**	**2016** **₦** **0,000**	**2017** **₦** **0,000**	**2018** **₦** **0,000**
Guiness Plc	**6, 000,000**	**6,347,200**	**6, 650,000**	**7,210,100**
Coca cola	**4,235,000**	**5,100,000**	**5,524, 000**	**6,100,000**
7-up plc	**20,247,922**	**19,762,360**	**21,730, 418**	**17,593,892.25**

Table 2: Reported Capital invested by the three companies for the period of four years

Year/company	**2015** **₦** **0,000**	**2016** **₦** **0,000**	**2017** **₦** **0,000**	**2018** **₦** **0,000**
Guiness Plc	**3, 712,000**	**2,347,200**	**4, 020,000**	**6,110,130**
Coca cola	**2,921,000**	**3,201,243**	**3,001, 003**	**2,892,000**
7-up Plc	**3,639, 712**	**18,101, 645**	**2,904,220**	**16,615,749**

Table 3: Earnings per share of the companies for the period of four years

Year/company	**2015**	**2016**	**2017**	**2018**
Guiness Plc	**1.615988**	**1.071216**	**1.232193**	**1.201583**
Coca cola	**1.449845**	**2.316872**	**1.840717**	**2.109266**
7-up plc	**1.179757**	**1.915965**	**1.133647**	**1.944404**

Table 4: Fair value accounting of the companies for the period of four years

Year/company	**2015**	**2016**	**2017**	**2018**
Guiness	**0.618**	**0.369**	**0.604**	**0.847**
Coca-cola	**0.689**	**0.627**	**0.543**	**0.474**
7-up plc	**0.182**	**0.915**	**0.133**	**0.944**

Table 5: Historic cost of the companies for the period of four years

Company/year	2015	2016	2017	2018
Guiness	**28,154,597**	**47,141,369**	**52,801 364**	**44,399,658**
Coca-cola	**64,024 970**	**53,433,268**	**29,186,637**	**43,215,500**
7-up Plc	**3,639, 712**	**18,101, 645**	**22,904,220**	**16,615,749**

DATA PRESENTATION

Table 6: The dependent and independent variables value for 2015.

Companies	Earnings per share	Fair value accounting	Historic cost
Guiness	1.615988	0.618	28,154,597
Coca-cola	1.449845	0.689	64,024, 970
7-up plc	1.179757	0.182	3,639, 712

Source: Annual report of the companies for the stated year

The table above display the respective balances of fair value accounting, Earnings per share and historic cost period of 2015. The table 6 confirmed that the earnings per share of Guiness company was higher than coca-cola and seven up company with the value of 1.615988, the coca-cola was 1.449845 while the least value was 1.179757 for seven-up company. The fair value accounting was 0.618 for guiness, 0.689 for coca-cola and 0.182 for seven-up company. The highest value of fair value accounting was recorded against coca-cola company. The historic cost was 28,154,597 for guiness, 64,024,790 for coca-cola and 3,639,712 for seven-up company. The highest value of historic cost was recorded against coca-cola company.

Table 7: The dependent and independent variables value for 2016.

Companies	Earnings per share	Fair value accounting	Historic cost
Guiness	**1.071216**	**0.369**	**47,141,369**
Coca-cola	**2.316872**	**0.627**	**53,433,268**
7-up plc	**1.915965**	**0.915**	**18,101, 645**

Source: Annual report of the companies for the stated year

The table above display the respective balances of fair value accounting, Earnings per share and historic cost period of 2016. The table 7 confirmed that the earnings per share of coca-cola company was higher than Guiness and seven up company with the value of 2.316872, the Guiness was 1.071216 while the least value was 1.915965 for seven-up company. The fair value accounting was 0.369 for guiness, 0.627 for coca-cola and 0.915 for seven-up company. The highest value of fair value accounting was recorded against seven-up company. The historic cost was 47,141,369 for guiness, 53,433,268 for coca-cola and 18,101,645 for seven-up company. The highest value of historic cost was recorded against coca-cola company.

Table 8: The dependent and independent variables value for 2017.

Companies	Earnings per share	Fair value accounting	Historic cost
Guiness	**1.232193**	**0.604**	**52,801 364**
Coca-cola	**1.840717**	**0.543**	**29,186,637**
7-up plc	**1.133647**	**0.133**	**22,904,220**

Source: Annual report of the companies for the stated year

The table above display the respective balances of fair value accounting, Earnings per share and historic cost period of 2017. The table 8 confirmed that the earnings per share of coca-cola company was higher than Guiness and seven up company with the value of 1.840717, the Guiness was 1.232193 while the least value was 1.133647 for seven-up company. The fair value accounting was 0.604 for guiness, 0.543 for coca-cola and 0.133 for seven-up company. The highest value of fair value accounting was recorded against coca-cola company. The historic cost was 52,801,364 for guiness, 29,186,637 for coca-cola and 22,904,220 for seven-up company. The highest value of historic cost was recorded against guiness company.

Table 9: The dependent and independent variables value for 2018.

Companies	Earnings per share	Fair value accounting	Historic cost
Guiness	**1.201583**	**0.847**	**44,399,658**
Coca-cola	**2.109266**	**0.474**	**43,215,500**
7-up plc	**1.944404**	**0.944**	**16,615,749**

Source: Annual report of the companies for the stated year

The table above display the respective balances of fair value accounting, Earnings per share and historic cost period of 2018. The table 9 confirmed that the earnings per share of coca-cola company was higher than Guiness and seven up company with the value of 2.109266, the seven-up company was 1.944404 while the least value was 1.201583 for guiness company. The fair value accounting was 0.847 for guiness, 0.474 for coca-cola and 0.944 for seven-up company. The highest value of fair value accounting was recorded against seven-up company. The historic cost was 44,399,658 for guiness, 43,215,500 for coca-cola and 16,615,749 for seven-up company. The highest value of historic cost was recorded against coca-cola company.

HYPOTHESIS TESTING

H_{01}: There is no relationship between historic cost accounting and the profitability of manufacturing companies in Nigeria

H_{02}: There is no significant relationship between fair value accounting and earning per shares of manufacturing companies in Nigeria

H_{03}: There is no significant relationship between historic cost accounting, fair value accounting on dividend of manufacturing companies in Nigeria

Table 10: Descriptive Statistics of the variables

	N	Mean	Std. Deviation

Fair Value accounting	4	.7650	.08266
Earnings per share	4	11.5000	1.29099
Historic cost accounting	4	1613480.2500	521406.19311

Source: Spss version 22 output window

Tables 10 displayed the outcomes of the descriptive statistics of the variables. Comparing the mean value of the Fair value accounting (FVC), Earning per share(EPS) and Historic cost Accounting(HCA), it was observed that the mean of historic cost accounting(HCA) 1613480.2500 is higher in value than the Earning per share(EPS) with the mean value of 11.5000, the mean of Fair value accounting (FVA) show the least value as (0.7650). This indicate that the fair value accounting of the companies are small in number for the four years ranging from 2015, 2016, 2017 to 2018.

Table 11: Correlation of the variables

		Earning per share	Fair value accounting	Historic cost accounting
Pearson Correlation	Earning per share	1.000	-.412	-.427
	Fair value accounting	-.412	1.000	1.000
	Historic cost accounting	-.427	1.000	1.000
Sig. (1-tailed)	Earning per share	.	.294	.287
	Fair value accounting	.294	.	.000
	Historic cost accounting	.287	.000	.
N	Earning per share	4	4	4
	Fair value accounting	4	4	4
	Historic cost accounting	4	4	4

Source: Spss version 22 output window

The outcomes displayed in the model summary and the correlation table above, it was revealed that Historic cost accounting and fair value accounting has a significant effect on firm profitability.

Table 12: MODEL SUMMARY OF THE VARIABLES

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics		
					R Square Change	F Change	df1
1	.624[a]	.389	-.833	705899.50000	.389	.318	2

Model Summary[b]

Model	Change Statistics		Durbin-Watson
	df2	Sig. F Change	
1	1[a]	.782	1.9800

a. Predictors: (Constant), Historic cost accounting and Fair value Accounting

b. Dependent Variable: Earning Per share

The range R value 0.624 indicates that the model is very close and within the specifications stated.

Durbin-Watson (DW) statistic measures the serial correlation in the residuals. The rule is, if the DW is less than 2, there is evidence of positive serial correlation. In this case, DW is 1.9800 is less than 2, which implies that there is a serial correlation.

R-squared measures the success of the regression to predict the values of the dependent variable within the sample. In standard setting, may be interpreted as the fraction of the variance of the dependant variable explained by the independent variables. The statistic will equal one if the regression fits perfectly, and zero if it fits no better than the simple mean of the dependent variable. R^2 (0.380) shows a strong ability of the independent variable to predict the dependent variable.

Adjusted R-squared penalises for the addition of repressor which do not contribute to the explanatory power of the model. The AR^2 is never larger than the R^2, can decrease as you add repressors and poorly fitted models, may be negative. In this case, AR^2 (-0.833) shows the effect of repressor. Therefore, we reject the three null hypothesis there is no relationship between historic cost accounting on the profitability of manufacturing companies in Nigeria. Also, there is no significant relationship between fair value accounting and earnings per share of manufacturing companies in Nigeria. And also there is no significant relationship between

Historic cost accounting, fair value accounting and dividend of manufacturing companies in Nigeria.

At degree of freedom (df=3) and 5% C.I the value of the significant F-change 0.318 indicates that any unit change in the Historic cost accounting and fair value accounting has effect on firm profitability.

Table 14: ANOVA OF THE VARIABLES

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	317299150548.503	2	158649575274.251	.318	.782[b]
	Residual	498294104100.247	1	498294104100.247		
	Total	815593254648.750	3			

Source: Spss version 22 output

a. Dependent Variable: Earning qualities

b. Predictors: (Constant), (Constant), Historic cost accounting and Fair value Accounting

Table 15: COEFFICIENTS OF THE VARIABLES

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	932788.750	5853009.453		.159	.899
	Fair value accounting	91838550.000	157843926.728	14.560	.582	.665
	Earnings per share	-6050069.500	10106942.730	-14.980	-.599	.657
	Historic cost accounting	489134421.70	218190232.4			

Source: Spss version 22 output window

The table above shows the relationship between the studied variables. The multiple regression model is stated as : $PF = b_o + b_1FVA + b_2EPS + b_3HCA + e_t$

The value of Profitability (PF) remains constant as 932788.750 when there is a relationship between the variables of Fair value accounting, earning per share and Historic cost accounting. Therefore the model can be rewritten as: PF = 932788.750 +91838550.00FVA- 6050069.500EPS + 489134421.70HCA = 26343831.266. This shows that the change of 575855690.95 causes the drastic change in the levels of FVA, EPS, and HCA as the variables. However, the positive coefficient of historic cost accounting and fair value on firm profitability.

Coefficients[a]

Model		95.0% Confidence Interval for B		Correlations		
		Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	-73436747.683	75302325.183			
	Fair value accounting	-1913758699.372	2097435799.372	-.412	.503	.455
	Earning per share	-134470953.080	122370814.080	-.427	-.514	-.468

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Fair value accounting	.001	1025.000
	Earnings per share	.001	1128.000

a. Dependent Variable: Earnings per share

Source: Spss version 22 output window

Using the vif model, it shows that there is a high positive correlation among the variables in the by the VIF value of 1025.000 and 1128.000 respectively hence there is a positive correlation between the variables.

To interpret the t-statistic, the critical t-value (tc) is obtained, it is value that separates the "acceptance" region from the "rejection". The hypothesis that the coefficient is 0.2 is rejected at the 5% significance level if the calculated t-value is greater than the critical t-value. In this case t calculated of 1.000 than t critical 2.31 (df= N+ N-2). The t statistic outcome is further backed-up by probability of observing the t-statistic given that the coefficient equals 0.2. The probability value denotes the probability of drawing a t-statistic as extreme as the one actually observed, under the assumption that the errors are normally distributed, or that the coefficients are asymptotically normally distributed.

INTERPRETATION OF THE FIN DINGS

Comparing the mean value of the Fair value accounting (FVC), Earning per share(EPS) and Historic cost Accounting(HCA), it was observed that the mean of historic cost accounting(HCA) 1613480.2500 is higher in value than the Earning per share(EPS) with the mean value of 11.5000, the mean of Fair value accounting (FVA) show the least value as (0.7650). This indicate that the fair value accounting of the companies are small in number for the four years ranging from 2015, 2016, 2017 to 2018.

The range R value 0.624 indicates that the model is very close and within the specifications stated.

Durbin-Watson (DW) statistic measures the serial correlation in the residuals. The rule is, if the DW is less than 2, there is evidence of positive serial correlation. In this case, DW is 1.9800 is less than 2, which implies that there is a serial correlation.

R-squared measures the success of the regression to predict the values of the dependent variable within the sample. In standard setting, may be interpreted as the fraction of the variance of the dependant variable explained by the independent variables. The statistic will equal one if the regression fits perfectly, and zero if it fits no better than the simple mean of the dependent variable. R^2 (0.380) shows a strong ability of the independent variable to predict the dependent variable.

Adjusted R-squared penalises for the addition of repressor which do not contribute to the explanatory power of the model. The AR^2 is never larger than the R^2, can decrease as you add repressors and poorly fitted models, may be negative. In this case, AR^2 (-0.833) shows the effect of repressor. Therefore, we reject the three null hypothesis there is no relationship between historic cost accounting on the profitability of manufacturing companies in Nigeria. Also, there is no significant relationship between fair value accounting and earnings per share of manufacturing companies in Nigeria. And also there is no significant relationship between Historic cost accounting, fair value accounting and dividend of manufacturing companies in Nigeria.

At degree of freedom (df=3) and 5% C.I the value of the significant F-change 0.318 indicates that any unit change in the Historic cost accounting and fair value accounting has effect on firm profitability.

The table above shows the relationship between the studied variables. The multiple regression model is stated as : $PF = b_o + b_1FVA + b_2EPS + b_3HCA + e_t$

The value of Profitability (PF) remains constant as 932788.750 when there is a relationship between the variables of Fair value accounting, earning per share and Historic cost accounting. Therefore the model can be rewritten as: PF = 932788.750 +91838550.00FVA- 6050069.500EPS + 489134421.70HCA = 26343831.266. This shows that the change of 575855690.95 causes the drastic change in the levels of FVA, EPS, and HCA as the variables. However, the positive coefficient of historic cost accounting and fair value on firm profitability.

Using the vif model, it shows that there is a high positive correlation among the variables in the by the VIF value of 1025.000 and 1128.000 respectively hence there is a positive correlation between the variables.

To interpret the t-statistic, the critical t-value (tc) is obtained, it is value that separates the "acceptance" region from the "rejection". The hypothesis that the coefficient is 0.2 is rejected at the 5% significance level if the calculated t-value is greater than the critical t-value. In this case t calculated of 1.000 than t critical 2.31 (df= N+ N-2). The t statistic outcome is further backed-up by probability of observing the t-statistic given that the coefficient equals 0.2. The probability value denotes the probability of drawing a t-statistic as extreme as the one actually observed, under the assumption that the errors are normally distributed, or that the coefficients are asymptotically normally distributed.

CONCLUSION

Based on the findings of the analysis, in comparing the mean value of the Fair value accounting (FVC), Earning per share(EPS) and Historic cost Accounting(HCA), it was observed that the mean of historic cost accounting(HCA) 1613480.2500 is higher in value than the Earning per share(EPS) with the mean value of 11.5000, the mean of Fair value accounting (FVA) show the least value as (0.7650). This study concludes that the dawn of fair value accounting as encapsulated in the four financial reporting of the three manufacturing companies does not automatically translate to improved the profitability of Nigeria firms. In fact, there is no empirical evidence to justify the enthronement of the ideals of fair value accounting at the expense of historical cost accounting particularly as regards to the earnings per share of the three manufacturing firms in Nigeria. This study thus holds that fair value accounting as it’s being practiced and implemented by Nigerian firms hitherto, exerts no significant change in the firms’ profitability vis-à-vis the firms’ profitability b under the historical cost accounting regime.

RECOMMENDATIONS

Based on the findings it is therefore recommended that

1. Accountants and financial controllers of the manufacturing companies in Nigeria should ensure that ethical standards are adhered to in ensuring high quality of financial statements figures.
2. Stock valuation methods should be employed by Nigerian firms may need to be reviewed to ensure realistic values of the inventories reported in the financial statements

3. There is need to guide against the erosion of owners' capital by way of undervaluation of stock while also ensuring the avoidance of overvaluing of stocks, to guide against fictitious figures.
4. Accountants and financial managers of Nigerian firms should be allowed to gradually understudy the requirements of fair value accounting on the firms' assets and liabilities rather than hurriedly switching over to supposedly IFRS (fair value) standards.
5. Companies should prepare their financial report using fair value accounting since it gives a more conservative view of the financial state such that the accounting principle of prudence is upheld.
6. Accounting bodies in Nigeria should organise workshops for accountants and managers of companies to create adequate awareness on international financial reporting standard vis á vis fair value measurement and the need avoid historical cost convention particularly during inflationary period.

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