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Fair Value Measurement and Financial Reporting Quality of Insurance Business in Lagos State

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ABSTRACT: *The financial reporting qualities provides objective information that is useful to analysts in evaluating the financial soundness and prospect of a company. This paper attempts to examine the concept of fair value measurement as well as determine its influence on the financial reporting quality of items in the financial statement of insurance companies. The study uses survey method and questionnaire as research instrument to elicit data from professional accountants in selected listed insurance companies in Lagos state, using conveniency sampling technique. The data collected were analyzed with the aid of SPSS. The study reveals that there is significant relationship between fair value measurement and the financial reporting quality and that the fair value measurement has significant influence on financial reporting quality at each level of the hierarchies. The study, therefore, concludes that the observance of the financial reporting qualities in the process of the fair value measurement would facilitate the production of corporate financial report useful to analysts in assessing a company's performance and prospects. It, therefore, recommended that the professionals in the insurance industry should observe the qualities of financial reporting while preparing financial reports and during the process of fair value measurement. Also, it recommended that the management of insurance companies should engage valuation experts and professionals for objectivity and soundness in fair value measurement. This will lend credibility to the financial report.*

KEYWORDS: Fair value, financial reporting system, fair value measurement, financial reporting quality.

INTRODUCTION

The quality of financial report of insurance business serves as impetus for investors' confidence in any decision - making situation. According to Omoniyi and Oladeji (2017), financial reports are essential accounting documents that sheds light on the financial performance and position of a business as well as corporate leadership's dexterity in the management of the resources of an organization. Codjia (2013) in Omoniyi and Oladeji (2017) stressed that an understanding of items in a financial statement helps an organization to determine the profitability and financial stability of such organization. According to s Ben-Dhiab (2021) in Obayagbona and Ajao (2022), the insurance is known for risk transfer, indemnification services, and financial intermediation service, therefore, assisting policy holders who are investors and financial reporting stakeholders. However, Obayagbona and Ajao (2022) espoused that since 2003, the Nigerian insurance industry had experienced several challenges which led to a number of recapitalization processes undertaken by the National Insurance Commission of Nigeria (NAICOM) in which the general insurance business was required to recapitalize up to the tune of N200m. According to Kamanda and Athenia (2021), insurance companies serve as a vital source of long-term savings useful for funding projects of long maturity periods. This, therefore, infers that the management of the insurance industries towards the actualization of the sustainability goals and objectives of the economy is paramount. According to National Insurance Company of Nigeria (NAICOM) (2022), the insurance market sustained profitable level during the Q1 of 2022, recording an overall industry average of 44%, which was in contrast to the 94.1% recorded in the corresponding period of 2021, the preceding year. Also, in the Q2 of 2022, the insurance market remained gainful, recording an overall industry average of 56.9%, maintaining a relative position (57.7%) recorded in the corresponding period of 2021, the preceding year. However, during the Q3 of 2022, the insurance market maintained profitable position showing an overall industry average of 54.5%, a noteworthy performance though lesser, compared to 46.7% recorded in the corresponding period of 2022, the preceding year. Furthermore, NAICOM (2022) released the that total assets of insurance industrial sector as N2,328billion in Q4 of 2022, sustaining an expansionary growth rate of 2.4%, quarter on quarter and 4.4%, year on year. This is relatively low compared to the earlier period of progression rate of about 9% year on year. This was attributable to the recapitalization exercise of the period. The level of influence and the quality of decisions by users of financial reports of the insurance companied depend on the quality of the financial reports issued by such insurance companies. According to Owolabi and Amosun (2020), the quality of the financial report is germane because it serves as a viable tool that could be used to boost the investor's confidence so as to commit resources to recapitalize the insurance business. The managerial judgement required in the classification of input into level 1, 2 and 3 tend to have potential implications for financial reporting quality. This is because managers could use their discretion in measurement to opportunistically extract private benefits. According to Vu and Bui (2021), the measurement of items in the financial reports base on fair value basis of measurement recognizes the values of corporate assets as well as corporate liabilities at the relevant measurement date while disclosures of these items reflect the potential and financial situation of the corporation. Further, they submitted that fair value is measured on the basis of market factors and transactions which could be observable, available or unobservable and classified as level 1, 2 and 3 respectively.

From the foregoing, this study evaluates the concept of the fair value measurement with the objective of determining its influence on the financial reporting qualities of items in the financial reports of insurance companies.

LITERATURE REVIEW

Financial reporting quality

The financial reporting qualities are categorized into two of fundamental and enhancing qualities. The essence of this qualities is to avoid misrepresentation in financial reporting process. According to Okougbo and Okike (2015), the expectation of users of financial reports is to obtain information that would aid in the evaluation of the health status of a reporting organization. This expectation has, however, not been met in recent times as evidenced by the series of corporate scandals such as Enron, Worldcomm, Siemens, Cadbury, Diamond Bank and Skye banks. The financial reporting quality could lead to reduction in the risks associated with liquidity and information. Further, it inhibits corporate management from exercising discretionary judgement for personal gains and as well guides corporate managers in strategic investment decisions. Specifically, the minimization of asymmetric information anomalies that arises due to incompatible interest of stakeholders is one of benefits of higher financial reporting quality. Firms release good quality financial reports to agents in the market so that the market could act of high level of information thus gaining superior advantage over others. Moreover, the financial reporting quality provides information of decision usefulness to existing and potential investors, lenders and other creditors (FASB, 2010 in Akintunde ,2022). The fundamental qualitative characteristics are two: namely relevance and faithful representation while the enhancing qualitative characteristics are four: understandability, reliability, comparability, verifiability and timeliness (IASB, 2018). The qualitative characteristics of relevance implies that the information contained in the financial report should possess both or either predictive value or feedback value and capable of influencing the user's decisions. The characteristics of faithful representation, also termed reliability posits that information contained in financial reports should be complete as well as neutral. This implies that no transaction should be excluded from the financial report and that the financial report should be free from error. However, the understandability characteristics implies financial report must be presented in a manner that the user will understand it. The comparability characteristic of financial information indicates that a corporate stakeholder ought to be able to compare the financials of an organization with others in the industry. This comparability qualitative characteristics would afford the user of a corporate financial report to assess and take informed judgement and decision on the relative financial strength, weakness, opportunities and threats between or among players in an industry over a period of time. The verifiability characteristics relate to the extent to which financial information is reproduced based on the same economic data and assumptions. Furthermore, verifiability implies any interested third party should be able to reproduce a corporate financial report given the same assumptions, figures and facts. However, timeliness connotes that the financial report should be prepared and presented at the right time to intending users. This would enable the users to base their decision on the report.

According to IFRS Framework (2014) in Holanda and Magnusson (2015) financial reports should possess the characteristics of understandability, relevance, reliability and comparability.

IFRS 13: Fair value measurement

According to Vu and Bui (2021), fair value is the price a market participant received for selling an asset or paid for settling a liability in an orderly transaction between other market participants at the measurement date. According to Abiahu, Udeh, Okegbe and Ene (2020), the applicability of fair value measurement is in accordance with the recommendation of the Federal Executive Council of Nigeria in 2008 and subsequent approval of the adoption of International Financial Reporting Standard (IFRS) by the Federal Executive Council (FEC) of Nigeria on the 28th of July, 2010. They espoused that the essence of the IFRS adoption was to promote higher financial reporting quality, enhance comparability and transparency of the financial reporting system in Nigeria. According to Thesing and Velte (2021), fair value measurement relies heavily on managerial assumptions vis a vis managerial discretion (Marra 2016; Hilton and O'Brien 2009; Fargher and Zhang 2014) which leads to information asymmetries between executive managers (agents) and investors (principals) (Landsman 2007). Holanda and Magnusson (2015) submits that the aim of IFRS 13 is to eliminate inconsistencies in the fair value measurement and its related disclosures through the introduction of new reporting requirements that are specific to assets and liabilities that have no active markets. Fair value measurement entails assumptions that market participants would use in the determination of price of the asset. Also, fair value measurement consists of associated risks with current and future market conditions. According to Abiahu et al., (2020), the fair value concept is gaining more relevance due to the following attributes:

a. The concerns of investors in relation with current value as vis a vis cost is rising.
b. the effects of the fair value measurement are not entity specific.
c. the historical cost basis of measurement does not consider the concept of the time value of money. This renders historical cost of measurement irrelevant while measuring the current financial position of an entity.
d. The fair value accounting measures and reports assets and liabilities using the same approach as economists.
e. The fair value measurement gives due consideration to market risks and updates prices of financial instruments.

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The fair value is a current exit price, that is, the price that would be received from market participant to sell an asset or paid to market participant to transfer a liability in an orderly transaction between market participants at the measurement date. According to Abiahu et al., (2020), fair value measurement is the extant standard on fair value measurement that sets out the definitions, measurement criteria and disclosure requirements for organizations applying fair value methods. For the application of IFRS 13 in any financial reporting system, the standard requires an entity to:

i. identify the actual assets or liabilities being measured
ii. evaluate the highest and the best use of relevant financial asset
iii. determine whether the financial asset is used on a stand-alone basis
iv. ascertain a market for an orderly transaction
v. determine the relevant valuation technique for fair value measurement purpose.

Furthermore, Oyewo (2020) states that whenever the price for any asset or liability cannot be observed directly, such asset or liability must be estimated using either market approach, cost or replacement cost approach, the income approach or expert's estimate approach. Also, the application of any of these approaches require inputs in determining fair value of relevant items.

a. The market approach: This approach of fair value valuation method uses published market prices as well as information of comparable or identical assets and liabilities obtained from the market.
b. Cost approach: According to Deloitte (2012) in Oyewo (2020), The cost approach reflects the amount that would be required currently in order to replace the service capacity of an asset.
c. Income approach: This approach is employed when future cash flows are being converted to current amount.

In addition to these three valuation methods, the standard permits the use of fair value estimates computed by experts, provided the valuation is arrived at in compliance with IFRS 13 guidance. Artemyeva (2016) denotes that fair value hierarchy serves as the central concept of disclosure requirements under IFRS 13. The fair value hierarchy comprises three basic levels in which inputs used in the measurements of fair value are categorized in the descending order of priority. The Level 1 represents quoted inputs, Level 2 stands for observable inputs while Level 3 represents unobservable inputs. According to Oyewo, the categorization of fair value measurement in the fair value hierarchy is based on the inputs and not the valuation methods used (Deloitte, 2012; IASB, 2012; Jayeoba & Ajibade, 2016).

Empirical review

Adeyemi and Kargi (2022) investigates the effect of fair value financial instruments measurements hierarchy disclosures on cosmetic accounting practices in the Nigerian deposit money banks (DMB). They used a sample of 14 DMBs that released audited annual report between year 2012 and year 2018. The result of the regression analysis revealed that the fair value measurements hierarchy reduce in a significant manner, the tendency of DMBs to engage in the manipulation of earnings. Also, the study reveals that the level one and two fair value measurements are negatively and significantly influencing the level of earnings management. Moreover, the study shows that the level three fair value measurement is positively and significantly influencing earning management practices. They, therefore, recommend that regulatory authorities should institute an active market for the financial instruments so that the fundamental objective of fair value could be achieved. They further recommend the constitution of an effective supervisory and regulatory framework in order to edge the uncertainty and ambiguities associated with the level three fair value hierarchy operations. An insight by Alharasis et al., (n.d) shows that the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) worked on the development of the IFRS 13: fair value measurement, which was released in May 2011 and became effective on 1st January, 2013. The standard obliges companies to report more information on the fair value hierarchy and defines fair valued as the price that would be received for selling an asset or paid for transferring a liability in an orderly transaction between market participants at the measurement date. They denote that the IFRS 13 broadens the scope of fair value measurements to include nonfinancial assets and liabilities, thereby making it a more comprehensive application of IFRS 7. Furthermore, they submit that International Accounting Standards Board released the IFRS 13, a principles-based standard in order to advice companies on modes of measuring and disclosing their assets, liabilities and equity instrument, in response to the 2008 financial. Abiahu et al., (2020) studies the effect of fair value reporting on financial profitability and firm value using a sample of thirteen listed deposit money banks and secondary data gathered from published annual reports of eight years indicating four years pre-IFRS, historical value measurement and four years post-IFRS fair value measurement, from 2008 to 2015. The study was grounded in the agency theory and supports the hypothesis that fair value reporting does not significantly affect the reported profitability but affects the valuation of a firm. Overall, the study concludes that for effective evaluation of financial performance as well as financial position of an organization, there is the need to complement the knowledge of fair value measurement with the knowledge of the historical cost measurement of the relevant item in a financial statement. Moreover, the study recommends the adoption of a hybrid form of measurement which means the measurements that comprises both fair and historical values, in financial reporting. Ramli, Rahman, Marzuki & Muda (2021) explores the issues and challenges of implementing IFRS 13 within the context of Islamic Financial Institutions (IFIs) adopting the qualitative approach and in-depth interview sessions held with several academicians, accountants, auditors, and professional body representatives. The study reveals that the relevance of measurement and hierarchy of the level of the measurement are challenges inhibiting the implementation of fair value measurement. The study concludes that the adoption of IFRS 13: Fair value measurement appears suitable for Islamic financial instruments. This is because uncertainty or gharar are not issue of concern in the Islamic financial instruments. Moreover, the study recommends that he process as well as the methodology employed in fair value measurement by IASB need to be harmonized with the principle of Islamic finance in order to achieve consistency with Shariah regulations. Oyewo (2020) investigates the diffusion of fair value measurement, with a focus on extent of application, and valuation methods used by reporting entities in Nigeria. The study reveals that the overall extent of application of fair value measurement is moderate but there was a significant difference in the application level among reporting entities in the valuation of financial assets, financial liabilities, investment property, and goodwill & intangibles acquired in business combination. It, however shows that there is no significant difference observed in the valuation of pension liabilities, endowment funds, share-based payments, property, plants and equipment, and land & building. Further findings indicate that the overall application rate of the valuation methods is in the descending order of market, expert estimation, cost and income approaches respectively. Also, the market and cost approaches are applied more extensively in the valuation of tangible assets while the market approach is preferred in the valuation of financial instruments but the expert estimation is more applicable to the valuation of intangible assets and liabilities. They, therefore, recommends that relevant authorities and concerned stakeholders should emplace institutional apparatus that will facilitate the ready availability of fair value prices for accounting items. Soyemi and Olawale (2019) examined the impact of a firm's characteristics on the quality of financial reporting of listed manufacturing firms in Nigeria and used the 25 non-financial firms listed on the stock exchange from 2009 to 2016 as samples. This study showed that a firm size had a positive significant effect on the financial reporting quality whereas tangibility had a negative significant effect on financial reporting quality. It further revealed that profitability had a positive influence on the quality of financial reporting while firm growth had a negative significant effect on financial reporting quality. It, however, noted that large firms tend to produce high-quality financial reports. On the other hand, they stated that the tangibility and firm growth had a negative effect on financial reporting quality. Hence, tangibility of assets should not be encouraged among non-financial firms. It, therefore, recommended that all the firm characteristics used in the study apart from the tangibility and firm growth should be encouraged by the government and other stakeholders of non-financial firms. This was due to the role the firm characteristics plays in constraining managers to act opportunistically while preparing financial statements. In a similar study, Sohail and Aziz (2019) examines the impact of financial reporting quality on a firm's financial performance using conservatism, accrual quality and earnings quality as proxies of financial reporting quality. The study showed that there was a positive and significant impact of financial reporting quality on a firm's financial performance. Osho (2018) examines the effect of fair value adoption on the value of assets and liabilities as well as the reported profit disclosed in the financial statement for the year 2009 to 2014. They found that Pre-IFRS adoption strengthens the determinants of reported profits as compared to the reported profit during Post-IFRS. Lin, Lin, Fornaro and Huang (2017) investigates the relationship between accounting restatements and reporting different levels of fair value measurements in financial statement. The study found that firms with higher ratios of Level 3 fair value assets to total assets are more likely to restate their financial statements. They, therefore, concludes that the use of less reliable fair value measurements reduces financial reporting quality.

Theoretical framework

Ohnishi (2022) states that Freeman (1984) propounded the management theory which is now being referred to as the stakeholder concept or stakeholder theory. The stakeholder theory is based on the assumption that the corporate management should focus on the satisfaction of her numerous stakeholders but not only shareholders of the company. Valentinov (2022) submits that the ability of executives to harness knowledge in a turbulent environment depends on their access to the knowledge held by all stakeholders. Fasin (2008) espoused that the stakeholder's theory was criticized on the basis that the impact of the stakeholders differs in terms of their stake and the manner of measure of their risk level. Furthermore, he observed that the corporate stakeholders vary in relation to their influence. This indicates that while the presence of some corporate stakeholders represents a tangible real asset other could constitute a bottleneck for an organization. This study is grounded in stakeholders' theory because the stakeholders depend on the end product of the financial reporting system, that is, financial report, for decision making.

METHODOLOGY

This study adopts content analysis of relevant literatures on fair value measurement and financial reporting quality. Also, the study uses survey method and questionnaire as research instrument to elicit data from professional accountants in selected listed insurance companies in Lagos state, using conveniency sampling technique. The data collected were analyzed with the aid of SPSS.

RESULTS / FINDINGS

able 1: Reliability Statistics

ronbach's Alpha	of Items
550	6

Source: Researchers' computations (2023)

The table 1 above shows that the coefficient of reliability is more than 50%. This shows that the measuring scales and the items of the research instrument show a high measure of internal consistency.

able 2: Qualification of Respondents

	requency	ercent	alid ercent	umulative ercent
Sc / HND	9	2.0	2.0	2.0
ISc / MBA	1	6.6	6.6	8.6
THERS		1.4	1.4	00.0
otal	9	00.0	00.0	

Source: Researchers' computations (2023)

Table 3: Respondents' Period of Service

		'requency	'ercent	'alid Percent	'umulative 'ercent
'alid	.ESS THAN 10 YEARS	4	5.7	5.7	5.7
	0 YEARS TO 0YEARS	3	9.1	9.1	4.8
	MORE THAN 0YEARS	2	5.2	5.2	00.0
	'otal	9	00.0	00.0	

Source: Researchers' computations (2023)

The table 2 and table 3 depicted above shows that majority of the respondents possessed second degree and have spent an average of ten years working in the insurance sector. This implies that the opinions of the respondents could be relied upon.

Table 4: Level I

Item	Financial reporting quality	Strongly agree (%)	Agree (%)	Disagree (%)	Strongly disagree (%)
1	Understandability	65.8	25.3	8.9	-
2	Timeliness	68.4	30.4	1.3	-
3	Comparability	50.6	40.5	8.9	-
4	Faithful representation	36.7	53.2	10.1	-
5	Verifiability	29.1	70.9	-	-
6	Relevance	38	51.9	8.9	1.3

Source: Researchers' computation (2023)

The table 4 above indicates that at the level one hierarchy, above 65% of respondents strongly agreed that fair value measurement will enhance understandability of the financial reports. Also, 68.4% and 30.4% strongly agreed and agreed respectively that fair value measurement will engender timeliness in financial reporting whereas 1.3 % disagreed. Further, item 3 and 4 on the table 4 reveals that fair value measurement at the level one will allow for comparability and faithful representation of items in financial reports of organizations. However, more than 70% of respondents agreed that fair value measurement engenders verifiability of items in the financial reports. Moreover, 38% and 51.9 % supports that fair value measurement ensures relevance of items in the financial reports, while 8.9% and 1.3 % held contrary opinion. This indicates that fair value measurement ensures items that will influence users in decision situations are incorporated into the financial reports.

Table 5: Level II

Item	Financial reporting quality	Strongly agree (%)	Agree (%)	Disagree (%)	Strongly disagree (%)
1	Understandability	39.2	51.9	6.3	2.5
2	Timeliness	59.5	32.9	5.1	2.5
3	Comparability	24.1	21.5	36.7	17.7
4	Faithful representation	6.3	29.1	48.1	16.5
5	Verifiability	6.3	19	55.7	19
6	Relevance	55.7	31.6	10.1	2.5

Source: Researchers' computation (2023)

The table 5 above on the level two hierarchy of fair value measurement shows that 39.2% and 51.9% strongly agreed and agreed respectively that fair value measurement does not impair understandability of items in the financial report. The item 2 on the table 2 indicates that more than 80% supports that fair value measurement engenders timeliness in financial reporting system. Furthermore, 24.1 % and 21.5 % of respondents strongly agreed and agreed respectively that fair value measurement would engender comparability of items in the financial reports over a period or with competitors while 36.7% and 17.7% disagreed and strongly disagreed respectively. This proofs that fair value measurement at level two of the hierarchy inhibits comparability of items in the financial reports. The item 4 and 5 depict that fair value measurement at the level two of the hierarchy would impair faithful representation and verifiability of the items in the financial reports. Moreover, most respondents opined that fair value measurement at level two hierarchy would influence the relevance and decision usefulness of the items in the financial reports.

Table 6: Level III

Item	Financial reporting quality	Strongly agree (%)	Agree (%)	Disagree (%)	Strongly disagree (%)
1	Understandability	16.5	51.9	24.1	7.6
2	Timeliness	10.1	22.8	43	24.1
3	Comparability	10.1	24.1	41.8	24.1
4	Faithful representation	15.2	15.2	44.3	25.3
5	Verifiability	17.7	19	40.5	22.8
6	Relevance	38	41.8	13.9	6.3

Source: Researchers' computation (2023)

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The table 6 above shows that at the level three of the hierarchy on fair value measurement, 16.5% and 51.9% strongly agreed and agreed respectively that the fair value measurement enhances the financial reporting quality of understandability while 24.1% and 7.6% disagreed and strongly disagreed. This proofs that fair value measurement enhances the financial reporting quality of understandability. On the other hand, the item 2 depicts that 10.1% and 22.8% strongly agreed and agreed respectively that fair value measurement engenders timeliness in financial reporting whereas 43% and 24.1% of the respondents held contrary view. This implies that fair value measurement does not engender timeliness in financial reporting system. Also, 41.8% and 24.1 % disagreed and strongly disagreed that fair value measurement engenders comparability of items in the financial reports whereas 10.1% and 24.1% agreed and strongly agreed. It is therefore, inferred that fair value measurement impairs comparability of items in the financial reports. Moreover, a glance at table 3 above reveals that fair value measurement at level three does not assure faithful representation of items in the financial reports but it influences the perception of users of financial reports.

Test of hypothesis:

able 7: Chi-Square Test Statistics

	air value neasurement nd faithful epresentation	air value neasurement nd relevance	air value neasurement nd timeliness	air value neasurement and nderstandability
hi-Square	.430[a]	4.861[b]	9.165[b]	4.215[a]
f				
symp. ig.	059	000	000	000

. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected ell frequency is 19.8.

. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected ell frequency is 15.8.

ource: Researchers' computation (2023)

Hypothesis one:

H$_O$: There is no significant relationship between fair value measurement and quality of faithful representations of item in the financial report.

Results:

The result of the test of hypothesis in table 4 above shows that at the degree of freedom of three and 5% level of significance, the computed value is 7.430 while the tabulated value is 1.424. Therefore, since the computed value is more than the tabulated value, the null hypothesis is hereby rejected. This, therefore, implies that there is significant relationship between fair value measurement and the quality of faithful representation of items in the financial reports.

Hypothesis Two:

H_O: There is no significant relationship between fair value measurement and the quality of relevance of items in the financial report.

The result of the test of hypothesis in table 4 above reveals that at the degree of freedom of four and 5% level of significance, the computed value is 54.861 while the tabulated value is 2.195. The null hypothesis is hereby rejected since the computed value is more than the tabulated value. This implies that there is significant relationship between fair value measurement and the quality of relevance of items in the financial report.

Hypothesis Three:

H_O: There is no significant relationship between fair value measurement and the quality of timeliness in financial reporting system.

The test of this hypothesis reveals that at the degree of freedom of four and 5% level of significance, the computed value is 49.165 while the tabulated value is 2.195. However, since the computed value is greater than the tabulated value, the null hypothesis is hereby rejected. This implies that there is significant relationship between fair value measurement and the quality of timeliness in financial reporting system.

Hypothesis Four:

H_O: There is no significant relationship between fair value measurement and the quality of understandability of items in the financial report.

The test depicted in table 4 above shows that at the degree of freedom of three and 5% level of significance, the computed value is 54.215 while the tabulated value is 1.424. Since the computed value of 54.215 is more than tabulated value of 1.424, the null hypothesis is hereby rejected. This implies that there is significant relationship between fair value measurement and the quality of understandability of items in the financial report.

DISCUSSION

In order to satisfy the desire of numerous users of financial reports, Riauhi-Belkaoui (2004) and Deloitte (2012) in Oyewo (2020) opined that financial reports supposed to possess some qualitative features such as understandability and timeliness with respect to fair value measurement. Hypothetically, this study indicates that there is a significant relationship between fair value measurement and the financial reporting quality of relevance of items in the financial report. Also, if proofs that there is significant relationship between fair value measurement and the quality of understandability of items in the financial report. At the level one of hierarchies in fair value measurement, the recognition of items in the financial reports base on fair value measurement will enhance the understandability of the financial report and timeliness in the financial reporting system. Further, it will create room for effective comparability, faithful representation and prompt verification of items that are subject to fair value measurement in the financial report. At the level two hierarchy, the recognition of items base on fair value measurement does not impair understandability of items in the financial report but engenders timeliness in financial reporting system. Although, it influences the relevance and decision usefulness of items in the financial reports, it inhibits comparability of items in the financial reports. At the level three of the hierarchy, fair value measurement enhances the financial reporting quality of understandability but not timeliness in financial reporting system. Also, it impairs comparability and does not assure faithful representation of items in the financial reports. It, however, influences the perception of users of financial reports. The aforementioned corroborates the arguments of Zack (2009) and Abdullatif (2016) in Oyewo (2020) that fair value measurement is less objective, requiring extensive use of judgement, and estimates arrived at are not easy to prove. Also, it is subjectively and abusively used by less well-intentioned economic agents (Cardao-Pito, 2016; Danbolt & Rees, 2008; Biondi & Suzuki, 2007). It also supports Ting and Soo (2005) and Enahoro and Jayeoba (2013) that although fair value measurement may enhance relevance of financial reports, it does not ease the comparability problem but may likely exacerbate it (Bessong & Charles, 2012). The problem of comparability stems from arbitrariness in valuation where no market price exists as obtained at level 2 and level 3 inputs. The different valuation methods will yield different fair values which jeopardizes comparability. This supports Ahn (2022) that the proportion of assets and liabilities that were fair valued were negatively associated with financial statement comparability and that this negative relation appeared to be driven by the lower-level fair value estimates. This study agreed with Oyebisi et al., (2018) that fair value measurement increased disclosure requirements by focusing on providing users with an enhanced understanding of the valuation techniques particularly on the inputs used in the development of fair value measurement.

Implication to Research and Practice

The IFRS 13 broadens the scope of fair value measurements to include nonfinancial assets and liabilities, thereby making it a more comprehensive application of IFRS 7. Also, the IFRS 13 is a principle-based standard designed by IASB in order to advice companies on modes of measuring and disclosing their assets, liabilities and equity instrument in the financials. This study, therefore, implies that an understanding of application of IFRS 13 and the observance of financial reporting qualities would lend credence to financial reports released by the insurance companies. Moreover, the professionals should give due attention to its application in the process of preparing corporate financial reports.

CONCLUSION AND RECOMMENDATION

The fair value measurement enhances the informative power of a financial report as opposed to the other accounting measurement such as the historical cost and the deprival value of accounting measurement. Fair value accounting requires a firm to disclose extensive information about the methodology, assumptions, risk exposures, related sensitivities and relevant issues that would facilitate publication of a thorough financial report. This study, therefore, concludes that there is a significant relationship between fair value measurements and financial reporting qualities. Further, it concludes that the observance of financial reporting qualities in the process of fair value measurement would facilitate the production of corporate financial report that is useful to analysts in assessing a company's performance and prospects.

From the foregoing, the following recommendations are hereby drawn:

1. The professionals in the insurance industry should observe the qualities of financial reporting while preparing financial reports and during the process of fair value measurement.
2. The insurance companies should analyze how fair value is determined when no active market exists, and establish procedures to develop the appropriate disclosures.
3. The management of insurance companies should engage valuation experts and professionals for objectivity and soundness in fair value measurement. This will lend credibility to their financial report.
4. The management should establish new procedures and databases suitable for the recording and reporting relevant information that will assure the stakeholders in the insurance industry that financial reporting qualities are maintained while measuring items in the financial statement base on IFRS 13.

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