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Fair Value: Is Really More Relevance and Less Reliability?

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Abstract

I review almost exclusively the empirical research on relevance and reliability of fair value. The purpose of this reiew is to produce pedagogically valuable and give an evaluation whether the count that is really that fair value is less reliable as general, and as evaluation of implementation and preparation of standards, and show the pro and contra on trade off relevance and reliabiltyof fair value clearly.These findings relevance of fair value accounting impact on investor protection, and crisis protect but, the less reliability is affected by less information.

Keywords: *Fair Value: Less Reliability*

Introduction

The era of the 1970-1980s was the worst era in the history of the global financial crisis. The United States and its allies began to aggressively promote the condition of the interdependence economy, namely the condition of economic interdependence on other countries around the world after the end of World War II in 1945. In the 1970s, the interpendency economy began to show significant results, this was marked by the mass production of goods and services. This condition does not fully give a positive impact, one of the weaknesses of the condition of the independent economy is that it creates a global financial crisis with a domino effect. This is because if one country experiences a financial crisis, it will have an impact on other countries because of the interdependence relationship.

The domino effect of the global financial crisis of the 1970s was initially triggered because the American economy was in a deficit after the Vietnam war which began in the 1960s. The American government, in order to pay off its debts, printed money in excess and resulted in its debt-to-gold reserves ratio skyrocketing to $1,172.56 (from every ounce of gold America has $1,172.56) in debt. At that time, America's ability to pay off debt decreased to just 3.1%. America's ability to keep its promise to exchange every dollar printed for the equivalent of 1 Gr of gold began to be questioned at that time. President Richard Nixon who was in power at that time realized the mistake and unilaterally declared that the US Dollar was not referenced by gold. Immediately, other countries followed suit, ending the period of the Bretton Woods system. The collapse of the Bretton Wood system which has an impact on changing the order of the international financial and monetary system and has led to the liberalization of capital

markets throughout the world (Pauly, 2008: 242). This condition in turn has a domino effect on the economies of other countries due to the existence of an independent system.

The global financial crisis did not only occur in the 1970s, the next global financial crisis appeared in emerging markets in the 1980s. This global financial crisis itself triggered a change in the global context in the international financial and monetary system where banks based in developed industrialized countries rapidly expanded their international lending operations throughout the 1970s, multinational corporations did everything they could to save the company. and minimizing the risk of loss, such as diversifying investments in developed countries and gradually expanding the interest and capacity to purchase bonds and other financial instruments issued by governments and companies in developing countries. In addition, several capital flows related to trade and investment are also starting to go global (Pauly, 2008: 251).

The global financial crisis in the 1980s was marked by the failure of the largest financial institution in US history. There was a savings and loan crisis due to the expansion of international lending operations in the 1970s. This crisis became a turning point with the emergence of a big question regarding the measurement and recognition methods used. This is because financial institutions that fail to have the reporting value of the agency's net worth are more than the requirements determined by the government. If the reporting value of net worth is considered sufficient and the value is capable of overcoming failure, then there is a wrong assumption related to how the net worth is assessed? Various questions arise regarding the usefulness of historical cost accounting, about whether historical cost accounting is really an appropriate measurement concept. If that's right, how the failure of financial institutions can happen is tragic.

The concept of fair value was first used to calculate biological assets in plantation and livestock companies in Australia and the UK. The use of calculations with fair values is because the business fields of these companies are living things, such as plants and livestock, which continue to grow and reproduce. The use of the calculation method with book value (historical cost) is considered unfair, because it is considered not to reflect the actual economic value. Furthermore, the concept of calculation with fair value is known as fair value. Furthermore, the concept is used by many companies to value biological assets in the agricultural, plantation and livestock sectors.

Some researchers believe that historical cost accounting does not completely lead to the failure of financial institutions, but they believe that using fair value accounting will be able to guide regulators and other financial users to understand the obstacles/difficulties facing financial institutions and further reduce costs and be allocated for payments. taxes as a way to reduce the crisis (Beaver et.al., 1992). Fair Value Accounting is considered to be able to better reflect the condition of economic value (Barth et.al., 1995). This is because the use of fair value can describe the actual market value. In addition, the fair value measurement using valuation techniques (generally refers to the mark-to model) then the entity will maximize the use of inputs that cannot be observed (IAI, 2009). Proponents of fair value believe that fair value has a higher relevance value than historical cost. Although the debate is often echoed the emergence of a trade off between reliability and relevance. This is because the value reflected in the fair value is considered relevant because the price is obtained from the market price assessment so that it is expected to be relevant for decision making considerations, but the lack of evidence or even a fair value assessment that is not based on evidence of independent transactions (umslank transaction) is a consideration of the reliability of the fair values.

The debate about the pros and cons of fair value has been around for a long time and has often been debated since its emergence in 1961. The pros and cons are related to whether measurement using current value is really more relevant than historic cost. For example, when the emergence of SFAS 33 current and replacement cost and SFAS 19 Oil and Gas Required Disclosure of Current Value Estimates. Several studies, such as Beaver & Landsman (1983), Bernard & Ruland (1987) conducted research

related to SFAS 33, and Harris & Ohslon (1987), Magliolo (1986) studied SFAS 19. This research was motivated by disbelief / ignorance regarding the value relevance of the estimation current cost as additional information from historical cost.

Yuan and Jun (1999) presented empirical evidence related to the application of fair value in China. The results of the study claim that the application of Fair Value in China is not able to overcome the negative impact of the financial crisis even though it applies the whole concept of fair value. This failure is explained by Lijing & Li (210) that China's fair value concept is more likely to be used to identify investment gains and losses than for long-term analysis. The failure of the application of the concept of fair value in China, was subsequently identified as a failure to recognize elements that were less accurate and led to inaccurate measurements.

Negative accusations against the application of fair value also occurred during the financial crisis triggered by the subprime mortgage in the second semester of 2008. Financial reporting using the fair value concept was considered the cause of the financial crisis. The allegation was later denied by a team formed by the Security Exchange Commission (SEC) from the G-20 member countries, and a team from the International Monetary Fund (IMF). The results of the investigation confirmed that the subprime mortgage was not caused by fair value, but because of the risk-taking policy that was too large and exacerbated by the failure of financial institutions in the US in anticipating possible credit losses. This condition was exacerbated by the emergence of doubts over the quality of assets and a decline in the confidence of creditors and investors. In the end, it was agreed that the subprime mortgage was caused by an error in the manager's decision-making related to management, not because of fair value. This evidence makes trust in fair value grow again and it is agreed to continue to use fair value while continuing to make improvements and continuous improvements.

Suspicions regarding the application of fair value and historical cost do not stop at mere concepts. Several studies have analyzed vis--vis between fair value and Historical Cost Accounting, such as the research conducted by Petroni & Wahlen (1995); Eccher et.al., (1966); Nelson (1966); and Barth (1995) which was carried out as a rebuttal to harsh criticism from several related parties that contra fair value. The inconsistency of research results, the breadth of perceptions and also the economic condition of the object of research makes research related to the pros and cons of fair value and historical cost still a hot topic in accounting scientific research.

The author is interested in conducting a review of the relevance and reliability of the concept of fair value, considering that since its emergence in the 1960s, fair value and its cons (historical cost) have continued to be hotly discussed issues. Although in its journey the standard setters replaced SFAC No. 2 qualitative characteristics with SFAC No. 8, where the qualitative characteristics of relevance and reliability became Relevance and representative faithfulness, this review is still an interesting topic because the author wants to review articles related to relevance and reliability. debated and evaluates whether allegations of lack of reliability of fair value are true in general. The purpose of this review is to analyze and review research results related to empirical evidence, and fair value perspective in terms of relevance and reliability. This review is expected to provide a pedagogic contribution to accounting science, as well as material for evaluating the implementation and preparation of standards, as well as providing a bright spot on the pros and cons of the trade off of relevance and reliability of fair value.

Demand For Value

The collapse of financial institutions in US history due to the Savings and Loans (S&L) crisis in 1980 became a turning point for the US banking system (Barth, 1995). The emergence of various questions about the usefulness of the historical cost concept from the public. Historical cost critics such as Rees (1995), White et.al. (1998) argue that the purpose of financial reporting is used to represent the financial position and results of past economic operations, but if it cannot be used for forecasting it is no

longer considered relevant. Even the financial statements are considered to have lost a significant portion of relevance for investors (Franchis & Schiper, 1999). This is presumably because Historical Cost causes distortion of many items in the financial statements and balance sheets and causes a reduction in the value analysis of these reports (Barlev, 2002). Distortions in financial reporting caused by historical costs as well as in the current ratio, for example, are distorted due to inaccuracies in the measurement of receivables, inventory, and current accounts payable. Debt Equity Ratio (DER), Return on Assets (ROA), Return on Equity (ROE) are distorted due to the use of historical cost value in the valuation of debt and equity.

The historical cost counters have criticized the weaknesses of historical cost from various aspects of the reliability of financial statements such as Wolk, et al (2004); Godfrey (2010). Some of the disadvantages of historical cost are:

a) Lack of relevance of figures in historical costs, figures in financial reporting show a value that remains the same without changing prices since the time of purchase, it is considered unable to represent representational faithfulness which is the main quality element in the conceptual framework. The use of historical cost causes the predictive value aspect to decrease due to the use and incorporation of dollars in different purchasing power capabilities. For example; capital maintenance, where profit is usually associated with overstated which is related to the amount that can be distributed to shareholders without reducing the company's net asset balance. So many dividends are liquidating and not earned because of earnings (because dividends use historical costing).

b) Stewardship Function as a narrow interpretation of accounting objectives, the purpose of historical cost is to provide information that is useful in decision making. It is used to provide information about the stewardship function of management. Such interpretation is considered a narrow goal in view of the breadth of accounting objectives (the main purpose of accounting is to meet the needs of users to make decisions). Investors are not only interested in knowing how much value they invest in the company, not only interested in the stewardship function, but investors are also interested in knowing the increase or decrease in the value of their investment as presented in the company's net assets, as well as to make forecasts about the company's cash flows in the company. future. Therefore, a far-sighted approach (forward looking) is more needed in an assessment concept to obtain relevant information rather than simply presenting past information. As a result, the more recent the information, the more objective the information will be, so the use of historical costs is considered no longer logical to meet accounting objectives.

c) Less able to evaluate business decisions, and cost attach theory is considered only a fiction, Historical costs are useful for evaluating past decisions, however, they are not sufficient for evaluating business decisions. When an asset is acquired, using historical cost it is considered appropriate because its value refers to current (recent) events. However, as soon as the acquisition period has passed, this value is no longer current and therefore considered no longer logical. In addition, the correctness of past decisions must be confirmed by confirming what is happening in the market. Profit in historical cost accounting does not have a prospective interpretation but a retrospective one. Capital is considered as nominal only in investment in the company and is not the purchasing power of the investment. After the year of acquisition, historical costs are of course no longer related to events in that year. This is considered a fiction where users of financial statements are forced to believe that historical costs relate to current operations. To juxtapose historical cost to current income there is no division of total profit into operating profit and holding components. Historical cost overstates profit when prices rise due to offsetting historical cost with current income (inflation). This can lead to a reduction in capital. Profit figures based on historical cost can be misleading as dividends paid out can exceed annual “real” profits and eliminate the capital basis

d) The historical cost basis using going concern is considered unrealistic, going concern, which is claimed by historical cost as one of the justifications for historical cost, is in fact not correct. Going concern which uses the assumption that the age of the company cannot be determined so that normal expectations regarding non-monetary items will be met, inventory is expected to be sold, and non-current assets will be fully used in the business. Therefore, the historical cost of the asset, or the allocated share, is an appropriate amount to compare with revenue. The use of non-current assets, not the possibility of a sale or purchase, is relevant. However, in reality no business will take place "uncertainly" in the future. So, it would be more logical to use it to assume cessation rather than continuity.

e) Comprehensive concepts do not produce relevant and reliable information The comprehensive concept states that if revenue is generated, and then expenses incurred when generating revenue, are matched with revenue to earn a profit and often non-current assets are used to generate revenue. For example, depreciation is charged to match the cost of using an asset with the revenue generated from that asset. This is a cost-related theory that relates historical costs to the value of services. Historical Cost emphasizes determining whether costs can be deducted from revenue in the current period or deferred in future periods. The decision is based on the matching concept. Critics of the concept have emerged that the match does not require the concept of income to serve as the basis for the assessment. In fact, in most cases, cost and revenue matching is not practicable. Matching is a process for random decisions to be made rather than consistent analysis. The historical cost matching concept places the balance sheet in second place after the income statement, this is because historical cost focuses more on net profit, so the balance sheet is only seen as a summary of the resulting balance after calculating profit. The Australian Accounting Standard Boards (AASB) argue that the use of the matching concept can lead to volatility in reporting and profit smoothing over different reporting periods. The use of the matching concept does not produce relevant and reliable information. This has an impact on the reporting bias on the balance sheet, where profit and loss places the balance sheet in the second position.

f) Historical cost is considered only to estimate the needs of investors who are interested in market analysis, not intelligence investors who are interested in what actually happened to the company. Historical costs focus on determining net profit causing distortion and concealment of important company disclosures. This is because the objectives of conventional accounting have been misunderstood, where accountants are too narrow-minded to the needs of investors and accept the old way of analyzing companies and their stocks. Conventional accounting focuses on meeting the needs of investors who are interested in market analysis/market psychology who do not pay full attention to what is actually happening to the company. Accounting should provide information for investors who are interested in what is really going on in the company where investors are more interested in value. Conventional accounting practices emphasize current returns rather than long-term profitability and investors are assumed to be naive. This is expected to encourage financial reporting creativity that allows deviations of reported data such as higher reported assets and revenues or lower reported expenses and liabilities.

Weaknesses and shortcomings as well as various incidents of financial institutions (the 1980 S&L crisis) and the decline in investor confidence in financial reporting, therefore demand for an appropriate concept to improve historical cost-based valuations. Benston (2001) even expresses the term shortcoming of Traditional Historical Financial Accounting-or-getting the Balance Sheet Right, with the desire to get a concept that has a value of reliability and an urge to form a concept that is really considered useful by users of financial statements. Pressure from various parties and the results of several empirical studies such as Eccles et al (2001); Amir (1993); Lev (1989) etc., take into account the refinement of the historical cost concept.

Supply for Fair Value

Before the year. 1938, Banks and other financial institutions, are required to report loans and financial holdings at market value. During times of economic recession the market value of these assets falls. Banks must reduce ownership, report losses that result in reduced capital. In order to maintain the Bank in the eyes of legal institutions, a minimum capital adequacy ratio is required, and banks must reduce their lending. This incident had a negative impact on business activities and increased the economic crisis. Subsequently, the market valuation method in the financial industry was replaced by Historical Cost Accounting.

The change in measurement paradigm is the impact of the adoption of the fair value paradigm of standard setting bodies such as the FASB, IASB. The basis for this change is because the historical cost measurement model is considered to have less dominant impact on the market, for example, income, which uses a cost approach, is considered less representative of market changes. Schmalenbach (1919).

In 1959, the American Institute of Certified Public Accountants (AICPA) established the Accounting Principles Board (APB), which was responsible for its predecessor, the Committee Accounting Procedure (CAP). In addition, the AICPA undertook a research project. The aim is to increase the knowledge of professional accountants and other interested parties in current accounting issues and to promote better solutions to accounting problems. Moonitz (1961) formed the basis for financial measurement and reporting, and introduced the concept of "Fair value" in Accounting Research Study (ARS) No. 1 which was the output of the First project. Sprouse and Moonitz (1962) continued this project, and introduced the concept of market prices and suggested that securities be valued at market prices in ARS No. 3 (APB, 1962). Furthermore Moonitz (1961); Sprouse and Moonitz (1962) provide recommendations to make a paradigm shift towards fair value. The APB then carried out rhetoric to answer the recommendations of the two academics on the grounds that although this thought was very valuable on an important issue that was developing, it was considered too radical compared to the current GAAP (APB, 1962). The statement from the APB was reinforced by Grady (1965) who stated that the current GAAP, both the concept of market value and fair value, had no place in current GAAP and the need for non-historical cost information was not considered too urgent. Furthermore, for years there has been a heated debate in the FASB about whether the asset-liability approach requires an approach that is based on current value rather than historical cost (Miller, 1990).

An important event that triggered the shift towards a fair value paradigm was the Savings & Loans (S&L) Crisis in the United States in the 1980s, which eventually became the value of introspection from various parties. Various agencies and standard setters consider alternative measurements that are considered capable of providing a representative picture of fair conditions. This was responded by several academics to provide recommendations to the SEC and subsequently forwarded by the SEC to provide recommendations to the FASB to develop an accounting standard for certain debt securities at market values instead of the cost amortization method (Wyatt, 1991; Cole, 1992; White, 2003).

In some cases, the FASB has actually initiated the use of the concept for non-financial assets and liabilities. For example, in FAS 13 (FASB, 1976) which deals with leases, the FASB defines the concept of fair value and describes situations in which value should be used (paragraphs 26 and 28). In FAS 35 (FASB, 1980a), it discusses ownership of pension funds and requires the use of fair value. The FASB states that the use of a qualified independent expert to estimate fair value may be necessary for certain investments. In May 1986, the FASB added projects dealing with accounting for instruments and off balance sheet financing to its agenda. The purpose of this project is to develop broad standards to assist in resolving existing financial accounting and reporting problems and other issues that may arise in the future regarding various financial instruments and related transactions (FASB 1990 paragraph 1). FAS 105 (FASB, 1990) focuses on off balance sheet risk. This is the first disclosure stage in this project.

A statement of Basic Theory of Accounting (ASOBAT) (AAA, 1966) is one of his most important contributions. ASOBAT discusses the objectives of accounting and recommends four basic accounting standards: relevance, verifiability, freedom from bias, and quantification. After that, analysis of the needs of external and internal users of accounting information and ends with bro recommendation. This is the entry point for fair value that upholds relevance. Finally in 1990, Douglas Breeden, chairman of the SEC, stated that fair value was the only relevant measure and suggested that all financial institutions should be required to report all their financial investments at market value (Barlev, 2003). This was followed up by the FASB issuing an exposure draft on accounting for share-based compensation in 1993. The exposure draft adopted a fair value approach and recommended an FVA for all equity instruments issued to employees.

Several regulations, accounting standards, and exposure drafts issued by Australian standards also signal the end of reporting with Historical Cost Accounting. For example, AASB 1023 General Insurance Contract (July 2004) and IAS 39/AASB 39 Financial Instrument: Recognition and Measurement (July 2004) which recommend the use of market values for assets, and several other standards. The AASB states that the measurement of assets based on net market value and measurement of liabilities based on present value provides users with more relevant information about the company's resources than the basis of measurement using Historical Cost. This is considered consistent with what is required in the conceptual framework which tends to prioritize a forward looking approach and the qualitative characteristics of financial statements contained in the conceptual framework. The AASB focuses on whether the information produced is relevant, reliable, comparable and understandable.

The direct reaction of standard setters in the midst of the S & L crisis is the starting point for implementing fair value measurements and the evolution of paradigms in FASB and IASB standards. This is with the start of fair value as a special regulation for certain securities, fair value measurement is identified as the most relevant attribute for financial instruments. Fair Value was fully adopted in the accounting system for financial instruments advocated by the IASC in 1997 in a discussion paper, which represented the basis for the Joint Working Group on the Draft Standard in 2000.

Fair Value Relevance

Research on the relevance of accounting value is an indication that accounting information reflects the information needed by investors. In addition, the research results are used by standard setters as a consideration in the preparation of standards. The relevance of accounting values used by investors as consideration and useful information in decision making has various perspectives and conditions of different objects of research. Value relevance related to the fair value of intangible assets, shows that intangible assets use fair value to be relevant information for investors (eg Barth et al., 1998; Barth & Clinch, 1998; Higson, 1998; Kallapur & Kwan, 1998; Muller, 1999).). Further research that was developed using revaluation figures for the valuation of fair value estimates also found that valuations using fair value were considered as investor-relevant information (eg Brown et al., 1992; Whittred & Chan, 1992; Cotter, 1997; Barth & Clinch, 1998; Lin & Peasnell, 2000; Aboody et al. 1999). All studies use accounting value relevance assessment by looking at stock price reflections. This study uses asset revaluation data based on UK GAAP and Australian GAAP, it indicates that the relevance of fair value to the value of intangible assets is relevant. In addition, investors perceive that the estimated fair value of the derivative reflects a more accurate estimate of the notional amount of the derivative, the underlying economic value (eg Venkatachalam, 1996).

Research in banks, insurance companies and mutual funds (Barth, 1994a, 1994b; Ahmed & Takeda, 1995; Bernard et al., 1995; Petroni & Wahlen, 1995; Barth et al. 1996; Eccher et al. 1996; Nelson, 1996 ; Barth & Clinch, 1998; Carroll et al. 2002) also indicate that investors view the fair value estimation of debt and equity securities as more relevant than using historical costs. insurance companies, closed mutual funds show a high relevance in the aspect of intangible assets. Barth (1995) added that

banking is an object of regulation which was substantially changed by SFAS 115 and so far it is considered that there are no suggestions for changes to GAAP. This is probably due to fluctuations in the value of investment securities that use fair value, which has a high level of volatility because it uses market value, but it is considered more accurate in determining the level of risk. This, of course, is considered by investors as one of the relevant information for decision making regardless of the aspect being measured.

The consistency of the results of the application of fair value in the financial industry does not apply in the industrial world. Simko (1999) reveals the insignificance of incremental value relevance. This is because in the industry there is an assumption of private information.

Different types of investors do not cause significant differences in fair value. Investors have various ways to ensure the relevance of its fair value. Regardless of the fair value hierarchy, the relevance of fair value values is considered significant. In weak investor protection, investors use market prices (level 1) to protect fair value. For medium investor protection, investors use level 2, and strong investor protection uses level 3. The difference in the way investors do protection is in line with several studies, such as Kolev (2009); Song, Thomas, & Yi (2010); Lu Mande (2014); Goh et al. (2015). However, several research results show inconsistent results, that the protection of value relevance from fair value does not decrease based on hierarchy, but based on jurisdiction as stated by DeFond et.al (2007). This inconsistency is caused by differences in research subjects, where research that shows based on a hierarchy (Kolev, Song, LuMande, …) was conducted in the US, and DeFond was conducted in an international scope. In the international scope, there are variations in research results by showing differences based on jurisdiction because it is possible that aspects of legality, jurisdiction, standard setting in each country have a stronger influence than a single aspect (investor type). The results of research in the US show consistency because the environmental aspects of legality, jurisdiction and standard setting are assumed to be the same. Value relevance of Fair Value in the US and International has significance, although it has a different basis of protection.

Fair value accounting in relation to the financial crisis was not only able to survive, but also proven not to exacerbate the crisis (Ryan, 2008; Laux & Leuz, 2009, 2010; Barth & Landsman, 2010; Bhat et.al., 2011; Badertscher et.al. , 2012) and fair value was able to overcome the negative impact of the financial crisis which was considered successful in Brazil (Alali & Foote, 2010; Chiqueto, Silva, Carvalho, 2012). The results show that FV is relevant, although during the crisis, there is a decrease in the relevance of securities because Brazilian rules do not specify how to estimate FV, as required by SFAS 157, nor do they require disclosure of the FV hierarchy, as defined by IFRS. The results of a different study were found in China, the application of Fair Value in China was not able to overcome the negative impact of the financial crisis even though applying the whole concept of fair value. This failure is explained by Lijing & Li (210) that China's fair value concept is more likely to be used to identify investment gains and losses than for long-term analysis. The failure of the application of the concept of fair value in China, was subsequently identified as a failure to recognize elements that were less accurate and led to inaccurate measurements. The difference in results cannot be separated from how Brazil flexibly prevents the risk of the financial crisis by placing regulations first. Brazil recognizes unrealized quarterly gains and losses and irrelevant Securities losses, possibly used as a tax planning practice, because, in Brazil, mark-to-market adjustments of securities are only deducted, or taxable, when they are settled. However, unrealized gains and losses are of value relevance during the financial crisis period.

Research on value relevance and its impact on standard setters questioned by Holthausen and Watts (2001), that the lack of research on relevance has contributed less to standard setters. This is because most research on value relevance only focuses on shareholders and ignores other users of interest. However, Barth et al. (2001) refuted this assumption, and explained that research on relevance has a purpose and contribution not only to shareholders but also other interested users. Previous studies

that can refute Holthausen and Watts' opinion include Landsman (1986); Amir, (1993); Barth (1991). The results of the study are based on the findings that post-retirement obligations are related to assets. This indicates that the fair value of the pension implied in the stock price is considered more relevant than the book value. The findings of this study indicate that investors consider the fair value of the estimated debt and equity securities to be more relevant than the historical cost figures.

Fair Value Reliability

Research related to the reliability of fair value is not as much as research on the relevance of fair value. This is due to a trade off between relevance and reliability, leading to an understanding that fair value reliability is considered lacking due to the emergence of umslank transactions.

The reliability of the disclosure of fair value for loans is considered less reliable (Nissim, 2003). This implies that some banks overestimate the disclosed fair value of loans in an attempt to benefit and to influence their market risk assessment and performance. The occurrence of unreliability of research results could possibly be due to lack of knowledge, the reliability of fair value estimates may have improved after 1995, where managers have gained experience in estimating fair value estimates. Several studies related to fair value mostly focus on banking objects, financial institutions, and mutual funds. However, Simko (1999) conducted research in the industrial sector. The results showed that the low reliability of financial information. This is due to differences in loan information in the banking world and industry due to lack of reliability due to private information.

Conclusion

Based on some of the empirical evidence above, fair value has a strong significance. In the financial industry, the relevance of fair value in the banking world is significant, because using fair value is considered more accurate in determining the level of risk in the banking world. However, this relevance is not found in the Fair Value industry in the perspective of investor protection, it has basic differences due to jurisdiction, legality, but FV in general has value relevance. In facing the crisis, Brazil, US and China have different impacts. If the application of fair value is considered successful in suppressing the crisis, and does not exacerbate the crisis, in China fair value is considered unable to overcome the crisis because of differences in the application and recognition of fair value.

The existence of GAP research in the perspective of relevance and reliability, increasingly provides an overview of how the academic perspective on the perspective of reliability. Reliability in fair value is considered low because of the complexity of measuring level 2 & level 3 fair value, which causes a lack of competence in measuring and recognizing fair value. In addition, low reliability is due to the emergence of private information in industrial conditions. This private information arises because in the industrial sector, fair value assessment is considered less objective due to the difficulty of using level 1 because the industry has more assets to be assessed.

Based on the results of the review above, there is a research gap about the extent to which reliability can be suppressed so as to maximize relevance. The research is interesting to develop, as the development and strengthening of empirical evidence, and create a model, so that the trade off remains useful. Furthermore, based on the results of the above review, the authors propose the following proposition:

1. Value relevance of Fair value accounting has an impact on investor protection and protection against crises.

2. Low reliability of Fair Value due to lack of information

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