A Pattern of Implementing Fair Value System in Iran: Focusing on Reporting and Monitoring[1]

Gholamreza Karami[2], Salman Beik Boshrouyeh[3]

Research Paper

Introduction

Approval and notification of accounting standard No. 42 (according to the 2018 version of International Standard No. 13) in Iran and notification, No. 251754/121 member of the Board and Deputy Supervisor of Stock Exchanges and Publishers of the Exchange and Securities Organization, based on the application of international financial reporting standards on an optional basis in the preparation of consolidated financial statements and the application of the mentioned standards in the preparation of financial statements of major publishers since 2016 and linking the mentioned standards with the fair values, it has doubled the importance of the current value system in the financial statements and the challenges they face. It should be noted that the changes in financial reporting and supervision in the field of fair values, have grown in line with the measurement and importance of fair values in financial markets, and these changes have not been sudden and have followed an evolutionary process in accounting. In addition to increasing awareness of user, these items have been prepared for use by companies and other institutions involved in this issue, including the tax administration, the capital market supervisor, auditors, and analysts. Undoubtedly, auditors are in favor of reporting and auditing items that have been less appreciated, require less judgment, and have higher reliability, however, reporting and monitoring fair values is the opposite and has been tried. Reliability is slightly diminished and at the same time the relevance of information is increased so that the accounting

system can compete with other information sources and in situations where the market is facing many anomalies to increase the usefulness of accounting information decision. However, achieving this goal, requires infrastructure and attention to the problems and challenges of infrastructure that is the subject of this research. Following the research of Karami and Beik Boshrouyeh (2017) who presented the model of implementing fair values with emphasis on the field of measurement, in this study has tried to address the challenges and strategies for implementing fair values with emphasis on reporting and monitoring these values using grounded theory method for data analysis and presented in the form of a model.

Methodology

In this research, grounded theory method (Strauss and Corbin, 1990) is used to collect and analyze data. This research is in the category of exploratory research in terms of purpose, and in the category of non-experimental, field and qualitative research in terms of strategy. Strauss (1987) and Strauss and Corbin (1998 and 1990) introduced inductive production procedures of theory in a qualitative method, relying on accurate and regular data analysis. Various models of this theory have been proposed by experts. In this study, the systematic method of Strauss and Corbin (1989 and 1990) has been used to analyze the data through a regular coding procedure in three stages: open, axial and selective with focus on the logical paradigm or visual representation of evolving theory. In this study, by emphasizing the challenges and issues of reporting infrastructures and monitoring fair values, and during interviews with 17 experts in various fields involved in implementing a fair value system, a model using grounded theory method is provided.

Results and Discussion

One of the most important causal conditions that was extracted in this study as a result of interviews with experts, is the need to increase the usefulness of accounting information decision. Given the problems in discussing the efficiency of the Iranian capital market, moving to a measurement approach to increase the usefulness of accounting information decision is important and is felt more than ever, and the same move to reporting and monitoring fair values. Which is itself an example of the bolder approach to measurement, justifies. The category of reporting and monitoring fair values also has the conditions of the central category mentioned above and covers other categories and conditions. One of the most important strategies that experts have proposed to implement a fair value system in the field of reporting and monitoring fair values, are the following: licensing of valuation services to auditors by regulatory bodies, the publication of practical guidelines for accountants and auditors and the

ranking of independent appraisers and their periodic evaluation. In the current situation, despite the legal capacity that exists in the securities market law, this has not happened in practice and has been neglected. As stated, auditors' opposition to the implementation of fair values due to the creation of more responsibility for them, economic fluctuations, and its effect on the monitoring of fair values, is one of the most important intervening conditions in measuring fair values which limits the measurement work. Avoiding change in society, lack of national determination for major changes in corporate reporting systems, and the rule of law over accounting standards in financial reporting are among the most important conditions under which the proposed strategies should be implemented. Finally, if the strategies are implemented, the expected outcomes including full compliance with international auditing standards, the application of valuation standards in determining fair value, and the expansion of auditors' activities in the field of valuation will be achieved

Conclusion

As in the experience of other countries, the implementation of a fair value system in its desired state, as well as within the set standards, requires infrastructure and faces challenges. This research, by interviewing experts in this field in various dimensions, tried to draw attention to these infrastructures and problems and provide a model using the data theory of the foundation. This model, which was presented using the data theory research method of the foundation, can be used as a roadmap for relevant individuals and institutions in the implementation of international accounting standards, especially the fair value system in Iran and also can be used by Audit Organization and Securities & Exchange Organization.

Keyword: Fair Value, Evaluation, Grounded Theory, Reporting and Monitoring.

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