The Rationale for Enhancing the Reliance on Fair Value Accounting Measurement to its Implementation instead of Historical Cost in Algerian Economic Institutions -Sample of academics and Professionals in the Field of Accounting -

مبررات تعزيز اعتماد القياس المحاسبي بالقيمة العادلة بدلا من التكلفة التاريخية في المؤسسات الاقتصادية الجزائرية -دراسة استقصائية لعينة من الأكاديميين والمهنيين في مجال المحاسبة -

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Abstract:
This study aimed to investigate and understand the justifications for promoting the adoption of fair value accounting measurement and its obstacles instead of historical cost. The researcher utilized a descriptive and inductive approach to address the research problem, and analyzed the questionnaire that was distributed in the empirical study. The sample consisted of 222 respondents, including professionals and academics. The researcher used descriptive and inferential statistics, in addition to the SPSS program. The study found sufficient justifications for enhancing fair value accounting measurement instead of historical cost. It also highlighted the difficulties faced by Algerian economic institutions in implementing fair value due to the absence of an active financial market. The study recommended working to improve the economic, professional, and legal environment by activating the factors influencing the application of fair value, as well as the necessity of revitalizing the financial market in Algeria to align with the implementation of fair value.
Keywords: fair value; Algerian accounting environment; institutional factors; Accounting financial system.

Abstract in Arabic:
هدفت هذه الدراسة إلى دراسة ومعرفة مبررات تعزيز اعتماد القياس المحاسبي بالقيمة العادلة ومعوقاتها بدلا من التكلفة التاريخية، حيث اعتمد الباحث على المنهج الوصفي والاستقرائي لمعالجة إشكالية البحث ، وتحليل الاستبانة التي تم توزيعها في الدراسة التطبيقية ، تحتوي على عينة تتكون من 222 فرد مستجوب بين مهنيين وأكاديميين ، واستخدم الباحث الإحصاء الوصفي والإحصاء الاستدلالي كأساليب إحصائية بالإضافة إلى برنامج SPSS وقد توصلت الدراسة الى وجود مبررات كافية تؤدي الى تعزيز القياس المحاسبي بالقيمة العادلة بدلا من التكلفة التاريخية ، كما أن المؤسسات الاقتصادية

الجزائرية تواجه صعوبة في تطبيق القيمة العادلة نظرا لعدم وجود سوق مالي نشط ، وقد اوصت الدراسة بالعمل على تحسين البيئة المحاسبية الجزائرية من خلال تشجيع تطبيق القيمة العادلة.

الكلمات المفتاحية:تكلفة تاريخية، قيمة عادلة ؛ بيئة محاسبية جزائرية ؛ نظام محاسبي مالي.

تصنيف JEL: M4, M40, M41

Introduction

Given the significant developments in the economic environment in recent times, accounting thinking has seen a rapid acceleration in terms of alternative measurements and interest in adopting modern accounting methods. Most accounting organizations and regulatory bodies worldwide have shifted towards adopting the concept of fair value as a method of accounting measurement. This is in an effort to reconsider the historical cost accounting method and its associated drawbacks. Consequently, accounting thinking has transitioned from the traditional theory to the modern theory based on fair value measurement. This approach first appeared in the financial accounting standards in the United States, and later with the International Accounting Standards Board, which is considered the most credible and reliable. It reflects the economic reality by issuing numerous standards in this regard, many of which are based on fair value measurement.

Research problem

Algeria is among the countries that have adopted International Financial Reporting Standards (IFRS), by introducing a financial accounting system that has established special rules for financial assessment and measurement according to the fair value model through the concept of "true value." It has put in place all the regulatory and legislative measures to activate the use of fair value in the Algerian accounting environment. However, it has faced several difficulties that hinder its application. Hence, the following problem can be posed: What are the rationales for promoting the adoption of fair value accounting measurement and its obstacles instead of historical cost in Algerian economic institutions?

Following this main question, the sub-questions can be included:

- Are there sufficient justifications to promote the adoption of fair value accounting measurement instead of historical cost in Algerian economic institutions?

- Are there obstacles that hinder the application of fair value in the Algerian accounting environment?

Research hypotheses

To answer these questions, we establish the following hypotheses:

1. There are sufficient rationales to promote the adoption of fair value accounting measurement instead of historical cost in Algerian economic institutions.

2. There are obstacles that prevent the application of fair value in the Algerian accounting environment.

Research significance

The significance of the study is derived from the increasing interest in fair value as an alternative to historical cost, especially in the absence of a stable unit of measure, which is money. Fair value is a modern concept used in measuring the values of various asset items. It contributes to understanding the Algerian accounting environment and the extent of its reliance on fair value accounting measurement, as well as identifying the obstacles to implementing this measurement method.

Aim of the study

This research aims to highlight the reality of fair value in the Algerian accounting environment, addressing both theoretical rationales and practical obstacles. It focuses on reviewing the conceptual framework of fair value, highlighting its significance as outlined in the financial accounting system, and emphasizing the obstacles that hinder its implementation

Type of research

The research is conducted through a descriptive approach by providing a theoretical framework based on various references, and on an analytical approach in the applied aspect to test the research subject through surveying the opinions of professionals and academics in the field of accounting in the Algerian environment regarding the subject through a questionnaire, by presenting and analyzing the results.

Previous studies (literature review)

The recent studies have been reviewed

- **Study of Mebarki Merouan . Larabi Hamza (2023)** The Problematic of Evaluating Non-Financial Fixed Assets. Case study: historical cost or fair value This study aimed to determine the impact of using both the historical cost model and the fair value model in the evaluation of non-financial fixed assets on the usefulness of financial information. The study concluded that, despite the credibility and objectivity associated with the historical cost, it fails in many cases to accurately represent the true value of this type of assets, especially during periods of inflation. Fair value, on the other hand, achieves the characteristics of financial information at its first and second levels because it is primarily based on market inputs. However, at its third level, it relies on self-assessment, which raises doubts about its credibility and objectivity.

- **Study of Ben Zef Loubna (2020)** "Using Fair Value Accounting as a Basis For Accounting Measurement in Algeria."

The aim of this study is to apply the fair value model as a basis for accounting measurement, focusing on the most important concepts of fair value and the new and adapted methods it provides for accounting measurement, which is considered one of the fundamental functions of accounting. One of the most significant results is the difficulty in applying the concept of fair value, attributable to the novelty of fair value in the Algerian accounting environment, as well as the lack of awareness and interest in international accounting standards within the Algerian accounting community. Additionally, the absence of active financial markets in Algeria further complicates the application of the fair value model as a basis for accounting measurement. However, it can achieve qualitative characteristics for financial information, ensuring suitability and reliability for making sound economic decisions.

- **Study of Ben Oudina Bouhafes (2020)** The extent of readiness of the Algerian business environment for the implementation of fair value accounting – a field study of a sample of accounting practitioners in Algeria

The aim of this research is to determine the extent of availability of the requirements for implementing fair value accounting in the Algerian business environment, through surveying a sample of accounting practitioners. One of the most important findings of the research is that accounting practitioners are willing to transition from historical cost to an alternative measurement method. However, it was found that the Algerian business environment (accounting, economic, financial, and even legal) lacks the requirements for implementing fair value, which is the main obstacle to its application in Algeria.

The research is consistent with the mentioned previous studies in the general framework of the subject containing fair value in Algeria, as well as the adopted methodology, which is descriptive and analytical. However, there are differences in the approach and treatment, represented by the variation in the study variables aimed at clarifying the reality of fair value application in the Algerian environment, between theoretical rationales and practical obstacles

The research has been divided into the following sections for a comprehensive understanding of the subject:

First: Historical cost and justifications for its application along with the criticisms directed towards it;

Second: Fair value accounting and justifications for its application;

Third: The Algerian accounting environment and the obstacles to implement fair value accounting;

Fourth: An empirical study of a sample of academics and professionals in the accounting field in eastern Algeria

1.Historical cost, rationales for its application, and criticisms directed towards it

The historical cost principle is considered one of the alternatives of accounting measurement based on traditional accounting, under which the elements of assets, liabilities, expenses, and revenues are recorded at the price at the time of purchase

1.1 Historical cost concept

Historical Cost is the amount that was necessary to spend when purchasing the item or service. This method allows for a certain level of objectivity and stability in the financial statements, provided that the same valuation method is used in subsequent periods. It is the method by which assets are recorded at the amount of cash or cash equivalents paid on their acquisition date (Akouche & Kechroud, 2019, p. 226)

Under historical cost accounting, the initial price paid by the company during the purchase of the asset or incurrence of the liability is the one that matters. The price reflected on the balance sheet either is the purchase price or at a value reduced by obsolescence, depreciation or depletion (Paul, 2013, p. 2)

Therefore, historical cost is determined at the moment of the asset exchange for an amount measured in monetary units, plus necessary expenses until the asset reaches its location, and this is documented in accounting

1.2 justifications for applying historical cost

The historical cost method is based on several justifications, the most important of which are: (Bensayeb & Bensahel, 2019, pp. 444-445)

- The possibility of verifying historical cost data, which provides a greater degree of objectivity and thus the ability to rely on accounting data;

 - Consistency of the historical cost basis with many other components of the conceptual framework of financial accounting;

- The historical cost basis is based on many recognized accounting assumptions and principles;

- Realization of revenues, which, according to its traditional concept, does not recognize any changes in the values of assets and liabilities except after their realization through exchange with an external party;

 - Matching revenues with expenses, which determine income by matching the revenues of the period with the costs of these revenues, rather than comparing the net value of assets at the beginning and end of the accounting period;

- The principle of continuity dictates that the reporting entity is assumed to continue in operation and, therefore, current values for assets are only used in one instance, which is in the case of liquidation;

- The historical cost basis dictates that assets and liabilities remain valued at cost from period to period, irrespective of any changes in prices;

- The principle of prudence states that ignoring increases in asset prices will lead to their disclosure in the financial statements at a conservative value;

- The assumption of the monetary unit requires the use of the original monetary units in the financial reporting and disregards any change in their value due to inflation or deflation.

- The actual measurement principle dictates that the entries in the books and financial statements should be based on what has actually been transacted and not on any other assumption.

1.3 drawbacks and criticisms directed at historical cost

Despite the historical significance of the cost, it has been subject to criticisms, including those mentioned by (Al-Ja'arat & Mohammed, 2013, pp. 249-251)

- The historical cost is based on the assumption of price stability and the lack of change, which is illogical as prices are constantly changing due to demand and supply factors, in addition to technological advancements leading to faster, more accurate, and lower prices;

 - Continuing to apply historical cost means continuing to integrate different values in financial statements, and historical cost presents a major obstacle to their standardization due to its temporal dimension, as it includes temporal errors by combining costs incurred at different points in time;

- Adhering to historical cost in preparing financial statements deviates from true representation, as assets purchased long ago, especially those not subject to depreciation such as land, may have increased in current market value while still being recorded at their historical cost. As a result, the amount appearing in the financial statements is far from the reality;

- Adhering to the principle of historical cost results in assets being overstated or understated. They are overstated if the recorded amount for the asset includes a decrease that has not been recognized, while they are understated if the recorded amount includes an increase that has not been recognized;

-Neglecting the time value of money, historical cost only considers the cost at the time of purchase, i.e., at the inception of the expenditure, without taking into account the time factor and its impact on the value of money at a later time from the acquisition.

-Adhering to historical cost in the face of declining asset prices leads to the erosion of capital and undermines the capital that should be maintained by

distributing profits that are merely nominal and not real, as the profits have not been reduced by the decrease in asset value.

- Applying the historical cost method to depreciable assets leads to reaching zero or nominal value for the asset, without disposing of it due to its continued delivery of services, which is impractical and illogical.

-Adhering to historical cost in the face of currency devaluation or exchange rate stability amidst inflation is impractical, especially for multinational companies or translation of operations conducted in foreign currency.

Based on the aforementioned, despite the advantages of historical cost, it is not without flaws and criticisms, especially in the dynamic conditions of the economy and the changing purchasing power of the monetary unit. Historical cost only concerns the cost at the time of the event, without taking into account the change in the value of money over time.

2. Fair value accounting and its rationales for implementation

Fair value has emerged recently to address some of the criticisms directed at the traditional historical cost accounting measurement alternative.

2.1.definition of fair value

Undoubtedly, the concept of fair value has propelled traditional accounting theory into new horizons, bringing about a comprehensive change in the structure and implications of long-term financial statements. This can be attributed to the developments in accounting theory over the past three decades, where it was crystallized in the International Accounting Standards concerning fair value, which were implemented at the beginning of the third millennium. (Gourine & Abou, 2019, p. 79)

The concept of fair value has evolved over time, adapting to historical developments as it has been revised multiple times within the framework of the releases by the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) and International Financial Reporting Standards (IFRS). (Ferhan, 2019, p. 20)

Salah Reda Ibrahim defined fair value of an asset as "the amount at which the asset could be bought or sold in a current transaction between willing parties, other than in a forced or liquidation sale", while fair value of liabilities is "the amount for which the liability could be settled in a current transaction between willing parties, other than in a forced transaction". (Ibrahim, 2009, p. 23)

The American standard FAS157, related to fair value measurement, introduced a new definition for fair value and eliminated all previous concepts, considering "fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" (157, 2006, p. 2).

In contrast, the International Financial Reporting Standard IFRS 13, related to fair value measurement, defines it in passage 9 of the standard as "the price that

would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under normal market conditions" (fair-value-measurement, 2023)

2.2. Components of fair value

In order to be able to measure fair value, a set of basic elements must be present, which can be summarized as follows: (Fella & Noubli, 2012, p. 9)
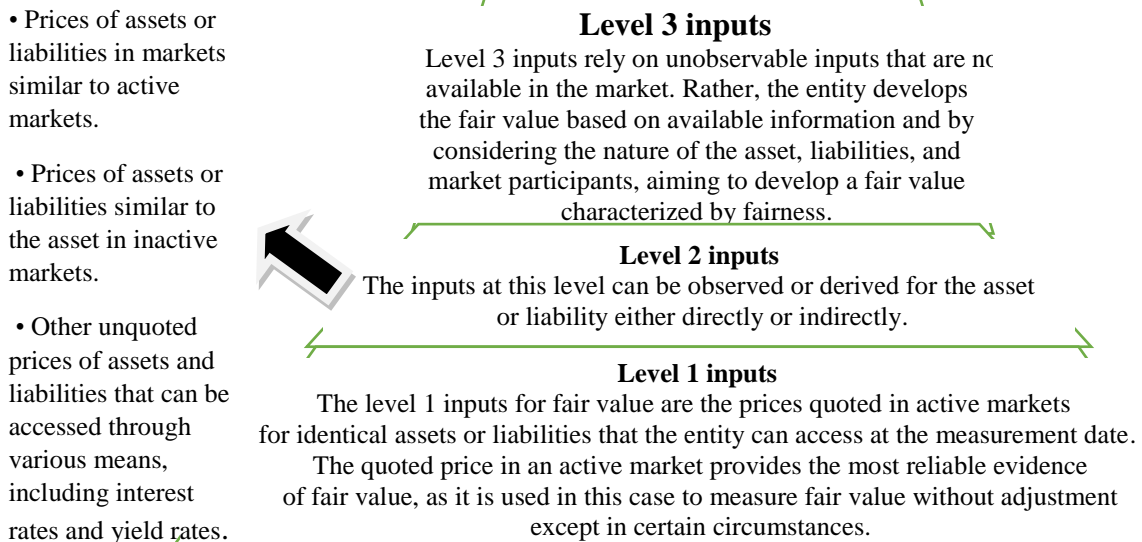
- The presence of the subject of exchange;
- The presence of the parties to the exchange process; - Both parties to the exchange process have free will to conduct the exchange;
- Familiarity of both parties to the exchange process with all the facts related to this process;
- The presence of an active market through which the free will of the parties to the exchange can converge;
- The continuity of both parties to the exchange process in carrying out their activities without any significant tendency towards settlement or reduction of activity;
- The surrounding economic environment of both parties to the exchange process experiences relative stability

2.3 The fair value hierarchy

According to Financial Reporting Standard No. 13, the fair value hierarchy classifies the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. An active market is a market where transactions for the assets and liabilities occur with sufficient frequency and volume, providing pricing information. This can be illustrated in the following figure:

Figure 1: the hierarchical sequence of fair value according to IFRS13

• Prices of assets or liabilities in markets similar to active markets.

• Prices of assets or liabilities similar to the asset in inactive markets.

• Other unquoted prices of assets and liabilities that can be accessed through various means, including interest rates and yield rates.

Level 3 inputs
Level 3 inputs rely on unobservable inputs that are no available in the market. Rather, the entity develops the fair value based on available information and by considering the nature of the asset, liabilities, and market participants, aiming to develop a fair value characterized by fairness.

Level 2 inputs
The inputs at this level can be observed or derived for the asset or liability either directly or indirectly.

Level 1 inputs
The level 1 inputs for fair value are the prices quoted in active markets for identical assets or liabilities that the entity can access at the measurement date. The quoted price in an active market provides the most reliable evidence of fair value, as it is used in this case to measure fair value without adjustment except in certain circumstances.

Source: Prepared by the researcher based on Mohammed Abu Nassar, Jumaa Hmiedat, International Accounting and Financial Reporting Standards, Theoretical and Practical Aspects, Amman, Jordan, 3rd edition, 2016, p. 828.

The above figure illustrates that the hierarchical sequence of fair value, as presented in the US accounting standard FAS157, prioritizes the source of information used in fair value measurements into three levels:

- **Level 1** (inputs that can be observed directly from prices quoted in active markets);
- **Level 2** (inputs that can be observed indirectly from quoted prices for similar items in active markets, and for similar items in inactive markets or other relevant market data);
- **Level 3** (unobservable and robustly inputs that are created). Consideration of the significance of fair value accounting. (Enrico, Pucci, Tutino, & Di marcantonio, 2012, p. 24)

2.4 Inputs for fair value measurement: The International Financial Reporting Standard IFRS 13 has presented three inputs that can be used to measure fair value, which are (Elmoussoui, 2016, p. 17).

2.4.1Market Approach: Using appropriate prices and other relevant information from market transactions related to similar or comparable assets or liabilities.

2.4.2 Income Approach: Converting future amounts (such as cash flow or income) into a present amount (by discounting).

2.4.3 Cost Approach: The current amount needed to replace the utility of the asset, commonly referred to as the current replacement cost, which differs from

the actual cost. Suitable valuation methods are used based on the available data, and sometimes more than one method is used, such as simultaneously using the market approach and the income approach to evaluate a facility.

2.5.Rationales for transitioning to fair value measurement: The reasons for moving towards fair value from historical cost are as follows (Loubna, 2020, pp. 293-294):

- The most important reason for the transition to fair value is the suitability of financial information for financial statement users. Fair market value is more suitable for financial statement users than cost;

 - The International Accounting Standards Board is linked to the Securities and Exchange Commission, which seeks accounting standards that provide more appropriate information and are aligned with the state of the economy;

 - Investors and creditors desire greater importance on reliability for making sound decisions;

- It helps improve the financial analysis process by providing ratios that reflect the actual situation of the economic entity;

- It provides users with useful information for decision-making;

 - It prioritizes the qualitative characteristics that should be present in accounting information. - All of these alternatives and other new measurement alternatives brought by international accounting standards are available to modernize and develop accounting measurement alternatives.

Based on the above, it can be said that the use of fair value has come to address the shortcomings of historical cost, as it is no longer able to provide suitable information for decision-making, and has been unable to accurately represent the financial position of the entity.

3.The Algerian accounting environment and obstacles to implementing fair value accounting

After the implementation of the financial accounting system and the significant changes it brought in the field of accounting measurement, adopting the concept of fair value, its implementation in the Algerian environment faced a set of obstacles

3.1. Financial accounting system

 According to Article 3 of Law No. 07-11 dated November 25, 2007, the concept of the financial accounting system is defined as "a financial accounting system for organizing financial information that allows for the storage, classification, evaluation, recording, and presentation of statements reflecting a true and fair view of the financial position, assets, and results of the entity, as

well as the status of its treasury at the end of the financial year" (Algerian Official Gazette Issue N°74, 2007, p. 3).

The financial accounting system is characterized by four new fundamental developments (Yidir, 2015, p. 31):

- Adoption of the international approach that approximates Algerian accounting practice with global application, allowing for accounting to operate with a conceptual basis and principles that are more adaptable to the new economy and the production of detailed information.

- Clarification of the principles and rules that should govern accounting practice, especially in recording and evaluating transactions, preparing financial statements, and limiting the risks of intentional and unintentional interference through manual intervention in the rules, as well as facilitating account auditing.

- Meeting the current or potential needs of investors who possess financial information about institutions, providing coordinated, readable information that allows for comparison and decision-making.

- The possibility for small entities to implement a simplified accounting-based information system

3.2.Professional Accounting Organizations

The profession of accounting and auditing is overseen by a group of professional organizations, including: (Slimane & Ben Oudina, 2017, p. 733)

- The National Organization for Certified Public Accountants, Accountants, and Certified Accountants.
- The National Union Council for Professional Members.
- The National Accounting Council.

3.3.Fair Value Accounting in the Algerian Financial Accounting System

The financial accounting system in Algeria has adopted fair value accounting, commonly referred to as "true value," which was mentioned in the second section of the first chapter "Rules for the Evaluation of Assets, Liabilities, Charges, and Products and Their Inclusion in the Accounts." It defined fair value as "the amount for which an asset or liability can be exchanged between knowledgeable, willing, and unrelated parties under ordinary competitive conditions" (Official Gazette of the People's, 2009, p. 87).

The financial accounting system generally relies on historical cost as a tool for accounting measurement. However, for a more accurate assessment of certain assets, under specific conditions, an alternative treatment is allowed, which involves measurement at fair value, commonly referred to as the true value. Nevertheless, its implementation in the Algerian accounting environment has faced difficulties and obstacles.

3.4. The obstacles and difficulties of implementing fair value accounting in the Algerian accounting environment

Despite the availability of fair value measurement standards in the financial accounting system used in the Algerian accounting environment, its implementation has faced numerous obstacles and difficulties, summarized as follows:

- Weak readiness of Algerian institutions to implement SCF: Lack of accounting awareness in many of these institutions; and failure to change accounting information systems to those capable of accompanying the transition to international accounting standards and financial information, in addition to a shortage of the necessary qualification and training to implement the financial accounting system; (Korichi, 2019, p. 50)

- **Difficulty in determining the fair value of tangible and intangible fixed assets**: as determining the fair value requires the presence of active markets under normal competition, with both the seller and the buyer having sufficient information about the transaction between them, and this does not align with the situation in some markets of these assets in Algeria, such as the real estate market, which operates under monopolistic competition where the seller controls the value of the properties; (kouadri, 2020, p. 348)

- The weakness of the Algerian stock exchange: Despite the great importance and numerous efforts made to develop the securities market in Algeria, it is characterized by a lack of diversity and multiplicity of securities, which hinders the evaluation of all financial instruments at fair value. Due to its recent establishment, the available information about the traded financial instruments remains limited and does not meet the needs of the traders, being restricted to the reports and financial statements presented by the companies listed on the exchange. Therefore, the information system provided by the securities market in Algeria remains weak and requires a lot of work and effort to meet all the market's requirements; (Routel, 2021, p. 556)

- Conflict of applying fair value with tax law: Practically, the issuance of a tax provision allowing valuation based on fair value is assumed. However, there has been some reservation from the tax administration regarding this matter, perhaps due to its perceived significant threat to tax revenues. The administration does not recognize the method of calculating depreciations other than the prescribed method, especially concerning financial assets; (Zergoun & Fares, 2016, p. 7)

In addition, some of the obstacles and problems in applying fair value in the Algerian environment can be summarized as follows: (Zaim & Daden., 2016, pp. 91-93)

- Difficulty in abandoning the historical cost basis due to its ease of application and familiarity.

- Conflict of the concept of fair value with fundamental principles entrenched in the professionals' minds such as prudence, caution, and historical cost;

- Problems and errors in translating foreign terms from international standards into the national language and misunderstanding them in the correct sense as stated in the original standards;

 - Delay in issuing interpretative guidance notes on how to assess fair value and the methods to achieve it;

 - Lack of governance in institutions, lack of transparency and disclosure;

- Lack of ethical controls in the accounting profession;

The current Algerian accounting environment is unstable and requires a lot of changes in the methods related to accounting practices in economic institutions.

4. Field study: the field study is divided into the following:

4.1. The study population consists of professionals and academics in the accounting field, or related disciplines.

4.2. Distributed Surveys

Total distributed surveys: 240 forms.

Returned surveys: 222 form.

Processed surveys: 222 form.

4.3. The study sample consists of academics and professionals as follows:

- University professors in the field of accounting

 - Accounting experts, financial controllers, and certified accountants

 - Executives employed in the field of accounting and finance in economic institutions, including both the public and private sectors.

4.4. Data Collection Methods: The questionnaire survey method was used to collect the necessary data for the field study.

4.5. The statistical processing used: The questionnaire was processed using the Statistical Package for the Social Sciences (SPSS) software, using two types of methods.

4.6. Descriptive statistical methods: To measure the general direction of the study axes, the following were used:

 - Frequency distribution of responses,

- Mean to determine the level of variables,

 - Relative standard deviation to assess the extent of dispersion of values around their means.

4.7. Inferential statistical methods: The following tests were used:

- Cronbach's alpha to assess the reliability of the questionnaire,

- Multiple regressions to determine the significance of the regression, hypothesis testing, and extraction of the study model.

4.8. Statistical analysis of questionnaires: The statistical analysis of the questionnaires relied on testing reliability, demographic characteristics of the sample, analysis of respondents' opinions, and finally hypothesis testing

4.8.1. Reliability Test: To measure the reliability of the questionnaire, Cronbach's Alpha coefficient was calculated using the SPSS program, where the results indicated a high Cronbach's Alpha coefficient for the entire questionnaire (0.875), which is a significant reliability ratio and can be relied upon to achieve the study's objectives and ensure the stability of the resulting conclusions.

The researchers will use the Likert pentagon scale to analyze the field-collected data, which operates based on the criteria outlined in the following table:

Table (01): Estimated Likert Pentagonal Scale

Range	1.80-1	2.60-1.81	3.40-2.61	4.20-3.41	5-4.21
Approval rating	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Level	Low		Medium	High	

Resource: prepared by the researcher

The length of the class represents each answer according to the following relationship: Class length = range / number of classes

4.8.2. The demographic characteristics of the research sample: can be illustrated through the following table:

Table (02): Respondent Category Data

Variable	Category	Number	%	Variable	Category	Number	%
Educational Calification	Bachelors Degree	112	50.50	Position	Professor	55	24.80
	Master	42	18.90		Expert accountant	10	4.50
	Master's degree	9	4.00		Accountant governor	58	26.10
	Doctorate	59	26.60		Certified accountant	7	3.20
Professional experience	Less than 5 years	49	22.10		Accountant manager	84	37.80
	From 5 to 10 years	75	33.80		Finance and accounting manager	8	3.60
	More than 10 years	98	44.10	Sector	Public	98	44.15
					Private	124	55.85

Source : complied by the researcher based on the outputs of the SPSS program

Through the table, it is evident that the majority of the sample is holders of a license's degree, while the majority of the study sample profession as accountants. The professional experience of the study sample, where the majority has more than 10 years of experience, is the highest percentage among the study sample, most of who are from the private sector. In general, it can be said that there is diversity in the demographic characteristics of the study sample, which would provide insight and comprehensive understanding of all aspects related to fair value and the Algerian accounting environment.

4.8.3.1. The extent to which there are sufficient justifications to enhance the adoption of fair value accounting measurement instead of historical cost

To assess the extent to which there are sufficient justifications to enhance the adoption of fair value accounting measurement instead of historical cost, six (06) key paragraphs have been included as outlined in the following table:

Table (03): Analysis of respondents' opinions on the first axis paragraphs

Sections		Answers					mean	Standard deviation	opinion
		Strongl-y agree	Agree	Neutral	disagree	Strongly disagree			
The historical cost accounting measurement is valid at the time of the event, after which the information provided becomes historical data.	Repetition	29	137	25	23	8	3.7027	0.9474	agree
	%	13.1	61.7	11.3	10.3	3.6			
Under historical cost, we encounter difficulty in comparing financial periods due to changes in economic indicators (inflation, interest rates)	repetition	47	141	19	11	4	3.9730	0.8123.	agree
	%	21.2	63.5	8.6	5	1.8			
Information prepared according to historical cost is distant from reality, affecting its credibility.	repetition	42	95	48	32	5	3.6171	1.0211	agree
	%	18.9	42.8	21.6	14.4	2.3			
Measurement at fair value produces more dynamically powerful information compared to historical cost measurement.	Repetition	51	140	24	4	3	4.0450	0.7293	agree
	%	23.0	63.1	10.8	1.8	1.3			
Fair value works to reconcile economic values with accounting values by taking into consideration prevailing economic conditions when preparing financial statements	Repetition	43	146	24	6	3	3.9910	0.7306	agree
	Percentage %	19.4	65.8	10.8	2.7	1.3			
The Financial Accounting System's license to evaluate a	Repetition	33	132	38	12	7	3.7748	0.8789	agree

number of elements at fair value encourages its application.	%	14.9	59.5	17.1	5.4	3.2			
The extent to which there are sufficient justifications to enhance the adoption of fair value accounting measurement instead of historical cost							**3.8506**	**0.5642**	**agree**

Source: complied by the researcher based on the outputs of the SPSS program

Based on the table above, it is evident that the sample individuals agree that there are sufficient justifications to enhance the adoption of fair value accounting instead of historical cost. The total mean average was 3.8506 with a standard deviation of 0.5642, which is low, indicating that the sample responses do not deviate significantly from the mean average. The mean average falls within the range of 3.41 to 4.20, placing it in the fourth category of the Likert scale, i.e., "Agree," indicating that the sample individuals consider there are sufficient justifications to enhance the adoption of fair value accounting instead of historical cost.

4.8.3.2. The extent of obstacles facing the application of fair value in the Algerian accounting environment: To assess the extent of obstacles facing the application of fair value in the Algerian accounting environment, ten (10) key sections have been listed as shown in the following table:

Table No. (04) Results of the study sample's opinions regarding the obstacles facing the application of fair value in the Algerian accounting environment.

Sections		Answers					mean	Standard deviation	opinion
		Strongl-y agree	Agree	Neutral	disagree	Strongly disagree			
The lack of an active financial market in Algeria was a hindrance to the application of fair value and had a negative impact on disclosure in important financial information for the decisions of financial statements users.	Repetition	65	135	11	8	3	4.1306	0.7705.	agree
	%	29.3	60.8	5	3.6	1.3			
The lack of an active financial market in Algeria was a hindrance to the application of fair value and had a negative impact on disclosure in important financial information for the decisions of financial statements users.	repetition	66	135	16	3	2	4.1712	0.6909	agree
	%	29.7	60.8	7.3	1.3	0.9			
Practitioners of accounting in Algeria do not have a clear understanding of the concept of fair value.	repetition	47	90	52	29	4	3.6622	1.0105	agree
	%	21.2	40.5	23.4	13.1	1.8			
The economic environment in Algeria is	Repetition	56	111	32	19	4	3.8829	0.9440	agree

not ready for the implementation of fair value accounting.	%	25.2	50	14.4	8.6	1.8			
The Algerian accounting authorities' failure to adopt a clear framework for fair value accounting makes it difficult to implement.	Repetition	63	122	23	14	0	4.0541	0.7997	agree
	%	28.4	54.9	10.4	6.3	0			
The lack of updating and adapting the financial accounting system to the developments of international accounting standards makes it difficult to apply fair value in Algerian institutions.	Repetition	62	119	25	16	0	4.0225	0.8263	agree
	%	27.9	53.6	11.3	7.2	0			
The absence of a legal conceptual framework to clarify the tax implications when transitioning from historical cost to fair value measurement of financial statement items.	Repetition	58	107	48	8	1	3.9595	0.8146	agree
	%	26.1	48.2	21.6	3.6	0.5			
The absence of qualified human resources to implement fair value principles in the Algerian accounting environment makes it difficult to apply them.	Repetition	61	100	34	27	0	3.8784	0.9506	agree
	%	27.5	45	15.3	12.2	0			
The non-mandatory of the Algerian legislative requirement to use fair value as the basis of accounting measurement limits its use	Repetition	49	132	26	14	1	3.9640	0.7951	agree
	%	22.1	59.4	11.7	6.3	0.5			
Preparing and presenting financial statements based on fair value require a long time period, which may result in delayed delivery of financial information to users	Repetition	32	110	59	20	1	3.6847	0.8453	agree
	%	14.4	49.5	26.6	9	0.5			
Constraints and obstacles facing the application of fair value in the Algerian accounting environment.							**3.9410**	**0.5412**	**agree**

Source: complied by the researcher based on the outputs of the SPSS program

Based on the above table, it is evident that the majority of the study sample participants agree on the existence of obstacles facing the application of fair value in the Algerian accounting environment, as the arithmetic mean of the sample individuals' opinions on the phrases reached 3.9410, which is approximately 4 degrees, with a standard deviation of (0.5412). This indicates the stability of the study sample's responses and their lack of dispersion. The mean corresponding to this dimension falls within the fourth category of Likert scale within the range (3.41-4.20), representing the attribute of agreement

4.9. Testing hypotheses

Testing the first hypothesis

The hypothesis states: "There are sufficient rationales to enhance the adoption of fair value accounting measurement instead of historical cost."

The null hypothesis: "There are not sufficient rationales to enhance the adoption of fair value accounting measurement instead of historical cost." H0: Sig>0.05

The alternative hypothesis: "There are sufficient rationales to enhance the adoption of fair value accounting measurement instead of historical cost." H1: Sig<0.05

The results of the t-test for the first hypothesis are shown in the following table:

Table (05) Results of T-test for the responses of the sample individuals related to the first hypothesis.

Hypothesis text	The mean	Standard Deviation	Freedon index	Calculated T value	Morale Levels
There are sufficient rationales to enhance the adoption of fair value accounting measurement instead of historical cost.	3.8506	0.5642	221	22.463	0.000

Source: compiled by the researcher based on the outputs of the SPSS program

Based on the table above, it is evident that the level of statistical significance (sig) for all study variables was 0.000, which is lower than the significance level used in this study, set at 0.05. This indicates the significance of the difference between the calculated mean of the study sample responses, estimated at 3.8506, and the established mean in this study, estimated at 3. Therefore, the difference between the estimated value and the true value of the mean of the sample responses is statistically significant at a significance level of (sig=0.05). Additionally, the total difference coefficient for the sample responses was 14.65%. This indicates that the sample responses are consistent with the statements of the first hypothesis testing axis.

As observed from the table, the calculated T value was 22.463, which is greater than the tabular T value of 1.96 at 221 degrees of freedom. The statistical significance level (sig=0.000) was lower than the standard significance level (sig=0.05). Consequently, the null hypothesis (H0) was rejected, and the alternative hypothesis (H1) was accepted.

Based on the above test results, the first hypothesis, which states that **there are sufficient rationales to enhance the adoption of fair value accounting instead of historical cost**, was accepted.

Testing second hypothesis

The hypothesis states: "There are obstacles facing the application of fair value in the Algerian accounting environment".

The null hypothesis: "There are no obstacles facing the application of fair value in the Algerian accounting environment." H0: Sig > 0.05

The alternative hypothesis: "There are obstacles facing the application of fair value in the Algerian accounting environment." H1: Sig < 0.05 the results of the t-test for the alternative hypothesis are shown in the following table:

Table number (06): Results of the t-test for the responses of the sample individuals related to the alternative hypothesis

Hypothesis text	The mean	Standard Deviation	Freedon index	Calculated T value	Morale Levels
There are sufficient rationales to enhance the adoption of fair value accounting measurement instead of historical cost.	3.9410	0.5742	221	24.419	0.000

Source: compiled by the researcher based on the outputs of the SPSS program

Based on the table above, it is clear that the level of statistical significance (sig) for all study variables was 0.000, which is less than the significance level adopted in this study of 0.05. This indicates the significance of the difference between the calculated mean of the study sample's responses, which was estimated at 3.9410, and the adopted mean in this study estimated at 3. Thus, the difference between the adopted value and the true value of the mean of the sample's responses is statistically significant at a significance level (sig=0.05). Additionally, the total difference factor for the sample's responses was 14.57%, indicating that the sample's responses are consistent with the hypotheses testing axis

As we can observe from the table, the calculated T value for the second hypothesis reached 19.235, which is significantly larger than the tabulated T value of 1.96 at 221 degrees of freedom. This is due to the statistical significance level (sig=0.000) being lower than the standard significance level (sig=0.05). Consequently, the null hypothesis H0 was rejected, and the alternative hypothesis H1 was accepted.

Based on the above test results, the second hypothesis, which states "There are obstacles facing the application of fair value in the Algerian accounting environment," was accepted.

5.Conclusion

It is evident from this study that the implementation of fair value in the Algerian accounting environment is influenced by a set of institutional factors (economic, professional, and legal)

5.1.The study results can be summarized in the following key points:

1-The study sample is distinguished by the inclusion of a large number of professionals practicing in the field, whether in institutions or accredited offices, representing the majority of the sample at 73.40%, indicating that most of the study sample are familiar with the application of fair value in the Algerian environment compared to academic professors at a rate of 26.60%;

2-the total individuals in the sample with over 5 years of experience constitute 77.90% of the total, with 173 individuals possessing sufficient experience in applying the study topic, thus ensuring the reliability of the obtained result;

3-the study sample boasts a high educational level, qualifying them to represent the community and respond to the questionnaire, especially as the distribution of educational qualifications within the sample includes a considerable percentage of holders of higher degrees (master's, doctorate) at 30.6% ;

4-the majority of the study sample have a vision based on the necessity of transitioning to fair value accounting rather than historical cost;

There are several difficulties regarding the implementation of fair value in Algerian economic institutions, such as the absence of an active financial market, challenges in the inclusion and evaluation of certain assets and liabilities according to fair value, and the lack of a role for tax legislation in clarifying the tax implications when measuring financial statement items at fair value.

5.2. Research suggestions

Among the research suggestions our study has reached are:

- The necessity of revitalizing the financial market in Algeria in line with implementing fair value.

- Working on improving the economic, professional, and legal environment by activating factors that affect the application of fair value.

- The necessity of activating the role of national accounting organizations to facilitate the implementation of fair value.

- The need to update accounting laws in line with international accounting developments to advance the accounting profession, particularly in the field of fair value implementation.

- Keeping pace with all developments in fair value concepts by the National Council of Accounting through holding training courses on fair value application within the financial accounting system.

- Activating the role of accounting education in accordance with international accounting standards

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