

**An-Najah National University
Faculty of Graduate Studies**

**Value Relevance of IFRS13 Fair
Value Hierarchy Information in
Palestinian Financial Institutions**

**By
Tala Bilal Jamal**

**Supervised by
Dr. Ghassan Daas**

**This Thesis is Submitted in Partial Fulfillment of the
Requirements for the Degree of Master of Accounting,
Faculty of Graduate Studies, at An-Najah National
University, Nablus, Palestine.**

2018

Value Relevance of IFRS13 Fair Value Hierarchy Information in Palestinian Financial Institutions

**By
Tala Bilal Jamal**

This thesis was defended successfully on 16/05/2018 and approved by:

Defense Committee Members

Signature

1- Dr. Gahassan Daas / Supervisor



2- Dr. Raed Saed / External Examiner



3- Dr. Sameh Atout / Internal Examiner



Acknowledgment

“Always remember people who have helped you along the way, and don’t forget to lift someone up.”

Roy T. Bennett

I would like to thank my parents, who taught me to believe in Allah, to keep imaan and never give up, who have always supported me and believed in my inner strength. I would also like to thank my brother, who has always encouraged me and stood by my side. And never forget to thank my doctors and teachers, who guided me and walked by my side since the very beginning of my educational life.

أنا الموقعة أدناه مقدمة الرسالة التي تحمل عنوان:

ملاءمة القيمة العادلة وفق هيكلية المعلومات لمعيار التقارير
المالية الدولية رقم 13 في المؤسسات المالية الفلسطينية

Value Relevance of IFRS13 Fair Value Hierarchy Information in Palestinian Financial Institutions

أقر بأن ما اشتملت عليه الرسالة انما هو نتاج جهدي الخاص باستثناء ما تمت الإشارة
اليه حيثما ورد وأن هذه الرسالة ككل أو أي جزء منها لم يقدم من قبل لنيل أي درجة علمية أو
بحث علمي لدى أي مؤسسة تعليمية أو بحثية أخرى.

Declaration

The work provided in this thesis, unless otherwise referenced, is the
researcher's own work, and has not been submitted elsewhere for any other
degree or qualification.

Student's Name:

Tala Bilal Jamal

اسم الطالبة:

Signature:

.....تالا جمال.....

التوقيع:

Date:

16/05/2018

التاريخ:

Table of Contents

Subject	Page
Defense Committee Members	ii
Acknowledgement	iii
Declaration	iv
Table of Content	v
List of Tables	vii
Abstract	viii
Chapter One	1
Introduction	1
Research Questions	3
Research objectives	4
Research Significance	4
Research Hypotheses	4
Research Methodology	5
Research Variables	6
Research population	7
Chapter Two: Literature Review	9
History of Fair Value Standards Development	9
Fair Value Definitions	12
Fair Value related Definitions (IFRS 13, Appendix A)	13
Fair Value Disclosures	14
Fair Value Hierarchy	18
Qualitative Characteristics of Accounting Information	25
Value Relevance of Fair Value	27
Value Relevance of Fair Value Hierarchy	29
The Palestinian Financial Sector	33
Overall View to Palestinian Banking Sector	33
Overall View to Palestinian Insurance Sector	35
Applying International Financial Reporting Standards in Palestine	36
Chapter Three: Research Methodology	39
Introduction	39
Research strategy	39
Research approach	40
Research Hypotheses	41
Research population	41
Statistical processing	43
Research Variables	43
Descriptive Statistics	45

Subject	Page
Empirical Model	46
Quantitative Approach	47
Regression analysis	48
Chapter Four: The result and discussion	52
Hypothesis testing	52
Chapter Five: Conclusions and Recommendations	58
Conclusions	58
Recommendations	60
References	62
المخلص	ب

List of Tables

Table No.	Title	Page
Table (1)	Key research's variables	43
Table (2)	Means of the research variables in the Palestine exchange during the period 2011-2016	45
Table (3)	Mean values of the test variables (per share basis) during the period 2011-2016	46
Table (4)	The result of the (logarithm Regression) analysis of investigating the value relevance of the fair value hierarchy	53
Table (5)	The result of the (logarithm Regression) analysis of effect of fair value hierarchy	56

**Value Relevance of IFRS13 Fair
Value Hierarchy Information in
Palestinian Financial Institutions**

By

Tala Bilal Jamal

Supervised by

Dr. Ghassan Daas

Abstract

This research aims to study whether fair value hierarchy affects value relevance of Palestinian portfolios, especially level three, due to unobservable inputs use on it. To achieve this goal and to answer the research questions, the researcher used regression model which mainly includes fair value levels as independent variables, and stocks price, for those companies have portfolios, as a dependent variable. The targeted population is the Palestinian financial organizations (13 institutions) that include portfolios under Palestine Exchange (PEX) from period 2011 to 2016 which is the most recent period. The research results showed that the fair value hierarchy significantly affects the relevance and reliability of information presented to the investor's, the fair value level 3 assets are significantly priced higher than level 1 and 2 fair value assets. Finally, level 3 gains do not reduce investors' pricing of Level 3 asset, due to the investors' trust in entities' information, since it is audited and disclosed in the financial reports in accordance with the requirements of standards. This research recommended to improve Palestinian Capital Market, to restore investor's trust, maintain management transparency and governance, increase investor's awareness of the fair value and conduct additional research to be carried out to gain a continuous view, knowledge, and insight of value relevance of IFRS 13 fair

value hierarchy information in Palestinian institutions.

Keywords: fair value, fair value hierarchy, value relevance, Palestinian companies, IFRS 13.

Chapter One

Introduction

Accounting measurement is a critical and controversial topic in preparing financial reports. Over 80 years ago, intellectuals and researchers adopted various methods to measure the elements of financial statements; historical cost and fair value were the methods most widely used (Christensen & Nikolaev, 2013, p.1-2; Majercakova & Skoda, 2015, p. 17).

Holzman & Robinson (2004, p. 1) found a historical cost which is may be the most reliable and objective measurement tool; however, not the most relevant one. Landsman (2007, p. 6) pointed out that fair value is more informative if it is compared with historical cost. FASB and IASB have outweighed relevance over reliability which lead boards to issue special standards for fair value (Christensen & Nikolaev, 2013, p. 7).

Fair value was gradually developed by accounting standard setters. For example, Financial Accounting Standard Board (FASB) was the first to use it through issuing related standards like: SFAS107, SFAS115, and SFAS113 (Jones & Stanwick, 1999, p. 2). In September 2006, the board issued SFAS157 which became a single source for other SFAS that use fair value (Board, 2007, p. 5).

The International Accounting Standard Board (IASB) proceeded a similar path to FASB in developing fair value by issuing IAS 32, and IAS39 (Jones & Stanwick, 1999, p. 4). In May 2012, IASB issued IFRS13 under the

title of *Fair Value Measurement*. One of the most important purposes of IFRS13 is to improve consistency and reduce complexity in fair value applications, in addition to enhancing disclosures to enable users of financial reports from making decisions. As a result, IASB developed fair value hierarchy. This hierarchy includes three levels of inputs: level one which depends on quoted prices in an active market; level two which depends on inputs other than quoted prices used in level one that are observable for assets and liabilities; and level three which includes unobservable inputs for the assets and liabilities (Picker et al., 2012, pp. 68-69).

In 2007, all Palestinian listed companies under Palestine Exchange were required to prepare their financial statements according to IFRS which confirms that PEX is committed to their vision statement to enhance the secure trading environment, by following the best standards used all around the world (Abu Dieh, 2015, p. 17).

In 2010, The World Bank studied whether the financial reports of 11 Palestinian listed companies was compatible with IFRS to find a high degree of compliance with IFRS among them (Abu Dieh, 2015, p. 17). Abu Mutair & Alnairab (2012, p. 83) emphasized the importance of financial information amongst investors and its effect on their decisions. Also, Abu Dieh (2015, p. 76) found that using IFRS enhances accounting information quality.

In 2008, Palestinian listed companies used IAS39 *Financial Instruments: Recognition and Measurement*, in order to have advantages like: improving

user's decision quality, increasing efficiency of financial statements, recording transactions in more effective way, and classifying financial instruments in an organized manner (Al-Helw, 2009, p. 80)

Moreover, measuring portfolio by fair value according to IAS 39, lead to the improvement of the financial performance of the majority of Palestinian companies, and enhanced investors' trust (Younis, 2011, p. 110).

Thus, this research aims to study whether fair value hierarchy affects value relevance of measuring Palestinian portfolios, especially level three, due to unobservable inputs use on it, and answer the following question: does fair value hierarchy enhance the information qualities in regards of either relevance or reliability (value relevance) used in measuring portfolios under Palestinian financial institutions?

To achieve this goal and answer the research questions, the researcher used regression model which mainly includes fair value levels as independent variables, and stocks price, for those companies have portfolios, as a dependent variable.

Research Questions

This research attempts to answer the following questions:

- 1- Does fair value hierarchy under IFRS 13 affect the value relevance of Palestinian portfolios in financial institutions?

- 2- Does fair value level three have negative effect on the value relevance of Palestinian portfolios in financial institutions?

Research objectives

This research aims to investigate whether fair value hierarchy will affect the value relevance of Palestinian financial institutions' portfolios, and focus on level three, due to unobservable inputs use on it. Previous objectives seek to enable users to make their decision in efficient and effective manner, and provide companies with suitable indicator that helps them determine whether information is presented in high quality.

Research Significance

Portfolios represent 24% of net assets of Palestinian financial institutions listed under PEX (18% for banks and 6% for insurance companies). Thus this research is important for both investors who make decisions based on financial reports, and for companies which seek to measure, recognize and disclose their information according to the best standards used, IFRS, in Palestine case.

Research Hypotheses

This research tests the following hypotheses, in order to answer the research questions.

1. The first hypothesis tests the value relevance of fair value hierarchy by studying the effect of all levels on the stock price (value

relevance) as follows:

H0: Investors pricing of Levels 1, 2, and 3 asset estimates is the same across different market conditions in all Palestinian financial institutions.

2. The second hypothesis investigates the effect of fair value hierarchy, especially level 3, on stock price (value relevance):

H0: Level 3 gains reduce investors' pricing of Level 3 asset estimates.

Research Methodology

Various methodologies have been used through related researches and articles. Barth was one of the first researchers who adopted the value relevance approach (Barth, Beaver, & Landsman, 2000, p. 9) which is based on studying how stocks prices reflect relevance and reliability of fair value (Barth, 1994, p. 1). Song, Thomas, & Yai (2010, p. 1388), Goh, Li, Ng, & Yong (2015, p. 9) and others were interested in studying the relevance value of fair value hierarchy by using the following methodology.

This regression used to test the first hypothesis which aims to investigate the value relevance of fair value hierarchy.

$$\text{Price}_{i,t} = b_0 + b_1\text{FVA}_{1i,t} + b_2\text{FVA}_{2i,t} + b_3\text{FVA}_{3i,t} + b_4\text{NFVA}_{i,t} + b_5\text{NFVLI}_{i,t} + b_6\text{FVL}_{12i,t} + b_7\text{FVL}_{3i,t} + b_8\text{EPS}_{i,t} + e_{i,t}$$

The second regression investigates the effect of fair value hierarchy, especially level 3, on stock price (value relevance):

$$\text{Price}_{i,t} = b_0 + c_1\text{FVA1}_{i,t} + c_2\text{FVA2}_{i,t} + c_3\text{FVA3}_{i,t} + c_4\text{NFVLI}_{i,t} + c_5\text{FVL12}_{i,t} + c_6\text{FVL3}_{i,t} + c_7\text{LVL3GAINS}_{i,t} + c_8\text{LVL3GAINS} * \text{FVA3}_{i,t} + e_{i,t}$$

Research Variables

To understand the previous regressions, the researcher depends on literatures review, to define variables as follows:

Variable	Definition	Measured by
Price	The close stock price immediately after financial reporting.	The close stock price immediately after financial reporting that is addressed in Palestine exchange (Goh et al., 2015, p. 9 ; Song et al., 2010, p. 1388)
B0	The portion of other unmeasured independent variables.	Run the regression model (Goh et al., 2015, p. 9).
FVA1(FVA2, FVA3)	Net assets that are classified in level 1 (level 2, and level 3)	Net assets that are disclosed In financial notes and presented in financial statement (Goh et al., p.6, 2015; Song et al., 2010, pp. 1387-1390).
FVA	Net assets fair value	Summing FVA1, 2, and 3 (Song et al., 2010, pp. 1387- 1390).
Book value of equity (net assets)	Amount is theoretically Received by investors if the liabilities deducted from assets.	Book value of equity that are presented in financial statement, or book value of equity = assets - liabilities (Goh et al., 2015, p. 9).
NFVA	Net assets that are	NFVA = Book value of

	not marked at fair value.	Equity (net assets) - FAV (Goh et al., 2015, pp. 9-12).
TL	Total liability.	TL = Assets - equity It usually does not need to be calculated as it is already Available in the financial position statement (Goh et al., 2015, pp. 9-12).
FVL1, 2, and 3)	Net liability that is classified in level 1 (level 2, level 3)	Summing liabilities that classified in level 1, 2 and 3 (Goh et al., 2015, pp. 9-12).
NFVL	Net liabilities that are not marked at fair value	NFVL = TL - FVL1, 2, and 3.
FVL12	Fair value for liabilities classified in level 1 and 2	Summing FVL1, and 2 (Goh et al., 2015, p. 6 ; Song et al., 2010, p. 1388)
EPS	Earnings per share which means the portion of the company's profit that is allocated to each outstanding share of common stock.	EPS = (net income - dividends) /outstanding shares. It usually does not need to be calculate as it is already available in the income statement (Goh et al., 2015, pp. 9-12).
LVL3GAINS	Dummy variable	One for companies with level three gain, and zero for those companies without level three gain (Goh et al., 2015, p. 14).
i, t	For company i in year t.	There is no measurement tool, it represents the name of the company and the year of data which is from 2011 to 2016 (Goh et al., 2015, pp. 9-12).
b, c	Coefficients.	Run the regression model.

Research population

This research tests all financial institutions that include portfolios under Palestine Exchange (PEX) which are 13 companies. Thus, the population of

the study equals 78; that is obtained by multiplying the number of companies 13 by number of years between 2011 and 2016 (6). The data collected from companies financial reports that is addressed in the website of Palestine exchange.

Chapter Two

Literature Review

The literature is rich with several empirical studies about fair value accounting issues, (Barth, 1994; Barth et al., 1996; Bernard et al., 1995; Barth and Clinch, 1998), one of the most studied issues were the value relevance of fair value.

In this chapter, the researcher will present a combination of theoretical framework and literature review about the following topic: abridgement of history of fair value standards development, fair value definitions, fair value disclosures, fair value hierarchy, qualitative characteristics of accounting information, value relevance of fair value, value relevance of fair value hierarchy, discussion about Palestinian financial institutions and applying IFRS in Palestine.

1. History of Fair Value Standards Development

In May 1986, the Financial Accounting Standards Board (FASB) had checked the relevance and reliability of using the fair value in measuring and disclosure of financial instruments, by incorporated it into its agenda (Jones & Stanwick, 1999, p.104).

In December 1991, the board issued a related standard (SFAS) 107 under a title of Disclosures about Fair Value of Financial Instruments, which focused only on disclosure aspect other than recognition and

measurement aspects, resulted in useless standard in estimating fair value (Jones & Stanwick, 1999, p.104).

After the board had studied the deficiency of SFAS 107, the SFAS 115 was issued, accounting for Certain Investments in Debt and Equity Securities, which treats with the initial measurement of investments in marketable equity and certain debt securities, SFAS 115 requires those kind of investments to be measured and reported at fair value, as well as for any changes in fair value during subsequent periods. Furthermore, FASB had issued SFAS 119, Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments, amends Disclosures about Fair Value to separate the presentation of derivative financial instrument from non-derivative and disclose it at its fair value. Later, the board issued special standard for derivative financial instrument under name SFAS 133, Accounting and Reporting for Derivative Financial Instruments and Hedging Activities, requires all financial derivative are measured at fair value, also any Subsequent changes is happened, it should be measured at fair value . (Munter, 2000, p.87).

In March 1999, the FASB issued an Exposure Draft Using Cash Flow Information and Present Value in Accounting Measurements. The FASB states in Paragraph 19 of the proposed Concept Statements that "the Board expects to adopt fair value as the measurement attribute when applying present value techniques in the initial and fresh-start measurement of assets and liabilities". In other words, the use of present value enable

companies from capturing the economic substance, in order to its reliance on cash flow, which consider the risk and uncertainties in its calculation, that makes the present value too close to the market estimation, in the most cases the present value appears as an attempt to measure assets or liabilities at their fair value (Jones & Stanwick, 1999, p.106).

FASB adopted a new direction beyond financial instruments, which expanded the scope of fair value measurement to be involved the non-financial assets and liabilities (Jones & Stanwick, 1999, p.106).

In June 2004, the FASB had believed that there is a need for one source gives broad guidance on fair value measurements. In order to that the board issued an exposure draft (ED) Fair Value Measurements. This ED mainly aimed to provide clear definition of fair value, describe its hierarchy and valuation techniques, and illustrate how to estimate fair value.

Finally, in September 2006 the board issued statement of financial accounting standards (SAFS 157) Fair value measurement to be the basic and the reference for other standards used the fair value as a measurement mean and to enhance the consistency in its applications. Certainly Updates are made continuously (Holzmann & Robinson, 2004, p.89).

Fair value was included in several accounting standards, issued by International Accounting Standard board (IASB), such as International Accounting Standard (IAS) 39 Financial Instruments, which requires all

types of financial instrument should be measured in financial position at fair value as well as their subsequent changes.

In May 2009, the IASB issued the exposure draft Fair value measurement, which aims to achieve the same objectives of SFAS 157, furthermore to improve the ability of the users to assess the extent of using the fair value within the financial statements and to provide the users information about the inputs that used to estimate the fair value, through expanding and enhancing the disclosure of fair value. In May 2011, the board issued IFRS 13 Fair Value Measurement (Picker et al., 2012, p.66-68).

2. Fair Value Definitions

Fair value concept has been raised up from the growing number of IFRS and US GAAP established within the last twenty years (Alkababji, 2016, p.68). The fair value accounting has multiple concepts and definitions, it has been amended several times within the publications of the Financial Accounting Standards Boards in the United States (FASB) and the International Accounting Standards Board (IASB). The most important definitions given to fair value accounting are:

- Definition of the US Financial Accounting Standard Board (FASB):

Fair value accounting is recognized in FAS Standard No. 157 as follows: "The price that may be obtained as a result of the sale of an asset or the payment to settle a liability in a regular transaction between the

participants on the measurement date" (FASB, 2006, P.6).

- IFRS 13 defines fair value 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 "(i.e. the exit price).

This definition emphasizes that the fair value is a market measurement not an entity- specific one. (<http://www.ifrs.org/>).

3. Fair Value related Definitions (IFRS 13, Appendix A)

- **Active market**

A market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

- **Exit price**

The price that would be received to sell an asset or paid to transfer a liability.

- **Highest and best use**

The use of a non-financial asset by market participants that would maximize the value of the asset or the group of assets and liabilities (e.g. a business) within which the asset would be used.

- **Most advantageous market**

The market that maximizes the amount that would be received to sell the asset or minimizes the amount that would be paid to transfer the liability, after taking into account transaction costs and transport costs.

- **Principal market**

The market with the greatest volume and level of activity for the asset or liability.

4. Fair Value Disclosures

The following minimum disclosures are required for each class of assets and liabilities measured at fair value (including measurements based on fair value within the scope of this IFRS) in the statement of financial position after initial recognition: (IFRS 13, paragraph 93).

A- For recurring and non-recurring fair value measurements, the fair value measurement at the end of the reporting period, and for non-recurring fair value measurements, the reasons for the measurement. Recurring fair value measurements of assets or liabilities are those that other IFRSs require or permit in the statement of financial position at the end of each reporting period. Non-recurring fair value measurements of assets or liabilities are those that other IFRSs require or permit in the statement of financial position in particular circumstances (IFRS 13, paragraph 93(a)).

- B- For recurring and non-recurring fair value measurements, the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2 or 3) (IFRS 13, paragraph 93(b)). For assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis, the amounts of any transfers between Level 1 and Level 2 of the fair value hierarchy, the reasons for those transfers and the entity's policy for determining when transfers between levels are deemed to have occurred. Transfers into each level shall be disclosed and discussed separately from transfers out of each level (IFRS 13, paragraph 93(C), paragraph 95).
- C- For recurring and non-recurring fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation technique(s) and the inputs used in the fair value measurement. If there has been a change in valuation technique (e.g. changing from a market approach to an income approach or the use of an additional valuation technique), the entity shall disclose that change and the reason(s) for making it. For fair value measurements categorized within Level 3 of the fair value hierarchy, an entity shall provide quantitative information about the significant unobservable inputs used in the fair value measurement. An entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the entity when measuring fair value

(e.g. when an entity uses prices from prior transactions or third-party pricing information without adjustment). However, when providing this disclosure an entity can't ignore quantitative unobservable inputs that are significant to the fair value measurement and are reasonably available to the entity (IFRS 13, paragraph 93(D)).

D- For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following:

- Total gains or losses for the period recognized in profit or loss, and the line item(s) in profit or loss in which those gains or losses are recognized.
- Total gains or losses for the period recognized in other comprehensive income, and the line item(s) in other comprehensive income in which those gains or losses are recognized.
- Purchases, sales, issues and settlements (each of those types of changes disclosed separately).
- The amounts of any transfers into or out of Level 3 of the fair value hierarchy, the reasons for those transfers and the entity's policy for determining when transfers between levels are deemed to have occurred . Transfers into Level 3 shall be

disclosed and discussed separately from transfers out of Level 3. (IFRS 13, paragraph 93(e) (f), paragraph 95).

- E- For recurring and non-recurring fair value measurements categorized within Level 3 of the fair value hierarchy, a description of the valuation processes used by the entity (IFRS 13, paragraph 93(g)).
- F- For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement (IFRS 13, paragraph 93(h-1)).
- G- For financial assets and financial liabilities, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly, an entity shall state that fact and disclose the effect of those changes (IFRS 13, paragraph 93(h-2)).
- H- For recurring and non-recurring fair value measurements, if the

highest and best use of a non-financial asset differs from its current use, an entity shall disclose that fact and why the non-financial asset is being used in a manner that differs from its highest and best use (IFRS 13, paragraph 93(i))

I- An entity shall present the quantitative disclosures required by this IFRS in a tabular format unless another format is more appropriate (IFRS 13, paragraph 99).

- In the list above indicates that the disclosure is also applicable to a class of assets or liabilities which is not measured at fair value in the statement of financial position but for which the fair value is disclosed (IFRS 13, 97).

5. Fair Value Hierarchy

The fair value hierarchy determines the priority for inputs to the valuation techniques used to measure fair value. It starts with level 1 inputs (observable inputs from quoted prices in active markets) which is the level with the highest priority, going through the level 2 inputs (indirectly observable inputs from quoted prices of comparable items in active markets, identical items in inactive markets, or other market-related information), and ending up by the lowest priority of level 3 inputs (unobservable, firm-generated inputs) (Song et al., 2010; Fayerman, 2013, P.1-4).

The fair value hierarchy could be demonstrated and discussed as follows: (IFRS 13, paragraph 76-90).

Level 1: observable inputs - quoted price in active market:

- A-** Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- B-** A quoted price in an active market provides the most reliable evidence of fair value and shall be used without adjustment to measure fair value whenever available, except as specified in paragraph D.
- C-** Level 1 input will be available for many financial assets and financial liabilities, some of which might be exchanged in multiple active markets (e.g. on different exchanges). Therefore, the emphasis within Level 1 is on determining both of the following: (a) the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability.
 - (b) Whether the entity can enter into a transaction for the asset or liability at the price in that market at the measurement date.
- D-** An entity shall not make an adjustment to a Level 1 input except in the following circumstances:
 - (a) when an entity holds a large number of similar (but not identical) assets or liabilities (e.g. debt securities) that are

measured at fair value and a quoted price in an active market is available but not readily accessible for each of those assets or liabilities individually (i.e. given the large number of similar assets or liabilities held by the entity, it would be difficult to obtain pricing information for each individual asset or liability at the measurement date). In that case, as a practical expedient, an entity may measure fair value using an alternative pricing method that does not rely exclusively on quoted prices (e.g. matrix pricing). However, the use of an alternative pricing method results in a fair value measurement categorized within a lower level of the fair value hierarchy.

(b) When a quoted price in an active market does not represent fair value at the measurement date. That might be the case if, for example, significant events (such as transactions in a principal-to principal market, trades in a brokered market or announcements) take place after the close of a market but before the measurement date. An entity shall establish and consistently apply a policy for identifying those events that might affect fair value measurements. However, if the quoted price is adjusted for new information, the adjustment results in a fair value measurement categorized within a lower level of the fair value hierarchy.

(c) When measuring the fair value of a liability or an entity's own

equity instrument using the quoted price for the identical item traded as an asset in an active market and that price needs to be adjusted for factors specific to the item or the asset. If no adjustment to the quoted price of the asset is required, the result is a fair value measurement categorized within Level 1 of the fair value hierarchy. However, any adjustment to the quoted price of the asset results in a fair value measurement categorized within a lower level of the fair value hierarchy.

- E- If an entity holds a position in a single asset or liability (including a position comprising a large number of identical assets or liabilities, such as a holding of financial instruments) and the asset or liability is traded in an active market, the fair value of the asset or liability shall be measured within Level 1 as the product of the quoted price for the individual asset or liability and the quantity held by the entity. That is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Level 2: observable inputs - other than advertised price:

- A- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- B-** If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following:
- (a) Quoted prices for similar assets or liabilities in active markets.
 - (b) Quoted prices for identical or similar assets or liabilities in markets that are not active.
 - (c) Inputs other than quoted prices that are observable for the asset or liability, for example:
 - i. Interest rates and yield curves observable at commonly quoted intervals.
 - ii. Implied volatilities.
 - iii. Credit spreads.
 - (d) market-corroborated inputs.
- C-** Adjustments to Level 2 inputs will vary depending on factors specific to the asset or liability. Those factors include the following:
- (a) The condition or location of the asset.
 - (b) The extent to which inputs relate to items that are comparable to the asset or liability.
 - (c) The volume or level of activity in the markets within which the inputs are observed.

- D-** An adjustment to a Level 2 input that is significant to the entire measurement might result in a fair value measurement categorized within Level 3 of the fair value hierarchy if the adjustment uses significant unobservable inputs. 85 Paragraph B35 describes the use of Level 2 inputs for particular assets and liabilities.

Level 3: Unobservable inputs, firm-generated inputs

- A-** Level 3 inputs are unobservable inputs for the asset or liability.
- B-** Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs shall reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.
- C-** Assumptions about risk include the risk inherent in a particular valuation technique used to measure fair value (such as a pricing model) and the risk inherent in the inputs to the valuation technique. A measurement that does not include an adjustment for risk would not represent a fair value measurement if market

participants would include one when pricing the asset or liability. For example, it might be necessary to include a risk adjustment when there is significant measurement uncertainty (e.g. when there has been a significant decrease in the volume or level of activity when compared with normal market activity for the asset or liability, or similar assets or liabilities, and the entity has determined that the transaction price or quoted price does not represent fair value).

- D-** An entity shall develop unobservable inputs using the best information available in the circumstances, which might include the entity's own data. In developing unobservable inputs, an entity may begin with its own data, but it shall adjust those data if reasonably available information indicates that other market participants would use different data or there is something particular to the entity that is not available to other market participants (e.g. an entity-specific synergy). An entity need not undertake exhaustive efforts to obtain information about market participant assumptions. However, an entity shall take into account all information about market participant assumptions that is reasonably available. Unobservable inputs developed in the manner described above are considered market participant assumptions and meet the objective of a fair value measurement.

6. Qualitative Characteristics of Accounting Information

The primary objective of financial reporting is to provide the current & potential investors, lenders and other creditors with useful information about reporting entity, to enable them to make useful decision. IASB and FASB determines, in their joint conceptual framework, the qualitative characteristics of the accounting information, which aims to differentiate between the most useful information and the less useful ones, thus improve the quality of the reports accounting and provide the most convenient information in decision making processes (Beest, Braam, & Boelens, 2009).

Quantitative Characteristics include fundamental and enhancing characteristics. Fundamental Characteristics are the features that must characterize the accounting information, which are relevance and faithful representation. Enhancing Characteristics may help the user to portray the phenomenon. It includes comparability, verifiability, timeliness and understandability (IFRS, 2018, p.6).

Fundamental characteristics:

- **Relevance:**

Capability of information of making difference in user's decision. The information will be relevance, if it has either predictive value or conformity value or both (IFRS, 2018, p.6).

Relevance accounting information enables its users to (Obaidat, 2007, P.27):

1. Predict the consequences of past, present or future events.
2. Improve current expectations or change these expectations. This means that appropriate relevance information leads to a reduction in the degree of uncertainty with respect to the decision needed.
3. Enhance the decision-maker's ability to predict future expected.

- **Faithful Representation**

Faithful representation is the information must be faithful represent the phenomenon that it purport to represent. In order to have faithful representation information, three sub-characteristics also required: Complete, free from errors and neutral. Also, faithful representation is affected by level of measurement uncertainty (IFRS, 2018, P.6).

Enhancing characteristics:

- **Comparability**

Information about a reporting entity is more useful if it can be compared with a similar information about other entities and with similar information about the same entity for another period or another date. Comparability enables users to identify and understand similarities in, and differences among, items (IFRS, 2018).

- **Verifiability**

Verifiability helps to assure users that information represents faithfully the economic phenomena it purports to represent. Verifiability means that different knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation (IFRS, 2018).

- **Timeliness**

Timeliness means that information is available to decision-makers in time to be capable of influencing their decisions (IFRS, 2018).

Understandability

Classifying, characterizing and presenting information clearly and concisely makes it understandable. While some phenomena's are inherently complex and cannot be made easy to understand, to exclude such information would make financial reports incomplete and potentially misleading. Financial reports are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyze the information with diligence (IFRS, 2018).

7. Value Relevance of Fair Value

"Is fair value accounting information relevant and reliable? Evidence from capital market research" was an article written by Landsman (2007, p. 19) to investigate and review the previous researches in American and

international capital market to analyze if the current fair value standard is informative for users of financial statement or not.

Landsman (2007, p. 22) said if any researcher wants to examine the usefulness of fair value, then s/he needs to conduct whether it is useful for users. Furthermore, he provided an example for the FASB deliberation about the relevance and reliability of SAFS No. 107, *Disclosures about Fair Value of Financial Instruments*. FASB determined the relevance by the incremental benefit of fair value to the various users relative to what have been already presented in financial statement. They also determined the reliability by whether the fair value estimation would be disclosed easily or not.

Many researchers disagree that the FASB research Technique. One of them was Barth (1994, p. 1) who adopted the value relevance approach which is based on studying how stocks prices reflect relevance and reliability of fair value. He conducted a series of researches on a US banks sample from 1971-1996, and each research confirmed the result of the previous research. The first research found that there is an incremental association between using the fair value in investment securities in US banks and their share price; however, there is ambiguous finding on the degree effect the unrealized gain or loss on the powerful of information which was provided by fair value, due to the measurement error found on estimating fair value. Also he found high volatility of fair value information compared to the data was prepared according to historical cost basis. So, Barth and others confirmed that fair

value is more information compatible with historical cost because it based on interest rate and information risk. He also pointed out that investors discount fair value when it is used in less healthy companies (Landsman, 2007, pp. 22-23).

Furthermore, Holzmann & Robinson (2004, p. 73) wrote an article under the name of *Fair Value Measurement* which claimed that the historical cost may be the most reliable and objective measurement tool, but not the most relevant one. In addition, the writers of the article conducted a survey and found that sixty seven percent of portfolio managers and securities analysts use fair value as a measurement tool, versus forty five percent for historical cost amounts. Additionally IASB and FASB have outweighed the relevance over the reliability, wherefore both boards have used fair value in their standards and issued special standard for using it (Christensen & Nikolaev, 2013, p. 8).

In contrast, there are many other writers who pointed out that there is no association between relevance value of fair value and bonds; however, value relevance has a positive relation with equity and purchased securities. Moreover, there is no association between relevance value and loans except long term bond (Majercakova & Skoda, 2015, p. 10). As a result, the relevance value of fair value depends on the nature of the subject, and the source of information.

As for international research, Landsman (2007, p. 6) found that various studies have recommended using fair value either in the recognition or

disclosure of tangible fixed assets. Those studies have emphasized the power of using fair value as informative tool depending on its positive association with share price although it usually classifies it third level of fair value hierarchy, due to management judgment used on it.

Consequently, to avoid losing investor's confidence, studies had looked into how the company should conduct this type of judgment. Barth & Clinch (1998, pp. 330-331) have found that an independent person should reevaluate the fixed assets rather than internal one. In contrast Landsman (2007, p. 24) found that the management has good knowledge about their assets which averts personal interest and provides a reliable judgment.

Indeed, Blanck, Sellers, & Manly (1998, pp. 1314-1316) have tested the relationship between revaluation under fair value and historical cost with earning management. They found revaluation of gain and loss under fair value reduce earning management rather than the same under historical cost, based on its limitation over timing of assets sale in income statement. Also, security exchange commission have emphasized benefits of using the fair value, one of those benefits reduces the earning management which was appeared by using multiple measurement attribute (Landsman, 2007, p. 19).

8. Value Relevance of Fair Value Hierarchy

Although this clear trend towards using the fair value by boards and researchers, some companies have another point of view. In most cases they used to use historical cost, for many reasons, one of them was that fair value

needs to make continuous updates which mean more expenses, especially that it is usually measured by appraisal. Also, one of the well-known reasons makes companies avoid using fair value is that it usually overstates assets, this will result in higher depreciation expenses which leads to lower income. In addition, when companies use fair value as a revaluation tool for property, plant and equipment, they will result in unrealized gain or loss on revaluation which directly increases equity if the result was gain, but unfortunately it can directly decreases income if the result was loss (Kieso, Weygandt, & Warfield, 2011, pp. 513,583). Furthermore, market's statues is not usually suitable to provide companies with the reliable value for quoted price especially if the market was inefficient. It usually supplies the companies with prices not related to the fundamental price for evaluated assets. Also, there are assets that do not have observable inputs, thus the firms need to use fair value level three which is required estimation and it may provide firm's management with the opportunity to manipulate the fair value (Kolev, 2009, pp. 1-2). As a result, Majercakova & Skoda (2015, p. 9) said that the relevance and reliability of fair value is only useful for a period of time. If the market condition was instable and changes continually, it might need a new set of financial statement to inform users with reliable information which will cost a lot.

Sebastian, Danut, & Maria (2014, p. 308) pointed out that selection of accounting model and revaluation method were considered as an important reason for the financial crisis, which mainly happened in industrial sector, due to meet objectives of stockholders who were concerned over maximizing the company's equity, its share price and dividend. Indeed, that required a new

accounting model other than historical cost which was the market value or 'fair value'. On the other hand there was other researchers like Alkababji (2016, p.65) who said that using fair value accounting was one of the most important reason for the financial crisis in banking sector.

Although most companies preferred to use historical cost, they were required to apply fair value to enhance the comparability among companies listed in capital market. Improving the comparability and consistency of fair value as a measurement and disclosure tool required both boards to developing the fair value hierarchy which has three levels depend on the type of inputs, whether it is observable or unobservable. Accordingly, the fair value is a powerful disclosure tool as it plays a great role in increase transparency which leads to encourage the current stockholder, potential investors, and other stakeholders because it depicts and explains which kind of inputs, assumptions and technical methods were used in the measurement (Majercakova & Skoda, 2015, p. 6).

Researchers found out many factors effect on value relevance of fair value hierarchy. For example, Magnan (2009, pp. 200-202) said the market conditions play important role in determining the relevance and reliability of fair value, even when the market condition is liquid and stable. So, if the market is suffering from lower level of efficiency and high level of illiquidity, the fair value would provide a misleading information, especially if it is based on the input of level 2, and level 3 which requires investors to discount the fair value due to its reliance on other than observable inputs and the management's

judgment (Goh et al., 2015, p. 3). Also, Song et al (2010, p. 1404) pointed out that the value relevance of fair value differs with the quality of corporate governance, in other words, when the corporate governance be weak, then the value relevance will be lower than expected especially level 3 will be near non relevance, but when corporate governance be strong, then the value relevance will be meet.

Both levels have been received attention by both boards and researchers, especially level 3, due to its reliance on firm's estimation which makes it the riskiest level in fair value hierarchy. Moreover, it usually provides ambiguous results which are hardly to express and interpret to be able to diagnose the situation of the firm and compare it with other firms. It is also not easily verified by the auditors, and usually has high level of information asymmetry and information risk (Goh et al., 2015, p. 5).

Consequently the FASB and IASB request companies to present additional disclosures, if the input belongs to level 3 (Goh et al., 2015, p. 4). Kolev (2009, p. 1) pointed out that level2 and level 3 could reflect the private information which creates a strong set of financial statements that help investors in making their decisions.

9. The Palestinian Financial Sector

1. Overall View to Palestinian Banking Sector

The Palestinian economy is suffering from many problems, Abdelkarim, Shahin, Arqawi (2009, p.46) mentioned that the limited

resources and poor quality of small and medium enterprises are the main critical problems. Consequently, the need of efficient and effective capital market was appeared.

The establishment of Palestinian Monetary Authority (PMA) aims to improve the efficiency of Palestinian market, control monetary policies in Palestine, rebuild Palestinian banking system and check the exchanging exercises at the Palestine securities Exchange (PEX) (Kallob, 2013, p.48-52; Abdelkarim et al., 2009, p.46-47).

PEX activities are playing a critical role in developing Palestinian economy. Due to its importance in enabling the Palestinian trading market, protecting investor's interest and creating new opportunities to encourage local and foreign investment (<http://www.p-s-e.com>).

The banking sector in Palestine has grown rapidly and at an accelerated pace, keeping pace with the banking and technology developments in the surrounding countries and turn out into a highly effective and qualified sector. In 2010, the banking sector included 17 banks providing their services in West bank and Gaza (Kallob, 2013, p.51-52).

Over the following years, banks were restructured and regulated, their competitiveness was improved, and solutions to the problems of small banks were supported. Acquisition of union bank and liquidation of Palestine commercial bank were carried out in 2015 and 2016 respectively.

Thus, the number of operating banks in Palestine decreased to 15, compared with the 17 that was existed in 2010.

2. Overall View to Palestinian Insurance Sector

In 1994, the Palestinian authority was responsible for establishing and developing Insurance sector, it was characterized by random nature and less formality in organization structure. In 2004, the Palestinian capital market was established. From then on, it became the authorized party to manage, supervise and control the insurance companies (MAS, 2016, P.1-3).

Then, the Palestinian capital market was working on the issuance of special law for building regulatory environment suitable for insurance companies. In 2005, law (20) was issued. Under this law, the International Federation of Insurance Companies was established, the federation is responsible for managing insurance companies licensed by the Federation. The Palestinian Fund was reconstituted as a presidential decree before the law was passed.

Despite the modernity of the insurance sector in Palestine, its performance has reached the level of insurance companies' performance in Arab countries. For example, in Jordan and Egypt case, the insurance sector contributes only 2% and 1% of GDP, respectively. While in Palestine case, it contributes .33% of GDP, considering the market size (MAS, 2016, P.1-3).

Insurance sector provides several types of insurance services such as:

1. Responsibility insurance.
2. Public accidents insurance.
3. Fire insurance.
4. Marine insurance.
5. Occupational liability insurance.
6. Life insurance.
7. Health insurance.

However, the insurance sector is promising sector, it faces many challenges to expand. For example, small size of market, extreme competition and lack of expansion “especially voluntary insurance”. In 2014, the number of insurance companies were 10 companies, it had decreased to 9 in 2015 and reached 7 by 2017 (MAS, 2016, P.1-3).

3. Applying International Financial Reporting Standards in Palestine

The most of countries around the world use International Financial Reporting Standards (IFRS), which is required or permitted by 120 nations and 90 countries have fully confirmed with it.

Before 2007, the Palestinian financial institutions do not completely adopt IFRS, from the perspective of professional accountants and

academics, in order to the lack of awareness of importance of implantation of IFRS and the absence of related laws and regulations (Saba, 2008, p.109-110). 963

In 2007, Palestine exchange (PEX) forced all listed companies to prepare their financial reports in accordance with IFRS. Also, The Palestinian Monetary Authority (PMA) required the banks under its supervision to implement IFRS in banking accounting system (Abu Dieh, 2015, p. 17).

Many researchers investigated the effect of adoption International Financial Reporting Standards (IFRS) on the quality of financial statements in Palestine, such as (Garboua & Heles, 2005, p.37), who analyzed and evaluated the using of IFRS in presenting and disclosing financial statements in banks and financial institutions, they found out that applying IFRS contributes to reducing the likelihood of problems expected when reviewing the financial statements and attracting foreign investors. In addition, (Abu Dieh, 2015, p.66-68) made a comparison between pre-adoption period and the post-adoption period, she found the majority of studied standards enhances quality of financial statements, declines earning management, decreases timely loss recognition and improves value relevance. As well as, (Abu-Sharbeh, 2017, p.27) who stressed over the readiness of Palestinian practitioners and academics to accept IFRS in their jobs. Despite of the required budget for the conversion from US GAAP to IFRS.

As for the effect of applying fair value accounting, (Al-Najar, 2013, p.22) made a study of the impact of applying fair value accounting (FVA) on the reliability and appropriateness of financial statements information issued by the Palestinian corporations, he said that the adoption of FVA, increases the value relevance of financial information. Although many challenges face its application, for example, lack of efficient and active market for most assets, a burden budget required to adopt fair value accounting and misinterpretation of financial information.

In addition, (Al-Kababji, 2016, p.83) studied the extant of compliance with disclosure requirements for fair value measurement (IFRS 13) in Palestinian corporations, by using a disclosure score called unweighted fair value disclosure index (FVDI), *which is the ratio of the value of the number of items a company discloses divided by total value that it could disclose*. He found out direct relationship between the size of the firm and the level of compliance with the disclosure requirements for fair value measurement of the firms, no correlation between the profitability of the firm and the level of compliance and direct relationship between type of auditor and level of compliance with the disclosure requirements for fair value measurement of the firms.

Chapter Three

Research Methodology

Introduction

Research methodology is defined as a conceptual structure that describe how the data would be organized and analyzed. The research methodology should be determined after understanding the research problem and reviewing the literature. In order to formulate hypotheses, set out the procedure for testing hypotheses, determine measurement tools, collect research data and analysis it. The importance of research methodology lies in its ability to facilitate the research operation which contributes in reduce time and money (Kothari, 2004, p.256).

This chapter abridges the research methodology utilized as a part of this analysis, portrayal for the examination tool utilized the strategy and steps to be taken into this research and the outcomes of the investigation made by the specialist.

Research strategy

The basic study goal is investigate whether fair value hierarchy will affect the value relevance of Palestinian financial institutions' portfolios, and focus on level three, due to unobservable inputs use on it, to enable users to make their decision in efficient and effective manner and provide companies with suitable indicator that helps them determine whether

information is presented in high quality. To achieve this goal, the quantitative approach has been utilized, depending on numerical data would be collected and analyzed through mathematical and empirical model.

Research approach

In this research, the "value relevance" approach is utilized to investigate the value relevance of fair value hierarchy, which is adopted by (Barth, 1994, p.1; Francis and Schipper, 1999, 319-352). Under this perspective, accounting number is value relevance when it has the influence on stocks' price, otherwise it is not.

The researcher has built a hypothetical system contained past researches, hypotheses and discoveries. This system goes into profundity about the idea of value relevance and examines the part of accounting direction in value relevance investigation. In order to provide the related financial parties (Companies, stockholders, stakeholders and others) with adequate knowledge into the field of value relevance of fair value .

To achieve this goal, the researcher chose to collect information from all financial institutions listed on Palestine Exchange (PEX). The information gathered includes stock price, earning per share (EPS) and financial information related to fair value hierarchy.

Since the fair value hierarchy is the subject of matter, thus the International Financial Reporting Standard (13) "Fair Value Measurement"

has to be utilized. To meet the disclosure requirements, the accompanying least exposures are required for each class of assets and liabilities measured at fair value (counting estimations in view of fair value inside the extent of IFRS). Take note that these requirements have been summarized in IFRS 13, Paragraph 76-93 and additional disclosure is required where necessary.

Research Hypotheses

This research tests the following hypotheses, in order to answer the research questions.

1. The first hypothesis tests the value relevance of fair value hierarchy by studying the effect of all levels on the stock price (value relevance) as follows:

H0: Investors pricing of Levels 1, 2, and 3 asset estimates is the same across different market conditions in all Palestinian financial institutions.

2. The second hypothesis investigates the effect of fair value hierarchy, especially level 3, on stock price (value relevance):

H0: Level 3 gains reduce investors' pricing of Level 3 asset estimates.

Research population

Research population is the financial institutions that include portfolios, it contains banks and insurance public shareholding companies

listed on Palestine exchange (PEX), fourteen companies would be tested, and it will be as follows:

- 1) Arab's Islamic Bank
- 2) Bank of Palestine
- 3) Palestinian Islamic Bank
- 4) Palestine investment Bank
- 5) Al Quds Bank
- 6) National Bank
- 7) Al- Ahlia Insurance Group
- 8) United Insurance Company
- 9) Mashreq Insurance Company
- 10) National Insurance Company
- 11) Palestine Insurance Company
- 12) Palestinian Takaful Insurance Company
- 13) Trust International Insurance Company

Thus, the total population is equal 78, that obtained by multiplying the number of companies 13 by number of years between 2011 and 2016 (6).

Statistical processing

The program E-Views would be used to test the study's hypotheses, due to its accuracy testing in this kind of hypotheses and models:

- Means and standard deviations of the research variables during the period of time (2011-2016).
- Linear regression analysis of the effect of fair value hierarchy on the value relevance of Palestinian financial institutions' portfolios during the period (2011-2016).

Research Variables

To understand the previous regressions, the researcher depends on literatures review, to define variables as follows:

Table (1): Key research's variables

Variable	Definition	Measured by
Price	The close stock price immediately after financial reporting.	The close stock price immediately after financial reporting that is addressed in Palestine exchange (Goh et al., 2015, p. 9 ; Song et al., 2010, p. 1388)
B0	The portion of other unmeasured independent variables.	Run the regression model (Goh et al., 2015, p. 9).
FVA1(FV A2, FVA3)	Net assets that are classified in level 1 (level 2, and level 3)	Net assets that are disclosed in financial notes and Presented in financial statement (Goh et al., p.6, 2015; Song et al., 2010, pp. 1387-1390).

FVA	Net assets fair value	Summing FVA1, 2, and 3 (Song et al., 2010, pp. 1387- 1390).
Book value of equity (net assets)	Amount is theoretically received by investors if the liabilities deducted from assets.	Book value of equity that are presented in financial statement, or book value of equity = assets - liabilities (Goh et al., 2015, p. 9).
NFVA	Net assets that are not marked at fair value.	NFVA= Book value of equity (net assets) - FAV (Goh et al., 2015, pp. 9-12).
TL	Total liability.	TL = Assets – equity it usually does not need to be calculated as it is already available in the financial position statement (Goh et al., 2015, pp. 9-12).
FVL1, 2, and 3)	Net liability that is classified in level 1 (level 2, level 3)	Summing liabilities that classified in level 1, 2 and 3 (Goh et al., 2015, pp. 9-12).
NFVL	Net liabilities that are not marked at fair value.	NFVL = TL - FVL1, 2, and 3.
FVL12	Fair value for liabilities classified in level 1 and 2	Summing FVL1, and 2 (Goh et al., 2015, p. 6 ; Song et al., 2010, p. 1388)
EPS	Earnings per share which means the portion of the company's profit that is allocated to each outstanding share of common stock.	EPS = (net income - dividends) /outstanding shares. It usually does not need to be calculating as it is already available in the income statement (Goh et al., 2015, pp. 9-12).
LVL3GAINS	Dummy variable	One for companies with level three gains, and zero for those companies without level three gain (Goh et al., 2015, p. 14).
i, t	For company i in year t.	There is no measurement tool, it represents the name of the company and the year of data which is from 2011 to 2016 (Goh et al., 2015, pp. 9-12).
b, c	Coefficients.	Run the regression model.

Descriptive Statistics

Table (2): Means of the research variables in the Palestine exchange during the period 2011-2016

Variable	Mean
Price	1.81
EPS	0.14
FVA1	8.73E+06
FVA2	4.03E+06
FVA3	6.07E+06
FVA	1.40E+06
NFVA	4.47E+07
NFVL	3.14E+08
FVL3	1.00
TL	3.14E+08
NA	5.88E+07

Table 2 the descriptive statistics on the magnitude of the fair value and all levels on the stock price (value relevance) for population of financial institutions. All variables are on a per share basis.

The mean share price (Price) is 1.81, and the means fair value assets using Level 1 valuation inputs (FVA1), Level 2 inputs (FVA2), and Level 3 inputs (FVA3) are 8.73E+06, 4.03E+06, and 6.07E+06, respectively. Since Level 1, Level 2, and Level 3 assets are the key independent variables in our regression analyses.

Table (3): Mean values of the test variables (per share basis) during the period 2011-2016

Variable	2011	2012	2013	2014	2015	2016
Price	1.43	1.75	1.83	1.81	2.00	2.04
EPS	0.08	0.11	0.12	0.15	0.11	0.25
FVA1	7.31E+05	9.04E+06	7.90E+06	7.72E+06	9.37E+06	1.12E+07
FVA2	2.97E+06	2.11E+06	3.55E+06	5.31E+06	5.59E+06	3.49E+06
FVA3	2.22E+07	2.13E+06	5.03E+06	2.87E+06	1.47E+06	6.29E+06
FVA	1.90E+07	1.05E+07	1.24E+07	1.116E+07	1.31E+07	1.74E+07
NFVA	2.19E+07	3.29E+07	6.46E+07	4.24E+07	4.84E+07	5.92E+07
NFVL	2.15E+08	2.29E+08	2.74E+08	3.04E+08	3.76E+08	5.04E+08
FVL3	1.00	1.00	1.00	1.00	1.00	1.00
TL	2.15E+08	2.29E+08	2.74E+08	3.04E+08	3.76E+08	5.04E+08
NA	4.10E+07	4.34E+07	7.70E+07	5.41E+07	6.16E+07	7.67E+07

Table 3 the means of these variables for each fiscal year from 2011 to 2016.

The mean level 1, level 2, and level 3 assets per share are 7.31E+05, 2.97E+06, and 2.22E+07, respectively, in 2011 and 1.12E+07, 3.49E+06, and 6.29E+06, respectively, in 2016. Hence there is a slight decrease in financial institutions of level 1 financial instruments over the population period. Likewise, financial institutions level 3 instruments also increased during the population period, and financial institutions level 2 financial instruments have increased significantly.

Empirical Model

After evaluating past researches in the area of value relevance, the researcher concluded that there is a need to inspect the value relevance of fair value hierarchy components (FVA1, FVA2 and FVA3) in Palestinian financial institutions. In order to provide the financial statements' users with more objective and adequate information than that used in previous

Palestinian researches, which is mainly depend on questioners and surveys.

Most international studies that relate to value relevance investigation rely on a quantitative approach, in light of regression analysis, which investigates the statistical relationship amongst independent and dependent variables.

We needed to obtain data contained in the earning number influences the market estimation of a firm (stock price). The typical method for doing this is by regressing market returns and acquiring to discover the illustrative power of fair value. Following Barth & Clinch (1998), who used the price to discover the ability of fair value information to reflect relevant and faithful represent data.

Quantitative Approach

Quantitative approach is more objective in its nature and less subjective than the qualitative approach, and the accentuation of quantitative research is on gathering and evaluating numerical information; as it focuses on measuring, for example, the scale, frequency and range of a phenomenon. This sort of approach, even though at first harder to configuration, is typically greatly itemized and organized, and results can be effectively grouped and exhibited statistically. This approach's strategies were initially utilized in the natural sciences to contemplate normal phenomenon. Cases of quantitative strategies well acknowledged in the sociologies incorporate survey and questionnaires techniques, laboratory

experiments and formal strategies (e.g. econometrics) and numerical strategies, for example, numerical modeling, and after that presenting the information to logical techniques for proper examination to test the theory (Yin, 2003).

Regression analysis

Regression analysis commonly used when the researchers are investigating the connection between a quantitative result and a solitary quantitative logical variable, regression analysis is the most regularly considered examination strategy. In regression analysis the researchers usually have wide range values of the illustrative variable, and we usually expect that values between the observed estimations of the explanatory variables are likewise possible estimations of the explanatory variables (Svensson & Larsson, 2009).

Regression analysis in any investigation is used primary for the following four purposes (Parramore & Watsham, 1997):

1. Description: The examiner is looking to discover an equation that represents or abridges the connection between two factors .
2. Coefficient Estimation: This is a prominent purpose behind doing regression examination. The examiner may have a hypothetical relationship as a primary concern, and the regression investigation will affirm this hypothesis .

3. Prediction : The prime worry here is to foresee the response variable, for example, delivery time, efficiency, sales, strength of some metal or reaction yield in some chemical process. There are numerous assumptions and capabilities that must be presented in this condition .
4. Control : regression models might be utilized for observing and controlling a framework and systems.

The deductive (Quantitative) approach will be the main approach of the research since only statistical analysis and quantitative data that maintain the objective conception of the study are considered.

Also in this study the researcher will focus on testing the theory instead of generating it which requests the approach to be deductive (quantitative) rather than inductive (qualitative).

Additionally, the archival strategy was utilized for this research. So the researcher will collect data from the annual report of each of the 13 Palestinians financial institutions.

So the archival strategy is the most appropriate approach for the research, as long as the other research strategies have clear differences and variations from this research. Mainly, we will not implement survey research but the data will be collected directly from annual reports in our research.

The archival strategy will be more appropriate than action strategy

since the last one focuses on the theoretical management researches while our research purpose is testing the researcher hypothesis relating to the value relevance and fair value hierarchy effects on the Palestinian's financial markets.

This research would utilize a quantitative approach in which it will implement a regression analysis on the collected data from the annual reports of the 13 Palestinians financial institutions in order to discover the relationship between the dependent variables and the independent variables depending on linear regression analysis and modeling.

The reason we embraced the (value relevance) approach is that the outcomes demonstrate to financial parties the amount of stock prices that can be clarified by accounting number.

For the empirical examination, the researcher expected to decide the extent of the investigation that is the quantity of organizations incorporated the era, and the particular accounting figures to be utilized. For this reason, prior research was analyzed to discover what had been done before.

This regression will be used to test the first hypothesis which aims to investigate the value relevance of fair value hierarchy.

$$\text{Price}_{i,t} = b_0 + b_1\text{FVA}_{1i,t} + b_2\text{FVA}_{2i,t} + b_3\text{FVA}_{3i,t} + b_4\text{NFVA}_{i,t} + b_5\text{NFVL}_{i,t} + b_6\text{FVL}_{12i,t} + b_7\text{FVL}_{3i,t} + b_8\text{EPS}_{i,t} + e_{i,t}$$

The second regression investigates the effect of fair value hierarchy,

especially level 3, on stock price (value relevance):

$$\begin{aligned} \text{Price}_{i,t} = & c_0 + c_1 \text{FVA1}_{i,t} + c_2 \text{FVA2}_{i,t} + c_3 \text{FVA3}_{i,t} + c_4 \text{NFVLI}_{i,t} + \\ & c_5 \text{FVL12}_{i,t} + c_6 \text{FVL3}_{i,t} + c_7 \text{LVL3GAINS}_{i,t} + c_8 \text{LVL3GAINS} * \\ & \text{FVA3}_{i,t} + e_{i,t} \end{aligned}$$

Chapter Four

The result and discussion

This chapter aims to test research's hypothesis, in order to investigate whether fair value hierarchy will affect the value relevance of Palestinian financial institutions' portfolios, and focus on level three. Also, it presents the research results and discussion.

Hypothesis testing

The first hypothesis:

Aims to study the value relevance of fair value hierarchy by testing of the effect of all fair value's levels on the stock price as follows:

H0: investor's pricing of levels 1, 2, and 3 asset estimates is the same across different market conditions in all Palestinian financial institutions.

To test this hypothesis, and to detect the value relevance of fair value hierarchy, the researcher needs to study the effect of all fair value levels on the stock price in Palestinian financial institutions from 2011 to 2016, the (logarithm regression) analysis was used, since the researcher needs to maintain high level of consistency between dependent and independent variables.

$$\text{Price}_{i,t} = b_0 + b_1\text{FVA1}_{i,t} + b_2\text{FVA2}_{i,t} + b_3\text{FVA3}_{i,t} + b_4\text{NFVA}_{i,t} + b_5\text{EPS}_{i,t} + e_{i,t} \dots (1)$$

Table (4): the result of the (logarithm Regression) analysis of investigating the value relevance of the fair value hierarchy

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	9.726158	6.799593	1.430403	0.1781
L_FVA1	-0.244787	0.181333	-1.349934	0.2020
L_FVA2	-0.467292	0.471210	-0.991687	0.3409
L_FVA3	0.310089	0.140428	2.208168	0.0474
EPS	-2.204907	5.062720	-0.435518	0.6709
NFVA	1.13E-09	3.49E-09	0.323802	0.7517
Weighted Statistics				
R-squared	0.828738	Mean dependent var	3.236667	
Adjusted R-squared	0.757379	S.D. dependent var	1.414733	
S.E. of regression	0.696849	Sum squared resid	5.827186	
F-statistic	11.61362	Durbin-Watson stat	0.560832	
Prob(F-statistic)	0.000292			

Table 4 reports the regression results based on Equation (1). In order to investigate the differences in the pricing of these assets, the researcher conducts F-statistic test for the population.

The result is the null hypothesis is rejected, which means investor's pricing of levels 1, 2, and 3 asset estimates is not the same across different market conditions in all Palestinian financial institutions.

In addition, the coefficients across the fair value hierarchy FVA1, FVA2 and FVA3 are -0.244787, -0.467292 and 0.310089 respectively. Likewise, the results show that investors' price assets (Level 3 estimates) significantly higher than assets (Level 1 and Level 2 estimates). Hence, it

appears that investors perceive reliability concerns with respect to the valuation of Level 1 and 2 instruments in Palestinian case.

Thus, the researcher conclude that fair value assets based on unobservable inputs (Level 3 assets) are significantly priced higher than fair value assets based on observable inputs (Level 2 assets) and fair value assets (Level 1 assets).

Then, level 3 assets are significantly and positively affected on the price. Given that level 1 and 2 assets are carry higher information risk compared to level 3 assets, it appears that investors are pricing these assets lower because of concerns about availability of asset's price. It could also be due to the fact that Level 3 inputs are unobservable and generated by the entity itself, whereas Level 1 and Level 2 inputs are observable, because they are taken directly from the market or from data adjusted for similar items traded in active markets, which means that Palestinian investors do not trust in Palestinian market and its information.

This finding is Consistent with the results documented in Magnan (2009, pp. 200-202) who said that the market conditions play important role in determining the relevance and reliability of fair value. Also, Al-Najar (2013) who said that the lack of efficient and active market for most assets is one of the most important challenges that face value relevance of fair value in Palestinian market. But it does not consistent with Barth (1994) and Holzmann & Robinson (2004), who said there is a decline in the weight that investors placed on financial institutions fair value assets as we move

across the three-level fair value hierarchy. It may be due to the tested market (U.S market).

The Price variable is explained by 75% of changes in independent variables based on adjusted R-squared.

Thus, the regression equation will take the following form:

$$\text{PRICE} = 9.726158 - 0.244787 \cdot \text{FVA1} - 0.467292 \cdot \text{FVA2} + 0.310089 \cdot \text{FVA3} + 1.13\text{E-}09 \cdot \text{NFVA} - 2.204907 \cdot \text{EPS}$$

The second hypothesis:

Aims to investigate the effect of fair value hierarchy, especially level 3, on stock price, the hypothesis as follows:

H0: Level 3 gains reduce investors' pricing of Level 3 asset estimates.

To test this hypothesis, and to detect the effect of level 3 on stock price (value relevance) in Palestinian financial institutions from 2011 to 2016, the (logarithm regression) analysis was used, since the researcher needs to maintain high level of consistency between dependent and independent variables.

$$\text{Price}_{i,t} = c_0 + c_1 \text{FVA1}_{i,t} + c_2 \text{FVA2}_{i,t} + c_3 \text{FVA3}_{i,t} + c_4 \text{LVL3GAINS}_{i,t} + c_5 \text{LVL3GAINS} * \text{FVA3}_{i,t} + e_{i,t} \dots (2)$$

Table (5): the result of the (logarithm Regression) analysis of effect of fair value hierarchy

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	11.08169	4.599254	2.409454	0.0329
L_FVA1	-0.253164	0.056958	-4.444732	0.0008
L_FVA2	-0.551373	0.289166	-1.906770	0.0808
L_FVA3	0.285495	0.087437	3.265143	0.0068
LVL3GAIN	0.170035	0.472757	0.359667	0.7253
LVL3GAINS*FVA3	-3.39E-08	1.88E-07	-0.180679	0.8596

Weighted Statistics			
R-squared	0.826510	Mean dependent var	3.236667
Adjusted R-squared	0.754222	S.D. dependent var	1.414733
S.E. of regression	0.701368	Sum squared resid	5.903011
F-statistic	11.43362	Durbin-Watson stat	0.449771
Prob(F-statistic)	0.000314		

Table 5 reports the results of estimating Equation. (2). The finding is the null hypothesis is rejected, which means Level 3 gains do not reduce investors' pricing of Level 3 asset estimates. Moreover, the coefficient and probability of LVL3GAINS and LVL3GAINS xFVA3 indicate that the gain of fair value level 3 do not affect investor's pricing of level 3.

The researcher may explain this result, by referring to what Goh et al. (2015) said “The coefficients on LVL3GAINS FVA3 are statistically insignificant at the conventional levels, suggesting that the magnitude of fair value gains and losses does not lead investors to price Level 3 asset estimates differently. One possible explanation for this result is that the discounting for the Level 3 asset estimates is due to concerns about a general lack of reliability in the fair value estimation of illiquid assets, as

opposed to concerns about managers' misuse of fair value estimates to inflate earnings and asset values. The fact that managers have to explicitly report the audited details about the changes in the value of Level 3 assets (and liabilities)".

Thus, the investors' trust in entities' information, since it is audited and disclosed in the financial reports in accordance with the requirements of standards. This finding is consistent with the results of FVA1, FVA2 and FVA3 coefficients are -0.253164 (t-statistic: -4.444732, P: 0.0008), -0.551373 (t-statistic: -1.906770, p: 0.0808) and 0.285495 (t-statistic: 3.265143, p: 0.0068) respectively, which indicate again that the value relevance of fair value is significantly greater in fair value level 3.

This finding consistent with Landsman (2007) who found that the management has good knowledge about their assets which averts personal interest and provides a reliable judgment.

The Price variable explained what the amount of 75% of changes in dependent variables based on adjusted R-squared.

Thus, the regression equation will take the following form:

$$\text{PRICE} = -0.253164 * \text{FVA1} - 0.551373 * \text{FVA2} + 0.285495 * \text{FVA3} + 0.170035 \text{LVL3GAINS}_{i,t} - 3.39\text{E-}08 \text{LVL3GAINS} * \text{FVA3}_{i,t}$$

Chapter Five

Conclusions and Recommendations

After the researcher has discussed the results, this chapter deals with the main conclusions that the researcher has come to as a result of the analysis. It also deals with the suggested recommendations.

Conclusions

The aim of this research is to investigate whether fair value hierarchy will affect the value relevance of Palestinian financial institutions' portfolios, and focus on level three, due to unobservable inputs use on it, to enable users to make their decision in efficient and effective manner, and provide companies with suitable indicator that helps them determine whether information is presented in high quality. To achieve this goal, 13 Palestinian financial institutions' from period 2011 to 2016 have been tested.

The results of the research showed that the fair value level 3 assets are significantly priced higher than level 1 and 2 fair value assets. This finding is due to the lack of efficient and effective market, weak confidence in Palestinian market, unavailability of reliable information.

These results are consistent with Barth (1994) who said that the investors discount fair value when it is used in less healthy companies or on less healthy market. Majercakova & Skoda (2015, p. 10) who found out that

the relevance value of fair value depends on the nature of the subject, and the source of information. Moreover, Kieso, Weygandt, & Warfield (2011, pp. 513-583) state that market's status is not always suitable to provide companies with the reliable value for quoted price especially if the market was inefficient.

Also, level 3 gains do not reduce investors' pricing of Level 3 asset, due to the investors' trust in entities' information, since it is audited and disclosed in the financial reports in accordance with the requirements of standards.

This result is consistent with Landsman (2007, p. 24) who found that the management has good knowledge about their assets which averts personal interest and provides a reliable judgment, Barth & Clinch (1998, pp. 330-331) who said that reliance on management information requires an independent person should reevaluate assets. In contrast with Kolev (2009, pp. 1-2) who states that the entity's management would use its ability to manipulate the fair value.

The researcher sums up the research's result in the following points:

- The fair value hierarchy significantly affects the relevance and reliability of information presented to the investors.
- The level 3 fair value assets are significantly priced higher than level 1 and 2 fair value assets, this due to:
 - Lack of efficient and effective market.

- Deficient knowledge of fair value.
- Fair value level 3 significantly affect the value relevance of financial information compared to other levels, this due to :
 - The lack of investor's trust in market information.
 - Management's knowledge is reflected in fair value.

Recommendations

In the light of the results and questions answering, the following recommendations are suggested:

- Improve Palestinian capital market, to restore investor's trust. The researcher recommend the following, as examples, to achieve the improvement:
 1. Build solid regulatory environment, by making changes over current investing regulations and laws.
 2. Attract either Arab or foreign investors and create new investing opportunities.
- Maintain management transparency and governance. The researcher recommend the following, as examples, to achieve the maintenance:
 1. Stick to international governance principles and values.
 2. Stick to Palestinian Monetary Authority and Palestinian capital market regulations.
 3. Select well known and experienced auditing firm.

- Increase investor's awareness of the fair value.
- Additional research should be carried out to gain a continuous view, knowledge, and insight of Value relevance of IFRS 13 fair value hierarchy information in Palestinian institution.
- Conducting similar studies, and applying the fair value, on a larger population of Palestinian institutions'.

This research's measurement results were acceptable in terms of reliability and validity, but there is certainly a need for additional work to perfect measures, Future research can be conducted to overcome the research's limitations.

References

- Abdelkarim, N., Shahin, Y. A. and Arqawi, B. M. (2009). *Investor Perception of Information Disclosed in Financial Reports of Palestine Securitized Exchange Listed Companies*. **Accounting and Taxation**, volume 1, No.1, pp. 45-61.
- Abu-Dieh, A. (2015). **The Impact of the Adoption of International Financial Reporting Standards on the Quality of Financial Statements in Palestine**. Faculty of Graduate Studies, Birzeit University.
- Abu Mutair, A. A., & Alnairab, K. M. (2012). **Role of Accounting Disclosure in Guiding the Investment Decision in Palestine Exchange**. (Bachelor), The Islamic University.
- Abu-Sharbeh, T. (2017). *The Nature of Accounting Standards Used in the Palestinian Financial Reporting*. **Journal of the Arab American University**, pp. 1-38.
- Al-Helw, A. Z. O. (2009). **The Adherence of Palestinian Listed Companies to the IAS39: Recognition and Measurement**. (Master), Islamic University.
- Al-Kababji, M. W. (2016). *The Extent of Compliance with the Disclosure Requirements for Fair Value Measurement (IFRS-13): A Study of the Annual Reports of Palestinian Corporations*. **European**

Journal of Accounting, Auditing and Finance Research, 4, 65-88.

Al-Najar, J. H. (2013). *The Effect of Applying Fair Value Accounting on The Reliability and Relevance of The Financial Statement Information on Palestinian Public Shareholding Companies*, (Vol. 9): **Jorden Journal of Business Administration**.

Barth, M.E. (1994). *Fair Value Accounting: Evidence from Investment Securities and the Market Valuation of Banks*. **The Accounting Review**, 69 (1): pp. 1-25.

Barth, M. E., Beaver, W. H., & Landsman, W. R. (2000). *The Relevance of Value Relevance Research*. In (pp. 1-41): **Journal of Accounting and Economics**.

Barth, M. E., & Clinch, G. (1998). *Revalued Financial Tangible and Intangible Assets Association with Share Price and Non Market Based Value Estimates*. In (Vol. 36, pp. 199- 233): **Journal of Accounting Research**.

Barth, M, Beaver, W. and W. Landsman (1996), “*Value-Relevance of Banks’ Fair Value Disclosures under SFAS No. 107,*” **The Accounting Review**, October: 513-537.

Beest, F. V., Braam, G., & Boelens, S. (2009). *Quality of Financial Reporting: Measurement Qualitative Characteristics*. In (pp. 1-41).

Blanck, E. L., Sellers, K. F., & Manly, T. S. (1998). *Earning Management Using Asset Sales: an International Study of Countries Allowing Non-Current Asset Revaluation*. In (Vol. 25, pp. 1287-1317): **Journal of Business Finance and Accounting**.

Christensen, H. B., & Nikolaev, V. V. (2013). *Does Fair Value Accounting for Non-Financial Assets Pass the Market Test?* In (Vol. 18, pp. 1-25): **Review of Accounting Studies**.

Fayerman, G. (2013). **Fair Value Hierarchy. Additional Material to Accompany Advanced Accounting**, Canadian Edition, John Wiley and Sons Canada Ltd.

Financial Accounting Standard Board, (1980). *Qualitative characteristics of accounting Information*, SFAC No 2, p: 13.

Financial Accounting Standards Boards (FASB), (2006). **FAS 157, “Fair Value Measurements”**, Norwalk, Connecticut, P6.

Francis, J. & Schipper, K. (1999). *Have Financial Statements Lost Their Relevance*, **Journal of Accounting Research** 37(2), pp. 319 – 352.

Garboua, Y., & Heles, S. (2005). **Analyzing and Evaluating The Using of International Accounting Standards When Preparing The Financial Statements of Banks and Other Similar Financial Institutions**. Islamic University of Gaza.

Goh, B. W., Li, D., Ng, T. Y. J., & Yong, K. K. O. (2015). *Market Pricing*

of Banks' Fair Value Assets Reported under SFAS 157 Since the 2008 Financial Crisis. In (Vol. 2, pp. 1-17): **Accounting and Public Policy**.

Holzmann, O. J., & Robinson, T. R. (2004). *Fair Value Measurements*. In (Vol. 10, pp. 73-75): **Wiley Periodicals**.

Hox, J. and Boeije, H. (2005). *Data Collection, Primary vs. Secondary*. *Encyclopedia of Social Measurement*, Vol.1, Elsevier Inc., PP.594-597.

International Accounting Standard Board, “International Financial Reporting Standards 2018”: **“Conceptual Framework: The Objective of General Purpose Financial Reporting”**, London, United Kingdom, P7-24.

International Accounting Standard Board, “International Financial Reporting Standards 2008” IAS39: **“Financial Instruments: Recognition and Measurement”**, London, United Kingdom, P1945.

Jones, J. P., & Stanwick, S. D. (1999). *Fair Value Accounting: A Guide to Understanding the Current Standards*. In (Vol. 11, pp. 103-108): **Journal of Corporate Accounting and finance**.

Kallob, D. (2013). **Using the Information Qualitative Characteristics in Measuring the Quality of Financial Reporting of the Palestinian Banking Sector**. Master Degree in Accounting, Islamic University

of Gaza, High Studies Deanery, Faculty of Commerce, Accounting and finance, Palestine.

Kieso, D. E., Weygandt, J. J., & Warfield, T. D. (2011). **Intermediate Accounting** (Vol. 1). New York: Willy.

Kolev, K. (2009). *Do Investors Perceive Marking-to-Model as Marking-to-Myth? Early Evidence from FAS 157 Disclosure*. In (pp. 1-50): **Working Paper**.

Landsman, W.R. (2007). *Is Fair Value Accounting Information Relevant and Reliable? Evidence from Capital Market Research, Accounting and Business Research*, Special Issue: **International Accounting Policy Forum**: pp. 19-30.

Magnan, M. L. (2009). *Fair Value Accounting and the Financial Crisis: Messenger or Contributor?* In (Vol. 8, pp. 189-213): **Accounting Perspectives**.

Majercakova, D., & Skoda, M. (2015). *Fair Value in Financial Statements during Financial Crisis*. In (Vol. 16, pp. 312-332): **Journal of Applied Accounting Research**.

Munter, P. (2000). **More Fair Value Accounting Ahead?** In (pp. 87-89): **John Wiley & Sons, Inc.**

Obaidat, A.N. (2007). *Accounting Information Qualitative Characteristics Gap: Evidence from Jordan*. **International**

Management Review, Vol. 3 No. 2, pp.27-29.

Palestine Economic Policy Research Institute (2016). **The Reality of Insurance Sector in Palestine.**

Palestine Stock Exchange PSE published reports, and web site <http://www.P-S-E.com/>.

Picker, R., Leo, K., Loflus, J., Wise, V., Clark, K., & Alfredson, K. (2012). **Applying International Financial Reporting Standards.**

Saba, M. M. (2008). **The Applicability of International Financial Reporting Standards in Palestine.** (Master), Islamic University of Gaza,

Sebasan, E. G., Danut, C., & Maria, D. L. (2014). *Relevance and Credibility of The Fair Value Measurement During The Crisis.* In (Vol. 8, pp. 306-312): **Procedia Economics and Finance.**

Svensson, M, Larsson, S (2009). **Social norms and intellectual property: Online norms and the European legal development. Research Report in Sociology of Law, 2009:1.** Lund: Lund University.

Song, C.J., Thomas, W.B., Yi, H. (2010). *Value Relevance of FAS No. 157 Fair Value Hierarchy Information and The Impact of Corporate Governance Mechanisms.* **Accounting Review**, 85 (4), pp. 1375-1410.

Terry J. Watson and Keith Parramore (1997). **Quantitative methods in**

Finance, South-Western

Yin, R. K. (2003). **Case study research: Design and methods (3rd ed.)**.

Thousand Oaks, CA: Sage.

Younis, K. (2011). **The Impact of Using fair value on Earning per**

Share. (Master), The Islamic University.

<http://www.ifrs.org/>.

جامعة النجاح الوطنية
كلية الدراسات العليا

ملاءمة القيمة العادلة وفق هيكلية المعلومات لمعيار التقارير
المالية الدولية رقم 13 في المؤسسات المالية الفلسطينية

اعداد

تالا بلال جمال

إشراف

د. غسان دعاس

قدمت هذه الأطروحة استكمالاً لمتطلبات الحصول على درجة الماجستير في
المحاسبة بكلية الدراسات العليا في جامعة النجاح الوطنية في نابلس، فلسطين.

2018

ب

ملاءمة القيمة العادلة وفق هيكلية المعلومات لمعيار التقارير المالية الدولية رقم 13 في المؤسسات المالية الفلسطينية

اعداد

تالا بلال جمال

إشراف

د. غسان دعاس

الملخص

يهدف هذا البحث إلى دراسة ما إذا كان التسلسل الهرمي للقيمة العادلة يؤثر على أهمية قياس قيمة المحافظ في المؤسسات المالية الفلسطينية، وخاصة المستوى الثالث، وذلك بسبب المدخلات غير المرئية المستخدمة فيه. ولتحقيق هذا الهدف وللإجابة على أسئلة البحث استخدم الباحث نموذج الانحدار الذي يتضمن بشكل أساسي مستويات القيمة العادلة كمتغيرات مستقلة وأسعار الأسهم للمؤسسات التي تمتلك محافظ استثمارية كمتغير تابع. وتكون مجتمع الدراسة من المؤسسات المالية الفلسطينية (13 مؤسسة) التي تمتلك محافظ استثمارية في بورصة فلسطين للفترة ما بين 2011 إلى 2016 والتي تعد الفترة الأحدث إلى الان. أظهرت نتائج الدراسة أن التسلسل الهرمي للقيمة العادلة يساهم في تقديم معلومات ذات صلة وموثوقة للسوق الفلسطينية. كما وتبين أن مدخلات المستوى الثالث تُعطى وزناً أعلى من مدخلات المستويات الأخرى للتسلسل الهرمي، بالإضافة إلى أن الأرباح الناتجة عن المستوى الثالث لا تقلل من تسعير المستثمر لمدخلات المستوى الثالث، وقد أرجع الباحث ذلك لثقة المستثمر بالمعلومات التي تقدمها الإدارة، طالما يتم تدقيقها والافصاح عنها وفقاً لمتطلبات المعايير. وفي الخاتمة قد أوصت الدراسة بضرورة تحسين كفاءة السوق المالي الفلسطيني والحفاظ على شفافية الإدارة وسياسات الحوكمة المتبعة في المؤسسات المالية الفلسطينية، لما في ذلك من أثر واضح على ثقة المستثمر بالمستوى الثالث، بالإضافة لنشر التوعية حول القيمة العادلة، وإجراء المزيد من البحوث المشابهة للحصول على رؤية ومعرفة وبصيرة مستمرة حول أهمية معيار الإبلاغ المالي رقم 13 (IFRS 13) بمعلومات حول التسلسل الهرمي للقيمة العادلة في المؤسسة الفلسطينية.

الكلمات المفتاحية: القيمة العادلة، التسلسل الهرمي للقيمة العادلة، قيمة الأهمية، المؤسسات الفلسطينية، معيار الإبلاغ المالي رقم 13.