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Does Fair Value Accounting for Non-Financial Assets Dominate Historical Cost Convention? Empirical Evidence from IFRS and Indian GAAP

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Abstract
The present study explores valuation practices of fifteen (15) large non-financial companies listed in India and Tanzania for the FY 2013/1014. We indentify valuation practices by reading the accounting policies sections of each company's annual report. The study reveal that despite permission by reporting standards to use fair value measurement for non-financial assets it is rarely practiced amongst non-financial listed companies. We conclude that the IFRS implementation has effectively increased discretion on fair value measurement for elements of financial statements (37.2%) relative to Indian GAAP (18.2%) but it has not increased fair valuation practice for non-financial assets amongst sampled entities. The study suggests that despite its market orientation and relevance to investors it is nearly impracticable for fair value to become a prime measure for non-financial assets especially when its application is optional. We, associate the despair to fair value use with illiquidity of assets; high costs of obtaining reliable estimates; conflict between relevance and reliability of fair value; reporting culture; unbreakable trust of managers on historic cost convention and managers' reporting incentive. The study makes appeal to regulators, national and global standard setters (IASB) to assess the current fair value standards and exercise caution in incorporating fair value measurement on certain assets particularly those with no active market.
Keywords: IFRS, Indian GAAP, Fair value, Historic cost, Non-financial assets

1. INTRODUCTION

Shareholders demand accounting information for valuation purposes and to assess stewardship of managers for resources entrusted to them. This accounting information has over a long period traditionally been founded on historical cost accounting as opposed to fair value accounting. However, of recent fair value accounting has become a topic of significant interest and debate among the analysts, preparers and users of financial information (PwC, 2015). This follows the thought that it is a foundation of IFRS (Man et al., 2011) such that they (IFRS) are considered to be principle based and inclined to fair value (Ball, 2006) which is seemingly a good feature of market oriented standards. Correspondingly, the IASB, global standard setter is highly pronounced to favour fair valuation practices although it has not expressly stated so. Reportedly, the IASB consider fair value as the most relevant measurement basis (EY, 2005). It follows that the entities reporting under IFRS regime are expected to practice fair value measurement more than those reporting under domestic GAAP. The shore up of fair value is in part associated with the inkling that fair value produces more value relevant information (Bosch, 2012) and reflects economic realities which are of interest to market participants (Penman, 2007) and investors in particular.

In support of above connotations, Barker and Schulte (2015) contend that fair value measurement in IFRS calls for market-oriented representation of economic truth through which the values of assets and liabilities are determined based on market conditions rather than the perspectives of the reporting entity. In effect fair valuation is reported to be an important measurement basis in financial reporting (PwC, 2015). Despite it being considered an important measurement base it is associated with a significant lack of (reliability) verifiable and unbiased accounting figures (Kaya, 2013) due to lack of traceability of amounts reported unlike the historic accounting. In contrast to prepositions above it is recognized that fair value is slanted and likely to encourage manipulative reporting especially where market illiquidity is noticeable (Ball, 2006). Yet it poses a big challenge towards implementing reporting standards (i.e. IFRS) in countries with low trade volumes and with insufficient liquidity (UNCTAD, 2008). This is likely to be disincentive to its adoption (or convergence) and subsequent implementation and or result to high cost of obtaining the reliable fair value estimates such as payment to professional valuers. A good number of writers such as (Ryan (2008); Ball (2006); Penman and Nissim (2008) however, agree that fair value is not exempt from problems and may pose difficulties in implementing the IFRS.
Notwithstanding, substantial portion of international reporting literature regard the choice between the Historical Cost Accounting (HCA) and Fair Value Accounting (FVA) as an issue of long-standing controversy among accounting academics and regulators (Christensen and Nikolaev (2012); Bosch (2012); Barker and Schulte (2015)). These controversies and divergences cannot at all be ignored but rather should augment inquisitiveness

and empirical enquiry in this area of financial reporting research. Consequently, we hoist these important questions to stir and contribute to the existing valuation discussion. Two what extent is fair value used compared to historic value when two different reporting regimes are in application? Can fair value be 'an important basis' for non-financial assets to non financial companies? Will empirical results for companies listed in developing capital markets support (favour) fair value and dispute the longstanding measurement approach of historical cost?. What is a resultant conclusion in consideration of Tanzania and India reporting scenery?

The contest above calls for the search of empirically verified data (results) on whether fair value measurement dominates historical cost accounting especially in this period of mass adoption and/or convergence and subsequent application of IFRS (IFRS like standards) worldwide. This is even more interesting when the cram involves comparison of two different regimes such as IFRS and domestic reporting framework (Indian GAAP). It is on this course a study to 'explore valuation practices (Fair value or Historical costs) for non-financial assets in respect of sample organizations in India (Indian GAAP regime) and in Tanzania (IFRS regime)' was conducted. The rest of this paper presents Section 2.0 Related Empirical Literature; 3.0 Data and methodology; 4.0 Results; 5.0 Summary, Conclusion and Implications of the results and 6.0 References.

2. BACKGROUND AND REVIEW OF RELATED LITERATURE

The conventional accounting has for long time been based on historical measurement under which elements of financial statement are recognised at amount paid or received at the acquisition or settlement date which ensure reliability and traceability. Historic cost has even been regarded as an incontestable measurement approach of financial accounting around the world (Kaya, 2013). However, the fair value concept has in the last twenty years been promulgated and associated with usefulness of reported figures for investors and henceforth the choice between fair value and historical cost accounting is now the subject of controversy among accounting academics and regulators (Christensen and Nikolaev, 2012). Although fair value is likely to produce relevant and market based information it is not free from problems and in effect its application is questionable particularly in illiquid markets (Ball, 2006). However, regardless of existing disagreement the empirical evidence on valuation practices by listed companies is very limited (Christensen and Nikolaev, 2012). This section presents an explication of Historical Cost Convention (HCC) and Fair Value Measurement (FVM) and review of existing empirical literature in this area.

2.1 Fair value Accounting and Historical Cost Accounting, an Explication

Fair Value Accounting (FVA) is defined as a `financial reporting approach in which companies measure and report on an ongoing basis certain assets and liabilities at estimates of the prices they would receive if they were to sell the assets or would pay if they were to be relieved of the liabilities (Ryan 2008). The concept of fair value is currently defined in IFRS 13:8 as "the price that would be received in selling an asset or should be paid for the transfer of a liability in a current transaction between market participants at the measurement date". It is an 'exit price' to sell the assets rather than to buy an asset (Britt et al., 2013). Under this approach companies measure and report their assets and liabilities at the reporting date using a fair value (market price).

Alternatively, the IASB define Fair value as 'the price (an exit 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. Fair value updates the valuation of assets and or liabilities frequently in the context of a liquid market and it uses hierarchy which results in a market-based rather than entity-specific measurement (IFRS 13). Offering nearly similar definition to that of IFRS 3; AS: 10 Accounting for Fixed Assets paragraph 6.2 describe fair market value as "the price that would be agreed to in an open and unrestricted market between knowledgeable and willing parties dealing at arm's length who are fully informed and are not under any compulsion to transact". It follows that FVA denote that after initial recognition (in most cases at cost) an asset shall be carried at a revalued amount which is its fair value (possibly market price) at the date of the revaluation (reporting date) less any subsequent accumulated amortization and any subsequent accumulated impairment losses.

The Fair Value Accounting is distinguished from *historical cost accounting* (HCA), which instead records the value of an asset as the price at which it was originally acquired. In practice the HCA imply that after initial recognition, an asset shall be carried at its cost (original amount reflected in books for that asset) less any accumulated amortization (depreciation) and any accumulated impairment losses (where applicable). With this approach the assets and liabilities are recorded and carried in books at their actual monetary amount paid or the consideration given at the time of their acquisition and therefore they are reliable, traceable and bound of management's possible manipulation.

Despite the fact that historical cost approach has for long had a leading influence on reporting measurement worldwide (Blanchette et al., 2013) and gained trust of managers; fair value is generally considered to timely incorporate accurate information into financial statements compared to historical costs (Ball, 2006, p.12). Besides, fair value accounting is considered more value relevant and reflects economic realities which are of interest to investors (Penman, 2007). It is supposed that IFRS compared to domestic GAAP (except US

GAAP) significantly embrace fair value relative to historical cost approach (Ball, 2006; King, 2006; Penman, 2007; Ryan 2008; Bosch, 2012). It is posited that the IASB consider fair value as the most relevant measurement basis (EY, 2005) and suits investor's preference. Ball (2006, p.6) for example provides that a major feature of IFRS standards is the extent at which they are imbued with fair value accounting and identified seven (7) standards for which fair value measurement was required or permitted in his study (2006).

Elfaki and Hammad (2015) emphasize that application of fair value accounting will possibly enhance usefulness of information in decision making. They document a positive relationship between fair value application and appropriateness and reliability of accounting information. However, Bosch (2012) questions the issue of how fair value measurement should be applied and considers it as being far from resolved and highly controversial in contemporary reporting. Respectively (PWC, 2008) consent that "fair value while not perfect it is the best method to reflect market conditions when accompanied by appropriate disclosure".

Quite the opposite, other researchers opined that despite its relevance there are many potential problems associated with fair value in practice (Ball, 2006). The problems include market illiquidity which is likely to encourage manipulation of fair value estimates and default use of mark to model approach. In this regards, fair valuation practice may create problems and bring about uneven practices and inconsistent application of IFRS hence defeat the purpose of comparability worldwide. It can be learned from these academic works that there is no an absolute perfect measurement approach but probably perfect approach to specific elements of financial statements and scenarios.

2.2 Empirical studies on valuation practices

The studies of this nature present evidence on the choice between historical cost and fair value accounting amongst corporate bodies especially after adoption of IFRS and usually focus on illiquid assets for which fair valuation is discretional under applicable standards. The studies explore how practicable is fair value measurement to certain assets compared to historical cost and whether it can be fit for all firms and classes of assets and liabilities. More to the point Volcker (2011)[1] suggest that there are significant questions about the practical and useful application of fair value approach to certain industries and firms". For example in their study Christensen and Nikolaeu (2012) found a very limited use of fair value accounting for non-financial assets where market forces rather than regulators determine the outcome. They further document that many managers commit to historical accounting for property plant and equipments (PPE).

Supporting the preceding results Barker and Schulte (2015) posit that fair value is rarely applied for measuring the non-financial assets. They even regard fair value as "unknowable for non-financial assets". Ryan (2008) associates the reluctance of managers to use fair value accounting with its estimation difficulty and possible unreliability. He further argues that at the goal of fair value measurement is for firms to estimate as best as possible the prices for assets and liabilities but worried about whether firms can and do reliable estimate. Skoda and Bilka(2012) documented that fair value accounting has not become and unlikely to become a primary method of accounting for European companies and that the concept of fair value is far from being perfect.

Barth (2012) argues that the use of fair value in financial reporting is likely to increase because fair value meets the conceptual framework criteria better than other measurement basis. Taplin et al., (2014) on the other hand documented half-half evidence on the use of fair value and historical cost in accounting for investment properties in China. Ighian co-authored Sabina (2010) and conducted a study which revealed that most companies use historical cost as valuation base in their accounting but admits that regular valuation of assets by independent valuers is necessary.

In support of fair value use, Penman (2012) contend and associate it with economists concept of income and that much as it is market based it is unbiased measure across entities. Correspondingly, Al-khadash and Khasawneh (2014) provide that historical cost is irrelevant measurement especially during the inflation periods. The empirical academic works regarding valuation practices are observably limited and avail mixed conclusions across companies worldwide. This is consistent to Hitz (2007) who assert that comparative analysis of fair value and historical costs accounting yields mixed results. This study is therefore timely and imperative.

3 DATA AND METHODOLOGY

The main research objective of this study is to explore the valuation practices by non-financial listed companies in Tanzania (IFRS) and India (Indian GAAP) based on annual reports published for the FY 2013/14. The sample unit for this study was selected based on market capitalization (size). The sample comprised 8 (53.33%) firms from India and 7 (46.67%) from Tanzania for which we obtained data from Osiris database which is worldly and reputable source for publicly listed companies. Complementary information was collected manually from

[1]Paul A. Volcker, Chairman of the Trustees, International Accounting Standards Committee Foundation in a statement before the Capital Markets, Insurance and Government Sponsored Enterprises Subcommittee of the U.S. House of Representatives, Washington DC, June 7, 2001

statistical bulletin and annual reports of listed companies, obtainable from the stock markets and company's websites.

In order to identify non-financial assets valuation practices of sampled companies in Tanzania and India we read the accounting policy section of each company's annual report(s). The decisive point for this is that a company is classified as applying fair value accounting if it recognizes at least one asset class (say land or building) at fair value. Equally, a company is classified as applying historical cost if it recognizes at least one asset class (within a group of asset) at historical cost. We defined non-financial assets as economic resources, tangible or intangible acquired or self constructed, controlled by an entity and which are useful for production of goods and services or held for rental purposes or for capital appreciation. On this ground the study is typically exploratory and descriptive and uses contents analysis approach. Simple frequency and percentile analysis was applied for meaningful results.

4. RESULTS

4.1 Valuation/Measurement options under Indian GAAP and IFRS

Valuation practices applicable to a reporting entity should in the first place be in accordance to the underlying reporting standards in use. Tables 1 and 2 below presents significant items (standards) for which fair value measurement is permitted for IFRS and Indian GAAP respectively. This is a result of a thorough examination of all applicable standards in India (28) and IFRS (43) by researcher. The scrutiny revealed that sixteen (16) standards out of 43 are required or permitted for fair value measurement under IFRS. On the other hand it is revealed that only six (6) standards –Indian GAAP out of 28 allow or require fair value accounting. Henceforth the overall results on fair value discretion on IFRS is 37.2% (16/43*100) and 21.4 % on Indian GAAP (6/28*100). The result indicates that fair value accounting discretion under IFRS is almost twice of that of local GAAP (Indian GAAP).

Notwithstanding, since our purpose was to explore valuation practices on non-financial assets in the two countries we identify their valuation discretions independently. The critical sruting revealed that of all main categories of non-financial assets; investment property (AS 13), property plant and equipments (AS 10) and intangible assets (AS 26) the Indian GAAP permit fair valuation for property, plant and equipment which is under AS10: Para 19 Conversely; the IFRS permits subsequent revaluation for all categories of non-financial assets; intangible assets under IAS 38: Para 72; property, plant and equipment under 1AS 16: Para 30 and 31 and investment property under IAS 40: Para 30. These standards allow corporate bodies to choose either cost or revaluation model after initial recognition which must be at cost except where the assets are acquired from non-exchange transaction such as donated motor vehicle. Interestingly, the use of fair value is appropriate only when it can be measured reliably.

Table 1: Standards permitting fair value under IFRS as per IFRS 13: Fair Value Measurement

IFRS 3: Business combination-assets acquired and liabilities assumed; previously held interest; non-controlling interests from an acquiree and contingent considerations.	**IAS 19**: Employee benefit-postemployment benefit obligations.	**IFRS 10:** Consolidated financial statements-investments in subsidiaries by investment entities.
IAS 39: Financial instruments: recognition and measurement-assets and liabilities eligible for fair value option; derivatives and financial guarantee contracts.	**IAS 28:** Investments in associates and joint ventures—held by mutual funds and similar entities.	**IAS 16:** Property, plant and equipment- exchange and impairment of non-financial assets.
IAS 40: Investment property.	**IAS 41:** Agriculture-Biological assets.	**IFRS 9:** Financial instruments: recognition and measurement-debt and equity investments.
IAS 18: Revenue.	**IFRS 5:** Noncurrent assets held for sale & discontinued operation.	**IAS 32:** Financial instruments: presentation-hybrid financial instruments.
IAS 38: Intangible assets.		

The IFRS 13 scopes out inventory (IAS 2); Share based transactions (IFRS 2); Leasing transactions (IAS 17) and value in use (IAS 36).

Table 2: **Fair value discretions under Indian GAAP**

AS 10: Property, plant and equipment-Fair value permitted for subsequent measurement	**AS 24:** Noncurrent assets held for sale and discontinued operations.
AS 14: Business combination-assets acquired and liabilities assumed.	**AS 11 and AS 13**: Financial instruments[1].
AS 28: Impairment of asset-nonfinancial assets.	**AS 15**: Employee benefits-post employment benefit obligations.

The analysis was conducted by research based on the comparison between Indian GAAP, IFRS and US GAAP by Grant Thornton (2014); PwC (2014).

In summary it is reported by this study that IFRS is more inclined to fair value than Indian GAAP and allows fair value measurement for non-financial assets more than it counterpart Indian GAAP, i.e. 3:1 respectively. Consequently, corporate houses reporting non-financial assets (reports) under IFRS are expected to practice fair valuation more compared to those reporting under Indian GAAP.

4.2 Non-financial asset's valuation practices by firms listed in Tanzania and India

In this section we present evidence on the ubiquitous valuation practices in Tanzania and India. We identify the valuation practices by reading the accounting policy sections of each company's annual reports on the sample (section 3). Accounting policies are defined as the specific principles, procedures, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statement (International Accounting Standard 8 :5). This imply that the accounting policy guide the overall reporting process which include recognition criteria, measurement and recognition, reporting and de-recognition of a specified element or financial events in a specified reporting period. The entities' management team adopts the policies from applicable reporting standards or develops them under a systematic guidance stipulated by relevant authorities. Accordingly, the 'measurement basis' for each element of financial statement is required and should be stated in the accounting policy section of the annual report and be applied consistently by the reporting entity.

4.2.1 Valuation Practices in Tanzania

In order to identify valuation practices for Tanzanian listed companies we conducted a critical scrutiny of accounting policies on their annual reports which are prepared in accordance to IFRS. It was noted that according to IAS 1: paragraph 112 a disclosure of measurement basis for elements or presentation of financial statements is a must for such annual reports. It follows that a study of entities' accounting policies found that all (100%) sampled companies in Tanzania had a disclosure for measurement basis for all reported elements. The scrutiny found that all studied companies had explicitly stated 'historical cost convention' as a primary measurement base except for specific items for which fair value was executed. We further found that most companies (71.4%) stated their final reports to have been (are) prepared on historical cost convention (HC) except where fair value (FV) is applied or otherwise stated on specific element. The rest of sample unit (28.6%) showed Historical Costs (HC) as their primary measurement approach except for derivative financial instruments (14.3%) and biological assets (14.3%) which were carried at revaluation.

Table 3 below documents valuation practices for a Tanzanian sample unit. We identified a complete absence in the use of fair value approach for property plant and equipment PPE); instead, all companies (100%) in our sample had relied on historical cost for this asset group. For intangible assets 17% of companies are identified to use fair value i.e. goodwill acquired on business combination while 67% of the companies used historical cost and the rest (16%) did not show the valuation approach used. The result suggests that despite fair value permission in respective non-financial asset's standards the historical cost accounting is universally applied among non-financial companies in Tanzania. This reputes our general assertion that '....the companies reporting under IFRS are predisposed to prefer (apply) fair value for non-financial assets more than those reporting under Indian GAAP'.

[1] When the following standards (AS 30, AS31 and AS32) become s effective in India, there will be no fair value difference between Indian GAAP and IFRS with regard to financial instruments.

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Table 3: The valuation practices among listed companies in Tanzania (IFRS)

Name of Industry	Property Plant and Equipments (PPE)			Intangibles (Int)		
	With PPE	HC	FV	With int.	HC	FV
Production and distribution	**5**	5(100%)	0(0%)	5	4(80%)	1(20%)
Agriculture, Manufacturing and distribution.	1	1(100%)	0(0%)	1	NS (16%)[1]	
Airport handlings	1	1(100%)	0(0%)	0	0(0%)	0(0%)
Total Sample	**7**	**7(100%)**	**0(0%)**	**6**	**4(67%)**	**1(17%)**

The Column "With PPE" ("With int." and "With IP.") column presents for each industry how many companies have property, plant, and equipment (intangible assets). The HC (FVA) columns present how many companies use historical cost (fair value) for at least one asset class within property, plant, and equipment and intangible assets.

4.2.2 Valuation practices in India

Using the same methodology as in 4.2.1 and consistent to Indian GAAP (PwC, 2006) all scrutinised companies (100%) are found to indicate 'historical cost convention' as a primary measurement modified by revaluation of certain assets. To be more specific, substantial portion of companies (88%) in India state that "financial statements are prepared on historical cost convention on accrual basis except financial instruments which are measured at fair value". The remaining 22% show historical cost convention as a primary measurement approach with exception to financial instruments and certain fixed assets (e.g. property, plant and equipments) which are allowed to be carried in books at revalued amount.

The table 4 below documents the valuation practices for Indian sample. As in Tanzania, we find no use of fair value accounting for property, plant and equipment nor do we notice for intangible assets in India contrary to Tanzania where 17% was reported. The result of this kind go with expectation with regard to intangible assets since AS 26 a primary guidance for intangible in India prohibits use of fair value. However, for property plant and equipment (AS 10) presents managers with choice between fair value and cost model but they all opted for historic price for the same. The finding maintains the fright of entities to apply fair value.

Table 4: The valuation practices among listed companies in India (Indian GAAP)

Name of Industry	Property Plant and Equipments (PPE)			Intangibles (Int)		
	With PPE	HC	FV	With int.	HC	FV
Manufacturing	**2**	2 (100%)	0(0%)	**2**	2 (100%)	0(0%)
IT services and computer software	3	3(100%)	0(0%)	3	3(100%)	0(0%)
Infrastructure general	1	1(100%)	0(0%)	1	1(100%)	0(0%)
Power generation and distribution	1	1(100%)	0(0%)	1	1(100%)	0(0%)
Exploration	1	1(100%)	0(0%)	1	1(100%)	0(0%)
Total Sample	**8**	**8(100%)**	0(0%)	**8**	**8(100%)**	0(0%)

The Column "With PPE" ("With int." and "With IP.") column presents for each industry how many companies have property, plant, and equipment (intangible assets). The HC (FVA) columns present how many companies use historical cost (fair value) for at least one asset class within property, plant, and equipment and intangible assets.

4.2.3 The content of sample unit's accounting policies in India and Tanzania

The accounting policies depict the overall framework governing the entity's financial reporting and principles adopted for each item (element) shown on the face of financial statements. It elaborates and reflects the guidance and practice for measurement base of specific financial events or transaction presented on the entity's financial reports. Similarly, the measurement practice for each of non- financial assets considered in this study ought to be disclosed in the sample organisations' accounting policies. For this reason we explore and present contents of the accounting policies as presented by each of the sampled organizations for non-financial assets whose valuation practice is presented above. This enabled researcher to determine whether what is stated in the accounting policy is what is being practiced. Toward this end we related the valuation practices reported in 4.2 and the contents of respective companies' accounting policies.

The study revealed that all sampled listed companies in both Tanzania and India made an explicit statement that property plant and equipment (tangible assets) "are stated and recorded at cost, net of accumulated depreciation and accumulated impairment losses, if any". Most companies elaborate further that such 'cost includes expenditure directly attributable to the acquisition (construction) of the items up to the date the asset is

[1] **NS –Not Stated.**

ready for its intended use'. Following that the study further unveiled that 93% of all sample companies compute depreciation (amortization of asset's costs) on straight line method (SLM) whilst the rest 7% apply reducing balance method of depreciation. However, the applicable depreciation rate are found to the management's discretion in Tanzania contrary to India in which Companies Act specify the minimum depreciation rates for different categories of assets.

For intangible assets the policy on the side of Indian companies show that they are carried at the consideration paid for acquisition, net of applicable tax credits less accumulated amortization and impairment loss, if any. This differs slightly with the accounting policy for intangible assets for Tanzanian companies which illustrate that for 'intangibles acquired separately are measured on initial recognition at cost except those acquired from business combination (such as goodwill) which are carried at its fair value as at the date of acquisition. The results presented here show that the accounting policies for each non-financial asset in sample organizations (India and Tanzania) represent the valuation practices as presented in section 4.2 above. Precisely, the contents of accounting policies for non-financial assets for all companies are found to be representative of their valuation practices.

5. SUMMARY, CONCLUSION AND IMPLICATIONS

This exploratory study intended to explore and present empirical results on valuation choices and practices for non-financial assets in Tanzania (IFRS) and India (Indian GAAP). Toward this end, we collected and analysed information on accounting policies for property, plant and equipment and intangibles for a sample of 15 companies for the year 2013/14. The investment property was excluded since none of the companies were found to have it on annual reports. Based on the analysis of applicable IFRS and Indian GAAPs we found that IFRS has more fair value requirement or allowance (37.2%) compared to Indian GAAP (18.2%). Furthermore and regarding non-financial assets the study reveal that while IFRS allows companies to choose between historical cost and fair value accounting for all non-financial assets (property plant and equipment, intangibles and investment property), the Indian GAAP permits the choice for only property, plant and equipments, i.e. 75:25 for IFRS and Indian GAAP respectively. This result is corroborative to Ball (2006) who affirm that IFRS are inclined to fair value than local GAAP and even more discretional towards the use of fair value for non- financial assets than local GAAP (Bosch (2012).

The study further documents that despite the permission (allowance) by reporting standards to use fair value measurement for non-financial assets; it is hardly ever practiced amongst listed companies. As such the study observes a preference of 'Historical Cost Convention (HCC) by managers of both India and Tanzania sample. This result is corroborative to prior studies, Barker and Schulte (2015); Christensen and Nikolaou (2012) who posited that despite its well argued conceptual merits, fair value is unlikely to become the primary valuation method for illiquid non –financial assets on a voluntary basis. This remarkable trifling use of fair value for non-financial assets accept the assertion that fair accounting is relatively beneficial for financial assets than historical costs and rebuts the belief that it would commonly be practiced by companies reporting under IFRS. We, associate the results (despair to fair value use) with illiquidity of assets themselves (e.g. property could be more liquid than intangible); high costs of obtaining reliable estimates of fair value (such as payment to professional valuers); lack of balance (conflict) between relevance and reliability of fair value; reporting culture and unbreakable (obsession) trust of managers on historic cost convention (HCC is still trustable and upholds primary reporting principles of prudence and conservatism); reporting incentive (e.g. Purpose of valuation) and discretion provided in the standards.

The overall conclusion on this research journal article is that the IFRS has increased permission (requirements) for fair value measurement but has not increased fair valuation practice amongst sample organisations. This has an inference that the global standards (IFRS) are more inclined to fair value accounting than local GAAP but managers are hesitant to apply it. It follows that it is not about permission. It is about reporting incentive and ensuing benefit that determine the use of a particular measurement basis. As such, a manager will apply particular measurement approach if such approach is cost efficient and aids anticipated reporting objective. On a further note the result suggests that even with IFRS inclination to fair value, it is hardly ever practiced by adopters. It further imply that it's near to impossible for fair value to become (be applied as) a primary measure for non-financial assets especially when its application is discretional (optional). This makes an appeal to national regulators and standard setters (NBAA and ICAI) and global standard setter (IASB) to exercise circumspection in incorporating fair value requirement (allowance) in certain class of assets especially those with no active market. This study is limited in that we explore non-financial assets valuation practices for a sample of non-financial companies from two countries only, India and Tanzania. This can be improved through inclusion of more countries, consideration of financial companies and expansion of sample size for more rigorous and corroborative results.

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