



## The Application of Fair Value Accounting and Its Impact on Financial Sustainability Evaluation Case Study of Asiacell Telecommunications Company

Ahmed Taher Kadhim Al-Anbagi<sup>1</sup>

**Abstract:** This research aims to determine the impact of applying fair value accounting on the assessment of the financial sustainability of local companies (Asiacell Telecommunications Company). The research is based on a main hypothesis that the application of fair value has an impact on the assessment of financial sustainability. To achieve the research objectives, the financial statements of the sample company were used. A set of financial ratios were used to determine the impact of applying fair value accounting on the assessment of the financial sustainability of the sample company. The research concluded that fair value accounting has an impact on Asiacell's financial sustainability. The impact is positive: Fair value accounting improves financial solvency, strengthens equity, and enhances the long-term sustainability picture. The impact is neutral. Regarding liquidity, there are no significant changes in short-term sustainability. Regarding profitability, the impact is slightly negative: the reported surplus/profit decreases slightly due to higher depreciation and fair value adjustments.

**Keywords:** Fair Value Accounting; Financial Sustainability Evaluation; Fair Value Valuation Methods

**JEL Classification:** The Journal of Economic Literature

### 1. Introduction

The year 2011 was considered a turning point in the adoption and implementation of International Financial Reporting Standards (IFRS). These international standards were adopted by approximately 120 countries, including the European Union and some developing countries. The Securities and Exchange Commission in the United States of America specified that the transition from generally accepted accounting principles (GAAP) to International Financial Reporting Standards (IFRS) would begin in 2014. Due to the many problems encountered in the transition, the start date for adopting IFRS was changed to 2015 (Mohan Ram & Yallapragada, 2011, p. 15).

Proponents of applying these international standards believe that this contributes to providing higher quality financial reports than applying local standards, as improving the quality of financial reporting and disclosure by following international standards would reduce information asymmetry and insider

<sup>1</sup> Assistant Professor, PhD, Technical College of Management, Middle Technical University, Baghdad, Iraq, Address: Muasker Al-Rashid Street, al-Zafaraniyah Baghdad, Iraq, Corresponding author: ahmed.tk82@mtu.edu.iq.



Copyright: © 2025 by the authors.  
Open access publication under the terms and conditions of the  
Creative Commons Attribution-NonCommercial (CC BY NC) license  
(<https://creativecommons.org/licenses/by-nc/4.0/>)

trading, reduce the cost of capital, increase comparability, improve transparency, increase investor predictability regarding the company's future profits, and increase cross-border capital flows (Brown, 2011, p. 275; Armstrong et al., 2010, p. 34).

International Financial Reporting Standard (IFRS) 13, "Fair Value Measurement," was published in May 2011 and effective from 1 January 2013, with early adoption permitted for economic entities. This standard provides a framework that applies to all fair value measurements and disclosures (which are required or permitted by other IFRS standards). The scope of IFRS 13 is broader than that of IFRS7 because it includes non-financial assets and liabilities measured at fair value. The disclosure requirements aim to provide users of financial statements with information about the valuation techniques and inputs used to develop fair value measurements and how fair value measurements using significant unobservable inputs have affected performance for the period. IFRS 13 requires expanded disclosures about fair value measurements. The scope of quantitative and qualitative disclosures, based on the three-level fair value hierarchy, has been expanded to include non-financial assets measured at fair value. The new fair value disclosure requirements in IFRS 13, which adopts the concept of exit prices (selling prices) and ignores entry prices (current cost), also emphasizes that the price used as a basis for determining fair value must be obtained in an orderly market between market participants, both of whom engage in buying and selling transactions under normal circumstances without any influence (Kasyan et al., 2018, p. 38). The fair value define that is the exchange value of an asset between willing parties, aware of the facts, and acting in a free and fair manner (International Financial Reporting Standards, 2009). And define also It is the value at which an asset can be exchanged or a liability settled between willing parties in a real and knowledgeable exchange transaction (Hamidat, 2004, p. 454). Applying the fair value approach to measurement, recognition, and disclosure requires adherence to the following principles (Al-Jilati, 2008, p. 630):

- Financial information, business results, and other information necessary for investors to make investment decisions must be measured, recognized, and disclosed fully, accurately, and timely.
- Shareholders of a company's securities must receive fair and equal treatment, particularly with regard to the right to access data and information, and to prevent insider information from being exploited to the advantage of one group at the expense of another.
- Financial information must be prepared in accordance with International Accounting Standards issued by the International Accounting Standards Committee (IASC). Financial information must be audited in accordance with International Standards on Auditing issued by the International Federation of Accountants (IFAC).
- Information must be prepared to faithfully represent the phenomena it is intended to represent (truthfully representing phenomena and events).
- Information must be verifiable and its integrity can be verified.

## **2. Fair Value Valuation Methods**

International Financial Reporting Standard (IFRS 13, 2011, p. 284) specifies that there are three widely used methods for evaluating fair value: the market approach, the cost approach, and the income

approach.<sup>1</sup>

The entity uses valuation techniques consistent with one or more of these approaches to measure fair value.

- **Market approach:** A valuation technique that uses prices and other relevant information resulting from market transactions involving identical or comparable (i.e., similar) assets, liabilities, or groups of assets and liabilities, such as a business entity.
- **Cost approach:** A valuation technique that reflects the current value of the asset's service capacity (usually referred to as current replacement cost).
- **Income approach:** These are valuation techniques that convert future amounts (for example, cash flows or income and expenses) into a single current (i.e., discounted) amount. The fair value measurement is determined based on the value indicated by current market expectations about those future amounts. Examples of these approaches include: current valuation techniques, the option pricing model, and the multi-period excess earnings model used to measure the fair value of certain intangible assets.

### 3. Financial Sustainability

The concept of financial sustainability is a relatively modern concept. It emerged after the concept of sustainable development. It is part of it, but it concerns the economic unit, its economic and financial aspects, and its continuity and sustainability. Financial sustainability is a study of how the unit operates, controlling external and internal variables that contribute to its continuity and effectively increasing its resources and wealth. The primary function of financial sustainability in economic units is the process of identifying and analyzing the total cost and the possibility of diversifying the financial resources of the economic unit. Thus, one of the objectives of financial sustainability is to: It is ensuring the achievement of the economic unit's objectives by securing sufficient income to enable it to invest in current and future activities. To achieve this objective, the economic unit needs to continue sustainable growth, particularly with regard to its financial position. Sustainable growth is the rate at which the unit can grow while maintaining its financial policy and profitability unchanged (Hussein & Sabiha, 2020, p. 140).

#### 3.1. Factors Influencing Financial Sustainability (Afriyie, 2015, p. 33)

- **Organizational culture and marketing knowledge:** This represents the set of values and beliefs that the economic unit possesses and seeks to achieve through setting goals and joint cooperation within the unit to achieve these goals, as well as possessing a high level of marketing knowledge and capabilities.
- **Networking and expanding partnerships:** The economic unit must move towards strong partnerships in order to maintain the critical role it plays in improving performance and the quality of life for individuals and promoting community development and progress.
- **Investment portfolio:** This is directly linked to sustainable growth, as expanding investment will

---

<sup>1</sup> [https://caf.journals.ekb.eg/article\\_128141\\_f053bc73027d91748967e5ee05842e78.pdf](https://caf.journals.ekb.eg/article_128141_f053bc73027d91748967e5ee05842e78.pdf).

achieve long-term financial sustainability.

- **Successful leadership And Efficient Management.**
- **Planning for Sustainability:** If you don't know where you're going, you'll end up somewhere else.

#### 4. Methodology

To apply fair value accounting and its impact on financial sustainability, we used the financial statements of Asiacell Telecommunications Company for the years 2022, 2023, and 2024. A set of ratios were derived to determine financial sustainability, namely: current ratio, quick ratio, debt-to-equity ratio, equity ratio, return on assets/return on equity, and net income growth. The impact of fair value accounting was then examined through financial items measured at fair value, represented by reserves, investments, and other financial items in the financial statements.

**Table 1. Balance sheet for the years 2021, 2022, 2023. The amount is in millions of dinars**

Items	2024	2023	2022
Fixed Assets	900,307	826,098	876,578
Deferred Revenue Expenditures	681,517	740,564	754,375
Projects in Progress	32,314	13,095	13,095
<b>Total Fixed Assets</b>	<b>1,614,138</b>	<b>1,585,247</b>	<b>1,644,048</b>
Current Assets			
Inventory	9,783	11,652	11,210
Investment	144,620	-	-
Receivables	143,485	136,336	136,336
Cash	541,534	479,848	473,371
Total Current Assets	838,422	611,491	620,917
<b>Total Assets</b>	<b>2,452,560</b>	<b>2,196,738</b>	<b>2,264,965</b>
Financing Sources			
Long-Term Financing Sources			
Paid-In Capital	310,000	310,000	310,000
Reserves	1,180,724	1,096,992	1,055,307
(Creditors (Long-Term	9,288	12,970	94,106
Long-Term Allocations	164,294	130,238	-
Total Short-Term	1,664,306	1,550,200	1,459,413
Financing Sources			
Short-Term Allocations	158,019	123,051	121,367
(Creditors (Short-Term	630,235	523,487	684,185
Total Short-Term Financing	788,254	646,538	805,552
<b>Total Financing Sources</b>	<b>2,452,560</b>	<b>2,196,738</b>	<b>2,264,965</b>

Source: Financial statements published in the Iraq Stock Exchange

**Table 2. Income statement the amount is in millions of dinars**

Items	2022	2023	2024
Current Revenues			1,871,740
Current Business Revenue	1,659,366	1,495,839	
Expenses			126,989
Salaries and Wages	129,782	123,292	1,156
Goods and Supplies	1,333	1,689	220,300
Service Supplies	211,091	221,969	32,630

Contracting and Services	31,466	35,845	307,146
Purchases for Sale	276,269	211,292	9,083
Interest Receivable	7,859	8,107	289,768
Depreciation and Amortization	333,790	318,773	425,284
Taxes and Fees	274,500	264,727	1,412,320
Total Current Expenses	1,266,090	1,185,694	459,420
<b>Current Operations Surplus (1)</b>	<b>393,276</b>	<b>310,145</b>	<b>5,907</b>
Other Revenues	30,038	5,520	7,287
Total Transfer Revenues	30,038	5,520	13,194
(Transfer Expenses)	2,245	1,272	
Capital Expenses		-	3,088
Total Transfer Expenses	2,245	1,272	459,526
<b>Current Operations Surplus (2)</b>	<b>421,069</b>	<b>314,393</b>	<b>75,794</b>
(Tax Provision)	69,384	49,056	-
Profit After Tax	-	265,337	-
Previous Year Tax	-	-	-
Surplus After Tax	-	265,337	-
Required Reserve	-	-	393,732
<b>Transferred to Accumulated Surplus</b>	<b>351,685</b>	<b>265,337</b>	

Source: Financial statements published in the Iraq Stock Exchange

#### 4.1. Key Financial Sustainability Ratios

Table 3. Key Financial Sustainability Ratios for Asiacell Communications Company (2022–2024)

Ratio / Indicator	Formula	2022	2023	2024	Interpretation
<b>Current Ratio</b>	Current Assets ÷ Current Liabilities	0.77	0.95	1.06	Improved liquidity; in 2024 current assets slightly exceed current liabilities.
<b>Quick Ratio</b>	(Current Assets – Inventory) ÷ Current Liabilities	0.76	0.93	1.05	Nearly identical to current ratio since inventory is small; steady improvement.
<b>Debt-to-Equity</b>	Total Liabilities ÷ Equity	0.66	0.56	0.65	Company relies more on equity than debt; temporary strengthening in 2023.
<b>Equity Ratio</b>	Equity ÷ Total Assets	60.3%	64.1%	60.8%	Strong equity base; more than half of assets financed by equity.
<b>ROA</b>	Net Profit ÷ Total Assets	15.5%	12.1%	N/A*	Profitability fell in 2023; 2024 net profit not disclosed.
<b>ROE</b>	Net Profit ÷ Equity	25.8%	18.9%	N/A*	Strong but declining returns on equity.
<b>Net Income Growth</b>	Δ Net Profit ÷ Previous Year	–	– 24.6%	N/A*	Profit after tax dropped significantly from 2022 to 2023.

The table was prepared by the researcher based on the results.

#### 4.2. Financial Sustainability

##### ➤ Liquidity improved (2022, 2023, 2024)

Current Ratio rose from 0.77 (2022) to 1.06 (2024). Quick ratio follows same trend. A current ratio >1.0 in 2024 suggests that, on aggregate, the company had enough current assets to cover current liabilities that year — a positive sign for short-term sustainability.

➤ **Equity base is strong but fluctuating**

Equity ratio is around 60–64% across years, meaning the company finances a majority of its assets with equity rather than debt — a sign of solid capital structure supportive of long-term sustainability.

➤ **Debt profile improved in 2023 and then increased again in 2024**

Debt-to-equity decreased in 2023 (0.56) then increased back to 0.65 in 2024. This indicates some movement in liabilities or equity.

➤ **Profitability fell in 2023 (ROA & ROE dropped)**

ROA: 15.5% → 12.1%; ROE: 25.8% → 18.9%. Net income declined by ~24.6% (2022 → 2023). That is a material deterioration in earnings performance and may compromise long-term sustainability if the trend continues.

The findings confirm that FVA produces a more transparent and economically realistic assessment of Asiasell Company's financial position. Although profitability ratios showed slight declines, the improvements in solvency and the stronger equity base outweigh these negative effects. Consequently, the application of FVA enhances the evaluation of financial sustainability by providing stakeholders with a clearer view of the company's true financial capacity.

#### 4.3. Fair Value Accounting (FVA)

From the above, possible fair-value effects:

➤ **Reserves increased across the period** (from 1,055,307 in 2022 → 1,180,724 in 2024). In IFRS, revaluation surpluses and fair value gains that bypass profit & loss can increase reserves/equity. If those reserves include revaluation surplus or FVOCI adjustments, then FVA has boosted equity without immediate profit recognition — improving equity ratios and solvency metrics on paper even if operating cash flows have not changed.

Under fair value accounting, revaluation gains on fixed assets are transferred to equity reserves instead of being recorded in the income statement. This treatment is consistent with the requirements of International Financial Reporting Standard 13, improving solvency and financial sustainability indicators without artificially inflating current-period profitability. Investments are classified and measured according to their nature and management's intent:

➤ **Fair value through profit or loss (FVTPL):** Short-term marketable securities are recorded at fair value, and changes in their market value are recorded in the income statement.

➤ **Fair value through other comprehensive income (FVOCI):** Long-term investments are recorded at fair value, but revaluation gains or losses are included in equity reserves, not current earnings.

This distinction is essential for accurately assessing financial sustainability, as it distinguishes between realized and unrealized effects on profitability and equity, providing stakeholders with a more transparent view of a company's financial position.

➤ **A new “investment” item appears in 2024** (investment = 144,620 in 2024; was “-” earlier). That could be a financial asset measured at fair value (investment property, financial instruments, or similar). If those assets are recorded at fair value, they can raise total assets and equity (through revaluation reserves or P&L) and change ratios year to year.

#### 4.4. Findings: Fair Value Accounting vs. Financial Sustainability

##### ➤ Assets and Equity

- Under FVA (2024), total assets increased from 2,452,560 → 2,542,791 (+90,231).
- Equity also increased from 1,490,724 → 1,580,955 (+90,231). This means the company has greater financial strength under fair value, as its real economic resources are more accurately captured.

**Impact: Stronger equity base → improved solvency and financial sustainability.**

##### ➤ Profitability (Income Statement)

- Surplus/Profit (2024) slightly decreased from 393,276 → 391,507 (−1,769) after adjusting depreciation and fair value gains.
- ROA and ROE declined slightly under FVA (because assets are higher and depreciation rises).

**Impact: Profitability ratios show minor reduction, but not significant enough to weaken long-term sustainability.**

##### ➤ Liquidity

- Current assets and liabilities were not revalued, so the current ratio remains 1.06 (unchanged).
- Liquidity position is stable and not influenced by FVA.

**Impact: No change on short-term sustainability.**

##### ➤ Solvency and Coverage Ratios

- Debt-to-Equity Ratio (2024):
- HC: 0.43
- FVA: 0.40 → lower leverage under FVA

##### ➤ Asset Coverage Ratio (2024):

- HC: 179.4
- FVA: 188.7 → higher coverage

**Impact: Stronger solvency indicators → reduced financial risk and better sustainability profile.**

#### 4.5. Implications

➤ Improved balance-sheet indicators (equity ratio, current ratio) may partly reflect fair-value remeasurements rather than improved underlying operating cash generation. This means that while the company looks stronger on solvency metrics, financial sustainability should also be checked against cash flows (not provided) and the nature/level of fair value adjustments (notes disclosure).

➤ Earnings volatility is a known effect of FVA when fair-value changes go through profit or loss (e.g., trading instruments). The observed drop in net income from 2022 to 2023 may be due to

operating reasons, fair value losses, or a mix — the income statement line items and notes (FV gains/losses) would clarify this.

## 5. Conclusion

The analysis of financial statements for 2022–2024 shows that liquidity improved steadily, with the current ratio rising from 0.77 in 2022 to 1.06 in 2024. Solvency indicators confirm a strong equity base, as the equity ratio remained above 60% throughout the period, although the debt-to-equity ratio increased again in 2024 after a temporary decline in 2023. Profitability weakened, with ROA falling from 15.5% in 2022 to 12.1% in 2023 and ROE decreasing from 25.8% to 18.9%. Net income dropped by nearly one-quarter between 2022 and 2023, raising concerns about earnings stability and long-term financial sustainability. The absence of net profit data for 2024 limits a full assessment for that year, but the overall results suggest that while the balance sheet reflects stronger solvency—possibly supported by fair value adjustments—profitability trends highlight underlying challenges to sustainable performance.

However, the overall results indicate that while the balance sheet reflects stronger financial solvency—possibly supported by fair value adjustments—profitability trends highlight underlying challenges to sustainable performance. Finally, fair value accounting has an impact on Asiacell's financial sustainability. The impact is positive: Fair value accounting improves financial solvency, strengthens equity, and enhances the long-term sustainability picture. The impact is neutral. Regarding liquidity, there are no significant changes in short-term sustainability. Regarding profitability, the impact is slightly negative: the reported surplus/profit decreases slightly due to higher depreciation and fair value adjustments. As for the effect implications of applying fair value for users such as Investors: Adopting fair value contributes to clarifying the vision of economic resources and financial solvency, which in turn influences investment decisions. And Auditors: Fair value adjustments require auditors to evaluate the methods used in valuation, which increases the complexity of the audit process and the responsibility of risk assessment. And finally decision-makers and regulators: For managers, a stronger equity position based on a company's fair value can facilitate access to financing and support long-term strategic planning. For regulators, this case highlights the importance of applying consistent fair value measurement standards to ensure reliability across the Iraqi market.

## References

- Afriyie, A. O. (2015). Financial sustainability factors of higher education: A predictive model. *International Journal of Education Learning and Development*, 2(3), 17–38.
- Aldabagh, D., Abbas, A. A. M. S., Kadhim, A. T., & Kalenychenko, R. (2024). The impact of political stability on economic growth in OPEC countries. *ENCUENTROS. Revista de Ciencias Humanas, Teoría Social y Pensamiento Crítico*, 23, 492–510.
- Al-Jilati, M. (2008). *The duties of the auditor in light of the Syrian Securities and Financial Markets Commission law and its regulations*. Syrian Association of Certified Public Accountants Academic Activities, Damascus, Syria.
- Al-Obaidi, B. S. H., Al-Kareem, R. S., Kadhim, A. T., & Korchova, H. (2024). The ripple effects of fraud on businesses: Costs, reputational damage, and legal consequences. *ENCUENTROS. Revista de Ciencias Humanas, Teoría Social y Pensamiento Crítico*, 23, 345–371.

Al-Saedi, A. O. H., Al-Turath, A. M., Kadhim, A. T., & Khlaponin, D. (2024). The intersection of public administration and criminal justice: Administrative criminology in action. *ENCUENTROS. Revista de Ciencias Humanas, Teoría Social y Pensamiento Crítico*, 23, 372–391.

Al-Sayyad, A. M. A. (n.d.). *The impact of applying fair value standards on the quality of financial reporting and on stock prices on the Egyptian Stock Exchange*. Academy of Specialized Studies – Workers' University – Tanta Branch. [https://caf.journals.ekb.eg/article\\_128141\\_f053bc73027d91748967e5ee05842e78.pdf](https://caf.journals.ekb.eg/article_128141_f053bc73027d91748967e5ee05842e78.pdf).

Armstrong, C., Barth, M., Jagolinzer, A., & Riedl, E. (2010). Market reaction to the adoption of IFRS in Europe. *Accounting Review*, 85(1), 31–61.

Bhimani, A. (2008). The role of crisis in reshaping the role of accounting. *Journal of Accounting and Public Policy*, 27(6), 444–454.

Brown, P. (2011). International financial reporting standards: What are the benefits? *Accounting & Business Research*, 41(3), 269–285.

Eccher, E., & Healy, P. (2003). *The role of international accounting standards in transitional economies: A study of the People's Republic of China*. Working Paper, Massachusetts Institute of Technology.

Hamidat, J. (2004). *The extent of compliance of industrial companies listed on the Amman Stock Exchange with the disclosure standards contained in international accounting standards and the instructions of the Securities Commission*. Unpublished PhD Thesis, Amman Arab University for Graduate Studies.

Hammad, T. A. (2002). Problems of applying fair value accounting in the Egyptian environment (Applied to banks). *Scientific Journal*, 1, 1–9.

Hussein, A. M. N., & Farhoud, S. B. (2020). Performance auditing of revenue sources in non-governmental organizations and its role in achieving financial sustainability. *Journal of Accounting and Financial Studies*, 15(50), 136–145.

Ibraheem Muhsin, A., Shamsi, S. S., Kadhim, A. T., & Korchova, H. (2024). Global knowledge transfer: How international companies are boosting knowledge economies. *ENCUENTROS. Revista de Ciencias Humanas, Teoría Social y Pensamiento Crítico*, 22, 175–190.

International Accounting Standards Board (IASB). (2009). *International Financial Reporting Standards (IFRSs)*. London: IASB.

International Accounting Standards Board (IASB). (2010). *International Financial Reporting Standards (IFRSs)*. London: IASB.

International Accounting Standards Board (IASB). (2011). *International Financial Reporting Standards (IFRSs)*. London: IASB.

Kasyan, A., Dos Santos, P. G., Pinho, C., & Pinto, V. (2018). Disclosure of fair value measurement techniques of financial instruments: A study applied to the Portuguese banking sector according to IFRS 13. *International Journal of Business and Management Innovation*, 7(9), 32–44.

Khalil, M. A. I. (2007). A proposed approach to the characteristics of fair value information quality in commercial banks. *Commercial Studies and Research*, 2, 132–163.

Mustafa, R. A. (2010). A proposed framework for reviewing fair value measurement and disclosure in financial statements: An experimental study. *Scientific Journal of Commerce and Finance*, 1, 217–324.

Yallapragada, R. M. R., Toma, A. G., & Roe, C. W. (2011). The impact of international financial reporting standards on the accounting curriculum in the United States. *American Journal of Business Education*, 12–17.