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EMPIRICAL RESEARCH IN ACCOUNTING

AN APPRAISAL OF SOME EMPIRICAL RESEARCH IN FINANCIAL ACCOUNTING

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INTRODUCTION

This paper tends to appraise the various empirical researches done on Financial Accounting. These researches will include Financial Accounting Measures, Capital Market Behavior, Financial Intermediaries, International Accounting Research, Corporate Governance, Executive Compensation, Debt Contracting, Accounting Regulation and Tax and Management Accounting. However, the focus of these research is limited to Fair Value (an accounting measure); Corporate Governance and Executive Compensation.

This Paper examines some empirical research in Accounting with focus on Fair Value (a measure of Financial Accounting); Corporate Governance and Executive Compensation; examine their benefits, appraise their practice at various levels (with a focus on Nigeria and the United States).

Four empirical research are examined in the area of Fair Value and conclusion from each indicates that Fair Value is not the cause of the 2007-2009 Financial Crunch; it provides useful information to financial statement users for proper decision making; provides information to investors and it reflects the current market trends.

In the area of Corporate Governance, four empirical research are the focus with conclusion that firms with well-governed frameworks benefit from low-cost capital, improved performance, better access to finance and also, ensures that Stakeholders are favorably treated. It is also seen that when Boards are smaller, performance improves; when the function of the CEO is separated from that of the Chairman, performance increases; and also, the existence of Non-Executive Directors is not in any way associated with the performance of a firm. Another research also reveals that female Board members, CEO duality, job experience of Board Members and members compensation all have positive effects on the performance of a firm (using the Return on Asset Criteria). The research also concludes that Board size of a firm does not have any effect on a firm's performance. Finally, another research shows that in the areas of disclosure and transparency, Corporate Governance is average.

Finally, four empirical research are appraised in this paper with conclusions that positive and significant relationship exists between the pay of CEO and a firm's performance (using Return on Equity approach); Narcissistic CEOs earn better than members of their teams; a bigger firm scale, increase of exports and insider boards and technology investments all have positive influence on executive compensation and finally, CEOs are not overpaid, they are paid for performance and penalized for poor performance in the area of stock restrictions.

DEFINITION OF FAIR VALUE, CORPORATE GOVERNANCE AND EXECUTIVE COMPENSATION

FAIR VALUE

There are various measures of Financial Accounting ranging from cost-historical, current, realizable value and present value; fair value, entry price, exit price, fair value less cost to sell, revalued amount and inflation-adjusted cost. However, our focus will be on the Fair Value basis of measurement.

M.L. Zyla (2012) in his paper titled *The Role of Fair Value Measurement in the Recent Financial Crunch* defines Fair Value as the financial reporting approach that allows entities to measure and report assets at the price assets would sell and liabilities at the estimated price that a holder would have to pay in order to discharge the liability. Here, Zyla takes cognizance of the exit price while defining fair value.

Furthermore, Crosson etal (2008) views Fair Value as the amount an asset could be bought or sold in a current transaction taking cognizance of the entry and exit prices as well.

Also, ACCA Global (2014) defines: Fair value is defined 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'

In addition, The ASC Glossary defines fair value as "[t]he 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." In this definition, ASC Glossary takes cognizance of defining fair value using the exit price approach.

Where there is an agreement between a buyer and seller on a particular sale price, the amount agreed by both parties is referred to as the Fair Value. This definition is in line with IAS 39 below

ACCA Global (2014) noted that fair value is at current exit price, not an entry price. This view is in contradiction to the definition given by IAS 39 which defines fair value as “the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction”. The later definition takes cognizance of neither an explicit entry nor exit price while defining fair value as against the earlier which focuses on fair value as concerned only with current exit price.

CORPORATE GOVERNANCE

Every company has a system of policies, procedures, practices and processes which help it to be well planned, directed, organized and controlled. This is called Corporate Governance. Corporate Governance ensures a framework for attaining the objectives of a company

Over the years, diverse definitions have been given to the subject of Corporate Governance. Gillan (2006) noted that these diverse definitions of Corporate Governance are as a result of diversification in cultural contexts, interests, intellectual backgrounds, interests and the worldview of the scholars investigating Corporate Governance.

Investopedia noted that Corporate Governance essentially balances the interest of a company's stakeholders-Shareholders, Management, Customers, financiers, Suppliers, government and the community.

Robert A.G. Monks and Nell Minow (2011) are of the opinion that Corporate Governance entails how public companies are structured and directed.

The concept of Corporate Governance is the invention of the capitalist system of the west that is based on the definition of 'corporation' (Aras et al 2016).

A set of policies created to decide the performance and direction of a company is called Corporate Governance (R. Kulkani and B. Maniam 2014).

EXECUTIVE COMPENSATION

Executives are often paid some financial compensation as well as non-financial rewards for the service they provide to the organization. This compensation is often determined by the Board of Directors of the organization.

Financial Times noted that executive compensation refers to the compensation given to CEOs and other executives for overseeing a company's strategy and operations.

The financial and non-monetary benefits made available to top level management for their effort on behalf of an organization defines executive compensation (*Business Dictionary*)

JUSTIFICATION

The various empirical financial accounting research have their various relevance. Each is examined under a heading hereunder:

BENEFITS OF FAIR VALUE

These are the relevance of fair value:

1. Lending made by banks are often made on fair value of collateral, not on the historical cost of the collateral;
2. When considering sourcing cash (by a company), it assesses the exit price (fair value) of assets it may dispose it, not on the historical cost of the asset;
3. When settling liabilities using cash, appraisal is made on what has to be paid to settle the liabilities instead of what was received in exchange that formed the liabilities.
4. It is a reflector of the current market condition.
5. It provides investors with insight into the current market values which in turn helps ensure that financial reports are useful.

BENEFITS OF CORPORATE GOVERNANCE

The relevance of corporate governance is beneficial to a company, the Shareholders and the economy of any nation. We shall discuss these benefits below:

1. A good Corporate Governance ensures transparency and fairness in business environment and also ensures that companies may be held responsible for whatever actions they take.
2. A good corporate governance ensures that there is delivery of a good business performance that can be sustained.
3. A good corporate governance practice ensures an improved internal control system which in turn leads to an improved profit margin and accountability.
4. When a good corporate governance is practiced in a company, investors are often willing to pay a premium for the shares of such company.
5. Good corporate governance ensures that Shareholders are provided with a better security on their investment.
6. A better corporate governance ensures that Shareholders are well informed on essential issues of a company such as sales and other critical issues.

BENEFITS OF A GOOD EXECUTIVE COMPENSATION

There are various benefits associated with well compensated executives in any organization. They are:

1. According to USA Today, one study has revealed that those companies that pay more to their executives outdo (in terms of performance) those that pay less;
2. Investopedia also noted that if executives are not properly compensated, they may not have the incentives to perform in the superlative interests of the Shareholders and;
3. M. J. Conyon (2006) noted that the essence of a well-designed executive compensation is to make sure the CEO and senior management are attracted, retained and motivated.

GENERAL ANALYSIS

EMPIRICAL RESEARCH ON FAIR VALUE

There are various empirical research work that have been done on the subject of Fair Value while others are still on going. In this section, I shall examine comparatively some empirical research on Fair Value ranging from five years ago and compare same with the present ones.

In 2011, David Prochazka of University of Economics, Prague in his paper, *The Role of Fair Value Measurement in the Recent Financial Crunch* examined the role of Fair Value Accounting, either as a Mover or Messenger in the 2007-2009 financial crunch and the subsequent recession, and also, he examines the features of fair value accounting from the point of view of the economy.

In his conclusion, Prochazka noted that Fair Value is not responsible for the 2007-2009 financial crunch but has helped, as a tool to differentiate between heathy and unhealthy companies. He identified huge monetary expansion as the main driver of the economic crisis, not Fair Value as perceived. Furthermore, he also noted that market price of which Fair Value being the most influential representative, plays a vital role for smooth operation of the market economy.

Similarly, in 2015, A.A.A Elfaki and S.M.E. Hammad in their publication, *The Impact of the Application of Fair Value Accounting on the Quality of Accounting Information. An Empirical Study on a Group of Companies Listed on the Khartoum Stock Exchange* elucidated the concept of Fair Value, its advantages and limitations as applied in Financial Accounting; illuminated the features of accounting information; simplified the approach of accounting measurement of fair value from the perspective of International Accounting Standards and the US Accounting Standards and finally, explained the effect of the application of fair value accounting on the quality of the feature of accounting information and the effect on decision-making.

In their conclusion, they noted that fair value helps to provide information that are useful and facilitates decision making by users of financial statement.

Vera Palea in 2013 critically looked at the Fair Value usefulness to the users of Financial Statement. This she did in her paper titled *Fair Value Accounting and its Usefulness to Financial Statement Users.* The purpose of her study was to converse on what fair value is and its use to the users of financial statement.

She asserted that investors are provided with the cost of investment (when applying the Historical Cost approach) but while Fair Value provides a measure of what Management expects to get in return and as such both such not be seen as competitors. However, she concluded that Fair Value and Historical Cost should be jointly provided as they deliver ample information to Investors.

Paul Jaijairm (2013) in his paper, *Fair Value Accounting Vs. Historical Cost Accounting* examined Fair Value Accounting relative to Historical Cost Accounting stating the superiority of fair value accounting (on the balance sheet) over historical cost accounting since the later reflects the current market situation while the former is a reflection of past. He also argued that Fair Value Accounting provides users of accounting information with current information.

In his conclusion, he stated that considering fair value accounting method of reflecting the current market trend (unlike the historical cost which allocates cost), fair value is superior when compared to historical cost accounting approach.

EMPIRICAL RESEARCH ON CORPORATE GOVERNANCE

There are various empirical research work that have been done on the subject of Corporate Governance while others are still on going. In this section, I shall examine comparatively, some empirical research on Corporate Governance, spanning within the period of five years ago to present day and making comparison on their empirical research. Focus here will be on Corporate Governance and Development, Corporate Governance and Firm Performance.

S. Claessens and B. Yurtoglu in their publication in 2012 title *10 Focus Corporate Governance and Development-An Update* review the relationship that exist Corporate Governance and economic development and welfare.

In their findings, they observed that firms that have well-governed corporate frameworks often benefit in the areas of low-cost capital, improved firm performance, better access to financing and often ensures that all stakeholders are more favorably treated.

In 2015, Dr. A.A. Azeez in his Paper, *Corporate Governance and Firm Performance: Evidence from Sri Lanka* evaluated the connection that exist between Corporate Governance and the performance of firm in Sri Lanka. In this paper, he considered the duality of CEO, the size of Board and the quantity of non-executive directors as Corporate Governance variables and on the other hand, ROE, ROA and EPS were used as the measures of the performance of firm. This was done taking 100 companies listed in the Colombo Stock Exchange between the period of 2010-2012 financial years.

His findings reveal that: (1.) the smaller the Board, the higher the performance, probably through management that is closely monitored (2.) where the post of a CEO and

Chairman are separated, firm performance increases and finally, (3.) the existence of non-executive directors on the Board is not in any way associated with the performance of firm in Sri Lanka.

D. Vo and T. Phan (2013) also reviewed the relationship between Corporate Governance and Firm Performance in their Paper titled *Corporate Governance and Firm Performance: Empirical Evidence from Vietnam* with a focus on: (1.) the Board size; (2.) the female component in the board members; (3.) CEO duality; (4.) the level of education of the Board members; (5.) the job experience of the board; (6.) the presence of autonomous (external) directors; (7.) Board compensation; (8.) board ownership; (9.) and the block holders. In this paper, they focused on 77 listed trading firms between the periods of 2006 to 2011.

In their findings, they discovered that the presence of female board members, CEO duality, the job experience of the board and board members compensation all have positive effect on the performance on firms when measured using Return on Asset (ROA). On the other hand, the Board size does not have any positive effect on the performance of firms. Finally, they established that board ownership has no linear relationship with firms' performance.

D. Djokic and M. Duh in 2015 took a critical review of measuring the transparency of Corporate Governance in Slovenia in their Paper Titled *Measuring Transparency of the Corporate Governance in Slovenia* with a focus on the South-East Europe Corporate Governance Academic Network (SEECGAN) index developed in 2014 by members of

SEECGAN. The focus was on 22 companies. The SEECGAN index had a focus on seven components of Corporate Governance namely: (1.) the structure and governance of Boards; (2.) information disclosure and transparency; (3.) the rights of Shareholders; (4.) Social responsibility of Corporations; (5.) Audit and Internal Control; (6.) the management of corporate risks and (7.) Remuneration/ compensation.

In their conclusion, they observed that Corporate Governance practice in the area of information disclosure and transparency is assessed as being on the average. However, there were differences in the quality of disclosure and transparency practices that exist among the 22 companies.

EMPIRICAL RESEARCH ON EXECUTIVE COMPENSATION

K. J. sigler (2011) in his paper, *CEO Compensation and Company Performance* took a critical look at the relationship that exist between the pay of CEO and company performance of 280 companies (data taken from Forbes Magazine) listed in the New York Stock Exchange between 2006 and 2009. In this research, he developed a model that took cognizance of four components- Tenure, Beta (risk measure, i.e. equity beta), Employees and ROE as a way of testing the relationship between the pay of CEO and company performance.

In his finding, he concluded that positive and significant relationship exist between the pay of CEO and firm performance when measured by return on equity.

In another research paper (C. A. O'Reilly III et al 2013), *Narcissistic CEOs and executive compensation*, an assessment on Narcissistic CEOs (dominant, self-confidence, a sense of entitlement, grandiosity, and low empathy) and their peers that are less narcissistic was investigated to ascertain the systematic difference in their compensation packages and to ascertain if these systematic differences in their compensation packages has made them stay longer with their firms. This was done using the rating of employee of disposition for 32 CEOs of prominent firms of high-technology. They found out that more narcissistic CEOs who have stayed longer with their firms collect more total compensation in form of bonus, salary and stock options and also have more cash in their over-all shareholdings. Also, they also found out that discrepancies exist in terms of higher compensation received by the narcissistic CEOs when compared to what is earned by the other members of their teams.

In one of the most recent research paper (W. Keller et al 2017),*Globalization and Executive Compensation,* the researchers examine the part of globalization in the fast growth in the topmost incomes. In carrying out this research, they collected a comprehensive data from over thousands of executives in the United States firms between the periods of two decades- 1993-2013 using executive compensation *(i)*, firm (*f)*, industry (*n*) and years (*t*) to represent dependent variables and real exports *(exp)* and real import *(imp)* as independent variable also including relationship of insider board *(insider)*, measurement of technological investment using real capital expenditures *(cap_ exp)*, measurement of firm size as employment *(empl)*, and marginal state tax rate (as faced by the executive)(*tax_ rate)* as components that make up independent variables.

In their conclusion, the found out that a bigger firm scale, an increasing export together with the insider boards and technology investment all have positive influence on the compensation of executive.

In 2012, S. N. Kaplan in his paper, *Executive Compensation and Corporate Governance in the US: Perceptions, Facts and Challenges* addressed three perceptions of the pay of CEO and corporate governance which are: (1) overpayment of CEOs and their pay continuously rising; (2) They (CEOs) are not paid for performance and; (3) CEOs are not penalized for poor performance (by the boards).

In his conclusion, he addressed the three perceptions stating that: (1) CEOs are not overpaid although their pay increased in the 90s but declined since then; (2) CEOs are paid for their performance and penalized when their performance is poor. This is due to the restriction in stock of the pay package and they are monitored by boards and this monitoring has increased over time.

DISCUSSIONS

The three-chosen empirical research in Accounting (Fair Value, Corporate Governance and Executive Compensation) discussed in this paper will focus on their development at the local, national and international level. The development of these three-aforementioned empirical accounting research will focus on Nigeria and the United States.

FAIR VALUE DEVELOPMENT IN NIGERIA

In Nigeria, there are four phases of development in the FIRS (of which 'FIRS 13 Fair Value Measurement' is a component).

The phases of FIRS (of which 'FIRS 13 Fair Value Measurement' is a component) adoption in Nigeria are:

1. Adoption of FIRS standards for quoted companies and those with important public interest (January,2012);
2. Adoption of FIRS standards for other public interest entities (January,2013);
3. Adoption of FIRS standards for SMEs (January,2014) and
4. Adoption of FIRS standards for 'not-for-profit' entities such as NGOs, Religious bodies, etc. (1st January,2015).

The table below shows the four developmental stages of FIRS(of which 'FIRS 13 Fair Value Measurement' is a component) adoption in Nigeria are:

DEVELOPMENT OF FIRS- FAIR VALUE IN NIGERIA

S/N	DATE OF DEVELOPMENT	ISSUE DEVELOPED
1	January,2012	Adoption of FIRS standards for quoted companies and those with important public interest
2	January,2013	Adoption of FIRS standards for other public interest entities
3	January,2014	Adoption of FIRS standards for SMEs
4	1st January,2015	Adoption of FIRS standards for 'not-for-profit' entities such as NGOs, Religious bodies, etc.

FAIR VALUE DEVELOPMENT IN THE UNITED STATES

In the United states, there are various phases before the advent of Fair Value practice. These phases are discussed below:

1. Formation of Security and Exchange Commission in 1934 as a result of the stock market collapse in 1929;
2. SEC pronouncement (Accounting Series Release No 4) in 1938 which requires all official fillings to have 'substantial authoritative support';
3. Disbandment of Committee on Accounting Procedure (CAP) by the American Institute of Certified Public Accountants (AICPA) in 1959 and replacing it with the Accounting Principle Board (APB) and Accounting Research Division (ARD);
4. Issuance of Accounting Research Study (ARS) in 1961 for postulate formation to form a foundation for successive principles of accounting;
5. The release of ARS 3 in 1962 viewed as the beginning of the era of modern accounting;
6. Philip (1963) scrutinized examined the subject of income determination to include five methods-Psychic income; Economic Present value added; Accretion income; Accrual income and Cash income;
7. American Accounting Association (AAA) formation of a committee (in 1964) saddled with the responsibility of 'an integrated statement of basic accounting theory';
8. AAA recommendation (in 1966) that accounting information dissemination should include relevance, verifiability, freedom from bias and quantifiability;

9. Creation of Trueblood Committee and Wheat Committee (in 1971) to perform comprehensive review of accounting policy and to evaluate the procedures in which standards were set;
10. The creation of Financial Accounting Standards Board (FASB) in July 1973 and the disbandment of the ABP;
11. Asset Valuation debate continued and in 1984, Statement of Financial Accounting Concept (SFAC) No. 5 was issued.
12. In 1988, Jones noted that historical cost no longer faithfully reflects the economic realities of the complex instruments existing today.

The table below is used to indicate the developmental stages of Fair Value Accounting in the United States.

DEVELOPMENT OF FAIR VALUE IN THE UNITED STATES		
S/N	**DATE OF DEVELOPMENT**	**ISSUE DEVELOPED**
1	1934	Formation of Security and Exchange Commission in 1934 as a result of the stock market collapse in 1929
2	1938	SEC pronouncement (Accounting Series Release No 4) in 1938 which requires all official fillings to have ‘substantial authoritative support’
3	1959	Disbandment of Committee on Accounting Procedure (CAP) by the American Institute of Certified Public Accountants (AICPA) in 1959 and replacing it with the Accounting Principle Board (APB) and Accounting Research Division (ARD)
4	1961	Issuance of Accounting Research Study (ARS) in 1961 for postulate formation to form a foundation for successive principles of accounting
5	1962	The release of ARS 3 in 1962 viewed as the beginning of the era of modern accounting

6	1963	Philip (1963) scrutinized examined the subject of income determination to include five methods-Psychic income; Economic Present value added; Accretion income; Accrual income and Cash income
7	1964	American Accounting Association (AAA) formation of a committee (in 1964) saddled with the responsibility of ‘an integrated statement of basic accounting theory’
8	1966	AAA recommendation (in 1966) that accounting information dissemination should include relevance, verifiability, freedom from bias and quantifiability
9	1971	Creation of Trueblood Committee and Wheat Committee (in 1971) to perform comprehensive review of accounting policy and to evaluate the procedures in which standards were set
10	1973	The creation of Financial Accounting Standards Board (FASB) in July 1973 and the disbandment of the ABP
11	1984	Asset Valuation debate continued and in 1984, Statement of Financial Accounting Concept (SFAC) No. 5 was issued
12	1988	In 1988, Jones noted that historical cost no longer faithfully reflects the economic realities of the complex instruments existing today

DEVELOPMENT OF CORPORATE GOVERNANCE IN NIGERIA

There are four eras of Corporate Governance in Nigeria. Each of these eras will be discussed below.

1. **The Era of Pre-1990**: Before the period of 1990, the law statue of company was the Companies Act of 1968 which provided provisions on how companies were to be run, defining the roles of the board of directors but due to the limitations in the Act, it was replaced with the Companies and Allied Matters Decree No. 1 of 1990 which eventually became the Companies and Allied Matters Act, cap. C20, Laws of the Federation of Nigeria 2004.
2. **1990-2003 Era:** This is the era of the Companies and Allied Matters Act, cap. C20, Laws of the Federation of Nigeria 2004. During this era, various counties started reviewing the Corporate Governance practice and issuing corporate governance codes as a result of the Enron, Tyco and WorldCom collapse in 2000s.

   Nigeria was not left out of this review as the Bankers' Committee in August 2003 issued code of Corporate Governance for Banks and other Financial Institutions. This code was forecast on 11 principles which are: (1) Board of Directors responsibilities; (2) Board of Directors' Structure; (3) The Chief Executive Officer and The Chairman; (4) Board Appointments; (5) Board of Directors' proceedings; (6) Remuneration of Directors; (7) Performance Assessment of the Board; (8) Risk Management; (9) Financial Disclosure; (10) Relations with Stakeholders and (11) Audit Committee.

The major drawback of this code was that it was merely issued by Chief Executives of Banks rather than regulators.

3. **2003-2011 Era:** The Security and Exchange Commission in 2003 (2003 SEC code) issued a code of Best Practices of Corporate Governance in Nigeria. This was the first Corporate Governance code to be issued by a regulator in Nigeria and was applicable to all registered public companies in Nigeria.

   The Central Bank of Nigeria (in 2006) issued its code of Corporate Governance for those banks in Nigeria post consolidation (2006 CBN Code) which made compliance mandatory for all banks operating in Nigeria.

   In 2008, after the pension sector reforms, the National Pension Commission (PENCOM) issued its code of Corporate Governance for Pensions operators that are licensed (2008 PENCOM Code). The code was developed to direct the administrators of Pension Funds and custodians of pension funds on how they can achieve an optimal governance procedure.

   In 2009, the National Insurance Commission (NAICOM) issued the Code of Good Corporate Governance for Insurance Industry in Nigeria (2009 NAICOM Code). Though this became effective 1st March, 2009.The belief is that sound Corporate Governance in the industry would safeguard transparency, accountability and ensure the enhancement of the value of Shareholders.

On 1st April,2011, the Security and Exchange Commission issued the code of Corporate Governance in Nigeria which eventually replaced the 2003 SEC Code.

4. **2011- date:** As discussed above, there were four regulators who were in the Corporate Governance scene until 2011.

   Just few months after the 2011 SEC Code became effective, the Federal Government of Nigeria enacted the Financial Reporting Council of Nigeria Act 2011. The Act expressed jurisdiction in Corporate Governance.

The table below is used to illustrate Corporate Governance development in Nigeria.

DEVELOPMENT OF CORPORATE GOVERNANCE IN NIGERIA		
S/N	**DATE OF DEVELOPMENT**	**ISSUE DEVELOPED**
1	The Era of Pre-1990	Before the period of 1990, the law statue of company was the Companies Act of 1968 which provided provisions on how companies were to be run, defining the roles of the board of directors but due to the limitations in the Act, it was replaced with the Companies and Allied Matters Decree No. 1 of 1990 which eventually became the Companies and Allied Matters Act, cap. C20, Laws of the Federation of Nigeria 2004
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3	2003-2011 Era	The Security and Exchange Commission in 2003 (2003 SEC code) issued a code of Best Practices of Corporate Governance in Nigeria. This was the first Corporate Governance code to be issued by a regulator in Nigeria and was applicable to all registered public companies in Nigeria
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DEVELOPMENT OF CORPORATE GOVERNANCE IN THE UNITED STATES

Due to the corporate scandals that took place early this century which led to the collapse of *Worldcom, Tyco* and *Enron* the White House and the United States Congress have made unprecedented focus on Corporate Governance.

In July 30 2002, there was the enactment of Sarbanes-Oxley Act which set requirements for the Boards of Public Company, management and public accounting firms. The Act was drafted by *Paul Barbanes* and *Michael Oxley* and had an aim of expanding accountability and Corporate Governance. The Act affects both the financial and Information Technology departments that are responsible for the storage of the electronic records of Corporations. It defines the records of a corporation that should be stored and the duration of the storage. The Act states the all the records of a corporation as well as the electronic record messages must be stored for not less than five years. It tasks the Information Technology department to ensure that the corporation records must have an archive.

ACTUALIZATION

These three-empirical research (Fair Value, Corporate Governance and Executive Compensation) discussed in this Paper are of significant importance to those who find themselves in the Financial Sector as well as Investors and Shareholders of organizations.

In my profession as an Accountant, the importance of empirical research in Accounting cannot be over emphasized as they can be applied in my profession in the following ways:

1) The knowledge acquired from Fair Value Accounting can be applied in various areas. The knowledge acquired from Fair Value Accounting can be applied in the disposal of an asset which is often done at an exit price (Fair Value), not on the basis of historical cost which does not reflect the current market trend.
2) As an Accountant by profession, in the course of investing in an organization, the knowledge acquired from Corporate Governance can be applied in the area of ascertaining the soundness of the Corporate Governance of such organization before investing in it. The knowledge can also be applied in the area of helping the organization I work to ascertain the soundness of the Corporate Governance of an organization before investing in them.
3) Also, as an Accountant, the knowledge acquired from Executive Compensation can be applied in the area of advising the organization I work to ensure that CEOs are well paid in order to ensure significant performance of the organization.

CONCLUSION

This paper has successfully discussed three empirical research in Accounting- Fair Value accounting, Corporate Governance and Executive Compensation critically examining their importance in the present-day Organizations.

It has been discussed that Fair Value Accounting has an important role to play in asset valuation as well as the financial statement of any organization in order to reflect the true market position which cannot be accurately done using the historical cost concept of measurement. Also, it has been proven that Fair Value was not responsible for the 2001-2009 financial crunch.

Organizations with sound Corporate Governance tend to perform optimally than those without sound Corporate Governance and this also helps to protect the investors and Shareholders as they are well informed of the activities of the organization where they have interest.

In another development, it has been proven that there is a positive relationship between CEOs compensation and company’s performance, hence, the need to properly compensate the CEOs. In the same light, CEOs are not overpaid while technology and the size of a firm also contributes or influence executive compensation.

This various empirical research examined in this Paper is limited to certain countries and certain number of firms and organizations which does not reflect a fair view, as such, there is the need to carry out a broader research to accommodate a good and logical number of countries, firms and organizations.

Since research has shown that the existence of non-executive directors has no impact on the performance of a firm, further research should also be carried out to ascertain if the existence of Non-Executive Directors has impact on the performance of firms and if there is no relationship, organizations should think of scrapping out these set of directors.

One study in this paper has also indicated that when board size is smaller, it creates room for better performance. In this light, organizations should focus more on smaller Board sizes and also separate the portfolio of the CEO and the Chairman for better performance of firms. In addition, further research should be conducted the effect of Board size on the performance of organizations; if there is any relationship that exists between separation of the CEO and Chairman on the performance of organizations.

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