

# AUDIT INDEPENDENCE AND FAIR VALUE ACCOUNTING: NON-AUDIT FEES AND GOODWILL IMPAIRMENT

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## Abstract

This research paper investigated the relationship between audit independence and the use fair value accounting with specific focus on how goodwill impairment occasioned by fair value accounting practices is predicted by non-audits related fees paid to their auditors by listed manufacturing companies in Nigeria. Data for the research was collected from the audited financial reports of ten (10) manufacturing companies listed on the Nigeria Stock Exchange for a period of 10 years spanning from 2015 to 2024. The Panel least square (PLS) regression method was utilized to analyse the research data. Findings of the research showed that there was a negative relationship between audit firm independence and goodwill impairment occasioned by the use of fair value accounting methods in the valuation and disclosure of goodwill impairment. From the findings, it is concluded that auditor independence cannot explain or predict goodwill impairment. The findings also showed that as much as 94% of the impairment in goodwill can explained or connected to variables which were not considered in this research. This is obviously a line of research that should be pursued in the future in order to determine the other factors that can be linked to goodwill impairment.

**Keywords:** Audit Firm Independence. Goodwill Impairment. Fair Value Accounting Methods. Goodwill Impairment.

## Introduction

It has been suggested by Kimmel, Weygandt, and Kieso, (2010) that accounting is an information system that identifies, records and communicates the economic events of an organization to interested users. Based on this definition, it can be said that financial statements are the only way through which entities convey their accounting information to interested parties (investors and the stakeholders in general). The importance of these financial statements emerges from the quality of statements' information presented to users (investors, creditors, managers, and government agencies). Therefore, the selected measurement base used in preparing the financial statements is considered to be the major problem of accounting. For instance, it can refer to investors interested in identifying the real income earned by a given firm over a given period of time as a basis of their decisions. In accounting, the amount of earned income can be identified based on several methods - including Historical Cost Accounting (HCA) and Fair Value Accounting (FVA).

However, as result of the problems and limitations associated with the Historical Cost Accounting (HCA) in capturing the 'real value' of assets and liabilities, there arose a need to develop a new method to capture what would be regarded as the 'fair' value of firms' assets

and liabilities in order to arrive at a fair valuation for the firm. For example, historical costs are criticized for being obsolete by the time decisions on the value of assets are being made (Deegan & Unerman, 2006). Linsmeier (2013) succinctly stated that historical cost accounting measured the current value of assets and liabilities based on the acquisition date rather than their actual market value at the measurement date, thus making the recorded value of such assets and liabilities unreliable as a measure of its true worth (Linsmeier, 2013). Haswell and Evans (2018) opined that historical cost accounting lacks comparability due to the recognition of unrealised gains in assets values. They further stated that the drawbacks of historical costs arise especially during inflationary periods because historical costs cannot reflect changes in prices. Therefore, the historical cost accounting has been modified several times, and eventually replaced by Fair Value Accounting (FVA) (Oyewo, Emebinah, & Savage, 2020).

Fair Value Accounting according to Way (2019), requires companies to adjust assets in a timely manner to reflect current market prices. A primary advantage of fair value accounting is that it provides accurate asset and liability valuation on an ongoing basis to users of the company's reported financial information. When the price of an asset or liability has increased or is expected to increase, the company marks up the value of the asset or liability to its current market price to reflect what it would receive if it sold the asset or would have to pay to relieve itself from the liability. Conversely, the company marks down the value of an asset or liability to reflect any decrease in the market price. Fair Value accounting has also come under intense criticism in recent times for perceived shorting comings. For example, in fluctuating or unstable market conditions, the fair value quoted by the company may not give a true picture of its value. Thus, unstable market conditions can have exaggerated (overly positive or negative) effect on fair valuations.

Following the global financial crisis and failure of big corporations such as Enron whose assets valuations were found to be inflated via the fair value accounting process, questions have been raised about external auditors' role in enhancing or undermining the integrity, and credibility in financial reporting (Wells 2005). Many financial institutions received an unqualified/misleading audit opinion(s) which ultimately contributed to the global financial crisis and/or collapse of some corporations (Sikka 2009). This situation necessitates further revising of the role of auditing in contemporary society, such as investigating whether auditors lack the necessary experience, independence, or the motivation to provide a true and fair judgement of firms' financial affairs (Humphrey, Loft, & Woods, 2009). It is on this premise that this paper sought to investigate the relationship between audit independence and fair value accounting practices of manufacturing companies in Nigeria - with particular focus on how assessment of goodwill impairment by auditor is related to non-audit related fees received by auditors.

### **Statement of the Problem**

Previous research on external auditor independence and and firm characteristics has revealed that additional income (fees) not related to audit services (non-audit fees) received by an auditor from a client can limit the ability auditor to act independtntly in reporting and and given credible audit opinions to the client (Haswell, and Evans, 2018; Carcello, Neal, Lauren,

& Shipman, 2018; Oyewo, et. al. 2020; Alharasis, Prokofieva, Alqatamin, & Clark, 2020). This is because the auditor may feel a sense of gratitude for the addition income from the client and fearing the possibility of losing such fees if the client is unhappy with his (auditor's) services may act as an inducement for the auditor to stay in line in order to please the client (Alharasis, et. al, 2020; Carcello, et. al, 2018). Thus, the independence of the auditor may be eroded by the additional non-audit related fees from the corporation. In recognition of this, the Sarbanes-Oxley Act (SOX) proscribed auditors from providing many non-audit services to audit clients. However, many other non-audit related services are still provided by auditors for their clients (Carcello, et. al, 2018). These include but not limit to business advisory services, business/market development services, taxation related advisory services, services relating to accounting choices to mitigate liabilities and improve cash flows among many others. Carcello, et. al, (2018) also reported that as much as 15% of fees received by auditors from clients are for services not related to the primary audit services. A review of previous research on the subject matter in Nigeria revealed that no previous researcher has tried to investigate the linkage between audit independence measured in terms of non-audit related fees and fair value assessment of goodwill impairment. Thus, this research contribute to knowledge by filling this identified gap in research.

### **Aim of the Study**

The aim of this research is to assess the relationship between audit independence and fair value accounting practices of manufacturing companies in Nigeria. This will be achieved with the specific objective below.

- To determine the nature of the relationship between non-audits related fees (as a measure of audit independence) and goodwill impairment assessment by auditors as a measure of fair value accounting practice in listed manufacturing companies in Nigeria.

### **Stakeholder Theory**

Freeman, Wells, and Wyatt, (2017) characterised stakeholders as any individual or group who can influence and be influenced by the decisions and achievements of the organization. Thus, it is important that the organization put all stakeholders into consideration in all decisions or actions it is wants to undertake. It is also important that the company understands the information needs of stakeholders and provide them with all the necessary information which they can use to make informed decisions (Healy & Wahlen 1999). While agency theory expresses the conflict between organisations' managers and shareholders, stakeholder theory reflects the wider range internal and external users (Guidara, El-Ammari, &Khlif, 2021). Regarding the above, Clarkson, Kao, & Richardson, (1994), broadly classified stakeholders in two categories, vis-à-vis; primary and secondary. The primary stakeholders are those that are directly interested in the affairs of the organisation and they include shareholders, employees, suppliers, and customers. The secondary stakeholders are those who are indirectly related to the organisation and its business. These include the government and other organisations' personnel and environmentalists (Freeman, Wells, & Wyatt, 2017).

In stakeholder theory, external auditors' function as oversight system protecting the rights of all stakeholders, not just protecting shareholders' interests (Baker & Owsen 2002). As stated by (Mattingly, Harrast, and Olsen (2009), audit fees serve to protect all stakeholders' interests. High audit fees lead to high-quality accounts which ultimately resulted in lower earnings management by corporates' management (Demartini & Trucco 2017). Consistent with the adoption of fair value accounting, this adaptation leads to large-scale earnings management behaviour by managers, such as engaging in flexible accounting practices to misrepresenting the reliability of a firm's financial reports (Alzoubi 2016). All in all, and based on stakeholder theory, corporate disclosures are a necessary tool to meet stakeholders' interests and make decisions on resources allocations. Unlike agency theory, from the stakeholder theory view, the firm is seen in its wider social fabric and managers are accountable to a wider range of stakeholders (Freeman, Wells, & Wyatt, 2017). In this respect, stakeholder theory expands agency theory emphasis. Therefore, managers should support all stakeholder groups with high quality financial information. Both, agency and stakeholder theories can be integrated, since the latter theory does not employ the information asymmetry concept (Bradley & Li, 2021). Therefore, in discussing the relationship between fair value disclosures and audit fees the integrated theories can explain the relationship by arguing that, audit fees can reduce information asymmetry between corporates and their stakeholders.

## **Discussion of Related Concepts**

### **Fair Value Accounting**

According to Way (2019), fair value accounting is a financial reporting approach, also known as the "mark-to-market" accounting practice, under generally accepted accounting principles (GAAP). Using fair value accounting, companies measure and report the value of certain assets and liabilities on the basis of their actual or estimated fair market prices. Changes in asset or liability values over time generate unrealized gains or losses for the assets held and liabilities outstanding, increasing or reducing net income, as well as equity in the balance sheet.

A primary advantage of fair value accounting is that it provides accurate asset and liability valuation on an on-going basis to users of the company's reported financial information. When the price of an asset or liability has increased or is expected to increase, the company marks up the value of the asset or liability to its current market price to reflect what it would receive if it sold the asset or would have to pay to relieve itself from the liability. Conversely, the company marks down the value of an asset or liability to reflect any decrease in the market price. Fair value accounting limits a company's ability to potentially manipulate its reported net income. Sometimes management may purposely arrange certain asset sales, for example, to use gains or losses from the sales to increase or decrease net income as reported at its desired time. Using fair value accounting, gains or losses from any price change for an asset or liability are reported in the period in which they occur. While an increase in asset value or a decrease in liability value adds to net income, a decrease in asset value or an increase in liability value reduces net income (Way (2019).

However, fair value accounting can also present challenges to companies and users of reported financial information. Conditions of the markets in which certain assets and liabilities are traded may fluctuate often and even become volatile at times. Applying fair value accounting, companies reevaluate the current value of certain assets and liabilities even in volatile market conditions, potentially creating large swings in the value of those assets and liabilities. However, as markets stabilize, such value changes likely reverse back to previous normal levels, making any reported losses or gains temporary, which means fair value accounting may have provided misleading information at the time. Furthermore, the use of fair value accounting may further affect a down market adversely. For example, after an asset has been revalued downward because of drops in the current market trading prices, the lower value of the asset could trigger greater selling of the asset at a potentially even more depressed price. Without valuation markdown as required by fair value accounting, companies may not feel the need to sell an asset in a down market to prevent potentially further downward valuation of the asset. Absent additional selling pressures, the market may stabilize over time, which would help preserve the value of the asset.

### **Auditor Independence**

An independent auditor is a certified public accountant (CPA) or chartered accountant (CA) who examines the financial records and business transactions of a company with which they are not affiliated. An independent auditor is typically used to avoid conflicts of interest and to ensure the integrity of performing an audit. Independent auditors are often used—or even mandated—to protect shareholders and potential investors from the occasional fraudulent or unrepresentative financial claims made by public companies (Kenton, 2021). However, the independence of an independent auditor cannot be guaranteed on the grounds that he/she is called independent auditor. Independent auditors are known to have been influenced by clients to act in cahoots with the client or to mislead stakeholders and in other cases to turn a blind eye to an obvious lapse in financial reports (Carcello, et. al, 2018; Krishnan, Sami, & Yinqi, 2005). Independence of the external auditor means independence from parties that have an interest in the results published in financial statements of an entity. The support from and relation to the Audit Committee of the client company, the contract and the contractual reference to public accounting standards/codes generally provides independence from management, the code of ethics of the Public Accountant profession) helps give guidance on independence from suppliers, clients, third parties among other stakeholders (Vause, 2009).

### **Goodwill Impairment**

Goodwill is an intangible asset normally linked with the purchase of one business organization by another. In specific terms, goodwill is taken into consideration and recorded in situations where the purchase price of the business organization is higher than the net of the fair value of all identifiable tangible and intangible assets and liabilities taken over in the process of the merger or acquisition. Some of the factors that contribute to the value of a company's goodwill include its trademark and brand name, good employee relations, strong customer relationship and customer base, and any patents or proprietary technology and

copyrights. Because many companies acquire other firms and pay a price that exceeds the fair value of identifiable assets and liabilities that the acquired firm possesses, the difference between the purchase price and the fair value of acquired assets is recorded as goodwill. However, if unforeseen circumstances arise that decrease expected cash flows from acquired assets, the goodwill recorded can have a current fair value that is lower than what was originally booked, and the company must record goodwill impairment. Goodwill impairment is an accounting charge that companies record when goodwill's carrying value on financial statements exceeds its fair value. In accounting, goodwill is recorded after a company acquires assets and liabilities, and pays a price in excess of their identifiable net value. Goodwill impairment arises when there is deterioration in the capabilities of acquired assets to generate cash flows, and the fair value of the goodwill dips below its book value (Tuovila, 2021). Due to the judgment required in determining its value, goodwill impairments are most likely to be manipulated and used to “manage financial reports opportunistically (Ramanna& Watts, 2012).

### **Audit Independence and Goodwill Impairment - Empirical Evidence**

Abiahu, Udeh, Okegbe, and Eneh (2020) evaluated the effect of fair value reporting on financial profitability and firm value with focus on deposit money banks in Nigeria. The study was anchored on the agency theory while descriptive analysis was employed to summarize data collected. The result supports the hypothesis that fair value reporting does not significantly affect reported profitability. Fair value was however found to affect firm valuation. Overall, this study suggested that in order to effectively evaluate financial performance and position, knowledge of fair value is not enough. Users also need to know the historical cost of the investment.

Alharasis, et. al, (2020) investigated the link between the introduction of fair value measurements (FVM) and occurrence of the global financial crisis (GFC) in 2008 and 2009. Content analysis using NVivo software was employed to analyse existing research and available published information. The study the paper concluded that with the controversial use of fair value measurement and established a direct connection between Enron’s collapse, the global financial crisis and improper fair value measurement practices. The study also identified the current pricing strategy for audit as an industry response to the abuse of external audit arrangements regarding fair value accounting.

Ngoc (2020) evaluate the adoption of fair value accounting in Vietnam and the impact of factors on the adoption of fair value. The paper used the analytical framework of previous studies to identify factors affecting the adoption of fair value. Additionally, this study applied quantitative research methods and collected data by sending questionnaires to 127 accountants and directors of listed companies. The result revealed that human resources have the strongest and positive impact on the adoption of fair value, and this is followed by the benefits of fair value. Difficulties and markets negatively affect the use of fair value.

Yakubu, and Williams (2020) employed a theoretical approach to auditor independence and audit quality review. Findings from the research provided insight on how independence of auditors enhance audit quality and that abnormal audit fees is as a result of additional effort

for auditor to carry out rigorous audit engagement as a result of wider audit scope. They also show that mandatory audit firm rotation enhance auditor independence, and that audit committee with non-executive independence promote audit quality. Finally, in terms of auditor size, smaller audit firms that belong to professional bodies provide higher quality audit services. The research concluded that where an auditor is fully independent in carrying out audit engagement with strong resistance to fees pressure will enhance audit quality.

Ola, and Oto (2019) examined the effect of audit reputation and independence on the market value of listed companies in Nigeria. Audit reputation was explained by Audit Firm Size (AFS), and audit independence was explained by Audit Opinion (AOP) while market value was proxied by market Price per Share (MPS). The results indicated that audit quality; specifically, AFS and AOP has significant positive effect on market value of non-financial companies listed in Nigeria. They concluded that, audit quality significantly relates with market value and substantially affects the market value of listed nonfinancial companies in Nigeria positively. Hence, it was recommended that the regulatory bodies should endeavour to do their supervisory task well by ensuring that audit reports/opinions reflect the true state of the financial statements especially where it is audited by the Big-4 auditors so as to justify their reputation.

Carcello, et al, (2018) researched on auditor independence and fair value accounting with regards to whether non-audit fees and goodwill impairments are related. Specifically, they tested whether non-audit fees are associated with goodwill impairment decision outcomes. Their results indicated that the non-audit fees a client pays are inversely related to the likelihood of impairment in settings where goodwill is likely to be impaired. Additional examinations suggested that the negative relation between non-audit fees and auditor independence is driven by clients who are most incentivized to exert their influence over the auditor.

Baffa, and Yero (2017) examined the differential effect of auditor type classified as Single Big4 audit firm; Single Non-Big4 audit firm; and joint audit team of Big4/Non-Big4 audit firms, on the value relevance of earnings and book values of listed firms in Nigeria. Using a sample of one hundred and seventeen listed (117) from 2009 to 2015, the research findings revealed that while Nigerian investors perceive the earnings of firms audited by a Single Big4 to be of high quality, they seem indifferent as to whether it is audited by a joint audit team of Big4/Non-big4, or a Single Non-Big4 audit firm. The study therefore recommended that investors looking for more value relevant EPS should focus on firms audited by single Big4. Boumediene, Boumediene, and Amara (2017) qualitatively assessed the impact of audit challenges related to fair value on audit quality and the role of the International Standards on Auditing (ISA) 540 in mitigating these challenges. The responses from 52 auditors revealed that the fair value is perceived as engendering technical difficulties for auditors. However, these challenges at fair value have no negative impact on audit quality. On the other hand, a majority of the respondents believed that the International Standards on Auditing 540 plays a significant role in mitigating the audit challenges related to fair value. The research concluded that in the eyes of Tunisian external auditors, benefits of fair value outweigh its

disadvantages and the International Standards on Auditing 540 provide auditors by all the necessary tools to deal with audit challenges related to fair value estimates.

Mechelli, and Cimini (2017) investigated whether and to what extent investors place more weight on accounting amounts disclosed in annual reports issued by entities that experienced a rotation of the audit firm or of the key audit partner. Analysing a sample of 97 non-financial entities over the period of 2006-2014, the paper provides evidence that rotations positively affect the value relevance of accounting information. It also revealed that audit firm rotation and the key partner rotation act only in part as substitutes, as the former is more capable than the latter of positively affecting the value relevance of earnings and book value. These results provide a significant implication for standard setters.

Abdullatif (2016) explored the main issues faced by external auditors in Jordan when auditing fair value estimates, and also examined the effects on the conduct of auditing. Employing a qualitative approach, using semi-structured interviews with a sample comprising of experienced Jordanian auditors from the Big Four audit firms, other internationally-affiliated audit firms, and local Jordanian audit firms. The findings of the study showed that fair value estimates have been aggressively used by some companies to overvalue their assets, especially in the areas of asset impairment and business combinations. Factors facilitating this include the lack of reliable fair value information and the weak corporate governance system. Auditors face extensive pressure from clients to accept questionable fair value estimates in an environment of low demand for high-quality audits, low audit fees, and the fear of losing clients. Auditors are also under the pressure of regulatory authorities to improve the quality of their work.

Palea (2014) conducted a research on fair value accounting and its usefulness to financial statement users. The research delineates the theoretical background for fair value accounting and also provided empirical evidence on its usefulness and highlighted some controversial issues. Findings raised doubts about the reliability of fair value accounting. The research also revealed that fair value accounting alone cannot provide information useful to evaluate stewardship. Thus, historical cost remains relevant because of the lapses in fair value accounting. The research thus concluded that dual measurement and financial reporting system could therefore deliver more complete and useful information to financial statement users.

Ahmed (2012) explored the methods and approaches used by auditors while auditing fair values from practical perspectives. The research employed a multiple case study design with pure qualitative methods and an inductive approach has been adopted. The result shows that by understanding the challenges and following the phases of auditing, auditors can maintain the quality of financial reporting. Four key audit phases are relevant to audit fair value method. These are: understanding the Client-Business environment, Engagement, Internal Control, and Planning phases of auditing. Furthermore, the results revealed key challenges of auditing fair value method disclosures. These challenges are information insufficiency, competence, auditors' lack of fair value audit exposure, and the manager's leadership role and style.

Olagunju, (2011) evaluated the impact of auditors independence on the credibility of financial statement in Nigeria. The research used both primary and secondary data which were analysed using simple percentages and chi-square test. Findings revealed that auditor's independence affect the credibility of financial statement and improvement in the credibility of the financial reporting process can reduce manipulation. Findings further revealed a positive relationship between auditor independence and credibility of financial reports. Yhus, the independence of an auditor is fundamental to the credibility of financial reports. It was thus recommended that there should be rotation of auditors to improve independence and implementation of peer assessment in other to ensure that audits are carried out with outmost professionalism and mutual respect. Finally, it was recommended that auditors be barred from providing audit clients with any other non-audit related services.

### Methodology

The Ex-post facto research design was adopted for this research paper. Data for was collected through the process of content analysis of the annual reports of ten (10) manufacturing companies listed on the Nigeria Stock Exchange (NSE). Choice of selected companies was on the basis of availability (on the internet) of their published annual financial statement on the firms' websites. Period of the study was ten (10) years from 2015 to 2024. For the purpose of data collection and analysis, the research adopted the research technique utilized by Carcello, Neal, Lauren, and Shipman (2018) in a similar study but in a different country. Thus, applying the content analysis method to the annual financial statements of the sampled companies, data was collected on: **Goodwill impairment (GWIPM)** which was captured as a dummy variable - where the company recorded a material goodwill impairment (materiality of impairment was captured as an impairment equal to or greater than 0.5% of revenue or sales), data took the value of 1 and 0 for no impairment (or impairment less than 0.5% of revenue or sales). **Auditor independence (AUIND)** was measured as non-audit related fees. This was captured as the ratio of non-audit related fees divided by total fees paid to the auditor for the current financial year. Further, the effect of **Auditor independence (AUIND)** on Good will impairment (GWIMP) is moderated by the size of the Audit Firm (AUSIZ) measured as the natural log (LN) of audit fees. The research data was analysed using Ordinary Least Square (OLS) regression technique. This is given as:

$$y = a + b_1x_1 + b_2x_2 + \dots + b_nx_n + e_i \dots \dots \dots (1)$$

Where

- y** = Dependent or outcome variable
- i** = Constant term
- x<sub>1</sub>, x<sub>2</sub>, ... x<sub>n</sub>** = Independent variables
- b<sub>1</sub>, b<sub>2</sub> ... b<sub>n</sub>** = Coefficients of the independent variables
- e<sub>i</sub>** = Error term.

The relationship between the variables is stated functionally as:

$$GWIMP = f(AUIND, AUSIZ) \dots \dots \dots (2)$$

Equation is 2 rewritten econometrically as:

$$GWIMP = \beta_0 + \beta_1AUIND + \beta_2AUSIZ + \varepsilon \dots \dots \dots (3)$$

**Data, Analysis and Results**

**Table 1: Result of Regression Analysis**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.377599	0.469721	0.803879	0.4234
AUIND	-0.060068	0.087155	-0.689203	0.4923
AUSIZ	-0.005378	0.067011	-0.080249	0.9362
R-squared	0.075080	Mean dependent var		0.330000
Adjusted R-squared	0.055434	S.D. dependent var		0.472582
S.E. of regression	0.476215	Akaike info criterion		1.383644
Sum squared resid	21.99769	Schwarz criterion		1.461799
Log likelihood	-66.18222	Hannan-Quinn criter.		1.415275
F-statistic	2.247618	Durbin-Watson stat		2.146136
Prob(F-statistic)	0.051150			

**Results and Discussion**

From the results in table 1 above, it can be observed that there is a negative relationship between goodwill impairment (GWIMP) and audit independence. Furthermore, there is a negative relationship between goodwill impairment and audit firm size (AUSIZ). The coefficient of regression for audit independence and audit firm size gave values of -0.0601 and -0.0054 which implies that worsening audit independence is not predicted to lead to goodwill impairment. Further, the bigger the size of the audit firm, the lower the predicted level of goodwill impairment in manufacturing companies. However, the result also indicates that audit independence is not statistically significant in predicting goodwill impairment - this evident from the probability of t-statistic value (prob.) of 0.4924 which is higher than the critical probability limit of 0.05. Finally, the adjusted R-Squared value of 0.0554 indicates that auditor independence (AUIND) and audit firm size (AUSIZ) together can only explain about 5.54% of the variations in goodwill impairment. This means that a larger chunk (94.46%) of goodwill impairment can be explained that by other factors outside audit firm independence and audit firm size. This finding aligns with that of Carcello, et. al, (2018) who in a similar study concluded that the non-audit fees a client pays are inversely related to the likelihood of impairment in goodwill. This finding is also consistent with the stakeholders' theory position that high audit fees lead to high-quality accounts which ultimately resulted in lower accounting manipulation as expressed by (Demartini&Trucco 2017). However, the research by Abdullatif (2016) that fair value estimates have been aggressively used by some companies to overvalue their assets, especially in the areas of asset impairment and business combinations. They further revealed that overstating assets was facilitated mostly by lack of reliable fair value information and the weak corporate governance system.

**Conclusions and Recommendations**

This research paper investigated the relationship between audit independence and the use fair value accounting with specific focus on how goodwill impairment occasioned by fair value accounting practices is predicted by non-audits related fees paid to their auditors by listed manufacturing companies in Nigeria. Data for the research was collected from the audited financial reports of ten (10) manufacturing companies listed on the Nigeria Stock Exchange for a period of 10 years spanning from 2015 to 2024. The Panel least square (PLS) regression method was utilized to analyse the research data. Findings of the research showed that there was a negative relationship between audit firm independence and goodwill impairment occasioned by the use of fair value accounting methods in the valuation and disclosure of goodwill impairment. From the findings, it is concluded that auditor independence cannot explain or predict goodwill impairment. The findings also showed that as much as 94% of the impairment in goodwill can explained or connected to variables which were not considered in this research. This is obviously a line of research that should be pursued in the future in order to determine the other factors that can be linked to goodwill impairment.

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