



## Identify and Prioritize Internal and External Factors Affecting the Implementing Fair Value Based on SWOT

Seyed Daniyal Aghvami<sup>1</sup>, Dr. Abbasali Haghparast<sup>2</sup>, Dr. Reza Setudeh<sup>3\*</sup>,  
Dr. Alireza Hirad<sup>4</sup>

1. Ph.D. Student, Department of Accounting, Faculty of Humanities, Zahedan Branch, Islamic Azad University, Zahedan, Iran. [Daniyal\\_aghvami@yahoo.com](mailto:Daniyal_aghvami@yahoo.com)
2. Assistant Professor, Department of Accounting, Faculty of Humanities, Zahedan Branch, Islamic Azad University, Zahedan, Iran. [Aa.haghparastt@gmail.com](mailto:Aa.haghparastt@gmail.com)
3. Assistant Professor, Department of Financial and Accounting, Faculty of Humanities, Meybod University, Meybod, Iran. [Sotudeh@meybod.ac.ir](mailto:Sotudeh@meybod.ac.ir)
4. Assistant Professor, Department of Accounting, Faculty of Humanities, Khash Branch, Islamic Azad University, Khash, Iran. [alireza.hirad@gmail.com](mailto:alireza.hirad@gmail.com)

### 1. Introduction

The implementation of a fair-value basis for financial reporting poses particular challenges in emerging or transitional economies such as Iran; while fair value aims at reflecting the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. In practice, many internal and external factors affect successful adoption and meaningful implementation.

Research on Iran has found that while professionals are positive toward fair-value measurement, there are significant technical challenges such as weak enforcement, non-compliance with disclosure requirements, lack of active markets, and inadequate infrastructure. For example, the study "Technical Challenges of Implementing Fair Values in Financial Reporting of Iran: Emphasizing on IFRS13 Requirements" concluded that non-compliance and enforcement gaps reduce the effectiveness of fair-value based reporting in Iran. Thus, understanding internal (organisation, systems, people)

and external (regulatory, market, economic) factors is critical.

In this article, a SWOT-style framework (Strengths, Weaknesses, Opportunities, Threats) was applied to identify and prioritise the internal and external factors that affect the implementation of fair value measurement in Iran. Our aim is to provide a structured analysis: first mapping factors, then prioritising which ones are most critical in the Iranian context, and finally, offering some recommendations.

## 2. Method

The research method is a mixed approach based on the interpretive paradigm and based on the objective, and is classified as developmental and applied research; in terms of data collection, it is classified as exploratory research. The study population is experts, the sample size is 34 people, the purposive sampling method is 2024, and the time domain is 2024. To collect data, the systematic review of documentary studies and the fuzzy Delphi questionnaire were used to identify the indicators of SWOT factors, and finally, the BWM method was used for prioritization.

## 3. Results

The results show that based on the BWM technique, the strengths of the criterion are "increasing the quality of disclosure of information related to fair value and improving comparability", "providing more relevant information for users' decision-making", and "reducing information asymmetry and reducing earnings management". The weaknesses are "difficulty for the business entity in determining markets, market participants, characteristics of the market and its participants, assumptions of market participants, access to different markets for the same asset/liability, determining the highest and most common use of non-financial assets from the perspective of market participants", "difficulty in classifying and complicating fair value measurement and its implementation, followed by a decrease in the reliability of financial information", and "extensive use of professional judgment". In the opportunity criterion, "the impact of the desired quality of corporate governance and the existence of corporate governance mechanisms such as the structure of internal controls and enterprise risk management", "the impact of supervision over the measurement and valuation profession on the quality of fair value measurement", and "the impact of macroeconomic conditions,

exchange rates, inflation and interest rates on assets in different places or sectors of the economy and on their valuation" have a higher priority. In the threat criterion, "the cost, time and difficulty of collecting information related to fair value and fully implementing fair value measurement and disclosure in practice and a large increase in the volume of financial reports", "reliance on a hypothetical transaction on the measurement date from the perspective of market participants in the absence of an observable market", and "lack of appropriate and sufficient enforcement guarantees for full compliance with the requirements for fair value measurement and disclosure" have a higher priority. According to the results obtained from the research, as is clear from the strengths, the use of fair value increases the quality of disclosure of information related to fair value and improves comparability, provides more relevant information for users' decision-making, reduces information asymmetry and reduces earnings management.

#### 4. Discussion and Conclusion

Implementing fair-value measurement in Iran is a complex endeavour that requires aligning internal organisational capabilities (controls, systems, expertise, culture) with the external market, regulatory and economic conditions. Using a SWOT approach helps identify and prioritise the most critical factors-especially those internal weaknesses and external threats that must be addressed to make fair value work meaningfully rather than superficially. Therefore, considering the weaknesses, opportunities, and threats for ease of implementation, the following should be considered in the section on future research suggestions:

Comprehensive guide on how to perform professional judgment; 2- Operational guidelines in determining the market, market characteristics, and market participants; 3- Integrated database and regular updates by professional institutions; 4- Operational guidelines for classifying fair value at each level; 5- Comprehensive technical guidelines for determining the highest and most effective use of non-financial assets; 6- Use of A-rated audit firms; 7- Major shareholder oversight through corporate governance mechanisms; 8- Establishing strong enforcement guarantees.

**Keywords:** Fair Value Measurement, Fair Value Accounting, SWOT Analysis.