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Examines the relationship between fair value accounting and historical cost accounting and systemic risk to the financial system, including the role that the accounting approaches played in the 2008 financial crisis.

The value of information incorporated by fair value measurements into financial statements, as compared to that provided by historical cost accounting, is considered to constitute one of its vital advantages -- such value having attributes of complete and accurate information.However, problems identified with fair value accounting include:-- The fact that in illiquid markets, trading by managers could influence traded -- as well as quoted prices, hence allowing them to manipulate fair value estimates;-- Tendency for fair value accounting to increase opportunities for manipulation when "mark-to-model" accounting is employed to simulate market prices.This study investigates the value and relevance of accounting information in certain selected jurisdictions -- particularly those with illiquid markets. In so doing, it also seeks to address questions relating to the reluctance of certain jurisdictions to fully embrace fair value accounting and whether such jurisdictions are justified in their actions.

Comprising contributions from a unique mixture of academics, standard setters and practitioners, and edited by an internationally recognized expert, this book, on a controversial and intensely debated topic, is the only definitive reference source available on the topics of fair value and financial reporting. Drawing chapters from a diverse range of contributors on different aspects of the subject together into one volume, it: examines the use of fair value in international financial reporting standards and the US standard SFAS 157 Fair Value Measurement, setting out the case for and against looks at fair value from a number of different theoretical perspectives, including possible future uses, alternative measurement paradigms and how it compares with other valuation models explores fair value accounting in practice, including audit, financial instruments, impairments, an investment banking perspective, approaches to fair value in Japan and the USA, and Enron's use of fair value An outstanding resource, this volume is an indispensable reference that is deserving of a place on the bookshelves of both libraries and all those working in, studying, or researching the areas of international accounting, financial accounting and reporting.

Explains financial analysis techniques, shows how to interpret financial statements, and discusses the analysis of fixed-income securities and the valuation of stocks

FAIR VALUE MEASUREMENT Practical Guidance and Implementation "Writing Fair Value Measurement was a monumental task fraught with controversy not only in the U.S., but also abroad. Having coauthored a book with Mark as well as written one myself, I was even more impressed that Mark was able to navigate these fair value minefields and produce a work that will be a tremendous help to accountants and non-accountants alike. If you are looking for a 'one-stop' book on fair value measurement, this is it!" Neil J. Beaton, CPA/ABV, CFA, ASA, Managing Director, Valuation Services, Alvarez & Marsal "In recent years, the FASB and the IASB have added many requirements for various assets and liabilities to be measured at fair value. In this book, Zyla clearly describes how to implement fair value measurement and how investors and creditors should interpret it. The crisp writing and illuminating analysis will help readers to grasp the essence of fair value accounting and to apply it wisely." J. Edward Ketz, Associate Professor of Accounting, Pennsylvania State University "The focus of the book is on fair value measurement based on level 3 inputs. This is a critical area of valuations for financial reporting due to a false comfort given by routine application of evaluating models and assumptions without real possibilities of calibration. Mark Zyla offers an extraordinary help in understanding the reliability of the inputs and the outputs of the different methodologies and the inherent biases in each of them. The book is a precious support for better valuation both in U.S. GAAP and in IFRS fair value reporting." Mauro Bini, Full Professor of Corporate Finance, Bocconi University; Chairman, Management Board OIV (Organismo Italiano di Valutazione) Essential guidance on the fair value measurement process Now in a second edition, Fair Value Measurement: Practical Guidance and Implementation helps you succeed in understanding the fair value accounting rules that entities must follow. The result is a resource that you can rely on to understand the importance of valuation and the concepts that define it. In basic, nontechnical language, author Mark Zyla presents practical direction for best practices of financial valuation as well as for understanding the many FASB pronouncements involving fair value. An essential guide for auditors and valuation specialists, Fair Value Measurement: Practical Guidance and Implementation, Second Edition brings you up to speed on what fair value really means.

Essay aus dem Jahr 2011 im Fachbereich BWL - Rechnungswesen, Bilanzierung, Steuern, , Sprache: Deutsch, Abstract: Once a founder complies with their commitment to initial contribution in the form of contribution in kind, a question arises about valuation of this in-kind contribution. Given the principle of continuity in fiscal statements between initial balance sheet and future annual statements, valuation of such in-kind contributions needs to refer to provisions of commercial law. However, §§ 242 and 253 of German Commercial Code (HGB) only provide general guidelines to refer in the measurement of in-kind contributions at enterprise formation to acquisition costs, which gives rise to the term of notional acquisition cost. With the regulation gap this leaves, the in-kind contributions can essentially be measured freely under common provisions. The values notional acquisition cost may assume range from fair value as maximum limit to the lower issue price of the shares subscribed as far as hidden reserves have been created. The author undertakes a comparison of the aims in financial reporting to HGB and IFRS respectively in as far as relevant to valuation of the in-kind contributions, explores the different views on the scope of notional acquisition cost and extracts from the aims of financial reporting to the core question about the essential allowability of hidden reserves in initial balance sheet the key decision making criterion to refer to in valuation of the in-kind contributions. The descriptive exploration of the different views in existing sources as to the scope of notional acquisition costs and the comparative analysis of pertinent provisions of HGB and IFRS respectively give rise to the author's conclusion and requirement to valuate the in-kind contributions at fair value.

Carroll, Linsmeier, and Petroni examine whether fair value financial statements reported by closed-end mutual funds are reliable and relevant. They also examine whether their inferences are sensitive to fund type, where they classify funds into six categories by their majority investment type. They find a significant association between stock market metrics (price and return) and reported fair values and their changes in all cases, controlling for the relation between stock metrics and historical cost values. They conclude that the fair value financial statements issued by closed-end mutual funds are incrementally value-relevant.I argue that the closed-end fund setting is well suited to investigating the valuation role of accounting, because the contracting role of accounting is relatively small and also highly aligned with the valuation role. The closed-end fund setting thus serves as a best-case benchmark for fair value accounting, and I assess the results from this vantage point. I extend the authors' cross-sectional analysis to examine whether value-relevance has changed over time for closed-end funds, and find that it has remained quite stable. I evaluate whether the authors' inferences hold under more powerful tests of relevance and reliability, and find that they do. While the cross-fund tests are consistent with fair value estimates from liquid markets being more reliable, I suggest alternative explanations. Finally, I discuss what we can learn about the desirability of fair value accounting from this paper, and urge caution in generalizing the results to more complex firms.

The choice between fair value and historical cost accounting is the subject of long-standing controversy among accounting academics and regulators. Nevertheless, the market-based evidence on this subject is very limited. We study the choice of fair value versus historical cost accounting for non-financial assets in setting where market forces rather than regulators determine the outcome. In general, we find a very limited use of fair value accounting. However, the observed variation is consistent with market forces determining choice. Fair value accounting is used when reliable fair value estimates are available at low cost and when they convey information about operating performance. For example, with very few exceptions, firms' managers commit to historical cost accounting for plant and equipment. Our findings contribute to the policy debate by documenting the market solution to one of the central questions in the accounting literature. Our findings indicate that despite its conceptual merits, fair value is unlikely to become the primary valuation method for illiquid non-financial assets on a voluntary basis.

Addresses Global Accounting History developments, focusing upon financial reporting, and related institutional aspects of disclosures for accountability and decision making purposes. This title also addresses five countries of the Americas, Argentina, Brazil, Canada, Mexico and the United States of America.

Regulators such as the SEC and standard setting bodies such as the FASB and the IASB argue the case for the conceptual desirability of fair value measurement, notably on the relevance dimension. Recent standards on financial instruments and certain non-financial items adopt the new measurement paradigm. This paper takes issue with the notion of decision usefulness of a fair-value-based reporting system from a theoretical perspective. Emphasis is put on the evaluation of the theoretical soundness of the arguments put forward by regulators and standard setting bodies. The analysis is conducted as economic (a priori) analysis. Two approaches to decision usefulness are adopted, the measurement or valuation perspective and the information perspective. Findings indicate that the decision relevance of fair value measurement can be justified from both perspectives, yet the conceptual case is not strong. The information aggregation notion that underlies standard setters' endorsement of fair value measurement turns out to be theoretically restricted in its validity and applicability. Also, comparative analysis of fair value accounting vs. historical cost accounting yields mixed results. One immediate implication of the research - a condition for the further implementation of fair value accounting - is the need to clarify standard setters' notion of accounting income, its presumed contribution to decision relevance and its disaggregation.

The failure of current mechanisms to either predict the collapse of various companies or curb corrupt practises has kept the subject of external reporting to the fore. Is Fair Value Fair? Financial Reporting in an International Perspective contains contributions from many highly-respected individuals involved in external reporting, regulation and standard setting. Their contributions discuss the future of regulation application of standards supervision audit Current trends are discussed, as are ways in which the current regulatory environment could be improved. With the new IFRS regulations coming into force in 2005, financial reporting is set toface radical changes. Is Fair Value Fair? fully prepares readers for these changes and is an invaluable tool for corporate financiers and institutional investors with an interest in the regulatory environment.

This paper examines the measurement of non-financial assets in imperfectly competitive markets and considers the effect of alternative measurements on firms' investing and operating activities. We analyze a duopoly where each firm manufactures, reports, and thereafter sells its inventory. We initially characterize the informativeness of a firm's accounting report when it is prepared using historical cost and find a firm's report does not always reveal its level of inventory. We then characterize the informativeness of a report when it is prepared using fair value and find it completely reveals a firm's inventory holding. We highlight the difficulty of implementing fair value measure-

ments that arise because fair value is an endogenous consequence of the strategic interaction between firms.

Other comprehensive income (OCI) items are often considered to be transitory (Chambers et al. 2007; IASB 2013; CFA2014). In this paper we show that a significant portion of OCI, namely unrealized gains and losses (UGL) from available-for-sale (AFS) debt securities, is non-transitory: a negative correlation between accumulated unrealized gains and losses in the current period and next period UGL is predicted and we show that this correlation is economically and statistically significant. This correlation is due to a mix of accounting methods of measurement of income from fixed-income securities: UGL are recognized based on fair values, whereas interest income is measured based on historical cost. We document that: (1) this negative correlation helps explain a previously unexplained negative correlation in other comprehensive income (OCI); and, (2) investors seem to price total UGL disregarding (or not understanding) the predictable, accounting-driven component of UGL.

The 2008 financial crisis has turned a spotlight on the role of financial reporting in periods of economic downturn. In analysing the financial crisis, many commentators have attributed blame to fair value accounting (FVA) because of the pro-cyclical effect it potentially introduces in banks' financial statements. This book discusses how FVA affects financial reporting during a financial crisis. It provides an in-depth analysis of the key benefits and negatives of FVA, and discusses the controversial practice of trade-offs with historical cost accounting (HCA). It provides an overview of the principles and applications of FVA, and explains its impact on banks' financial statements. Investigating the effect of FVA on the volatility of earnings and regulatory capital in European banks, the book asks whether incremental volatility is indeed reflected in bank share prices. It examines empirical evidence to quantify the role that FVA may have played in times of stress in the banking sector, both in Europe and elsewhere. Fair Value Accounting explores the criticism FVA has received despite its perceived merits, and summarizes the various opposing views of parties in this major policy debate, which has involved banking and accounting regulators from across the globe.

Seminar paper from the year 2004 in the subject Business economics - Accounting and Taxes, grade: 1.7, University of Bayreuth (School of Law, Economics and Business Administration), course: 'business taxation and auditing' , 35 entries in the bibliography, language: English, abstract: Huge changes arose in the world of economy during the last decade. Due to globalisation and competition for scarce capital1 a heightened discussion regarding different national accounting policies emerged. There has been an intensive controversy between continental-European and Anglo-American based accountancy. All companies listed on a stock exchange in the EU are obliged to present their group accounts in accordance with IAS/IFRS2 from 2005 on. One crucial aspect of IRFS focuses on the increasing tendency to recognise a fair value which implies a departure from historical cost-based financial statement to a rather market value-based one. Subsequently, this paper introduces and compares the current valuation bases of the German commercial/tax law and IRFS. Because of the increasing importance of IFRS the major point reflects this consideration. Finally, contrasts will be emphasised and opportunities for a complete takeover of an advanced fair value accounting to German accountancy will be examined. For this reason a reference to the general objectives and principles both of the accountancies is inevitable and will be introduced in either case.

This book is designed for corporate directors and senior executives who want to gain a better understanding of accounting. Corporate directors and managers are under pressure from recent changes in the law (especially The Sarbanes-Oxley Act 2002) and demands by shareholders and the public to be more informed, vigilant and involved in the governance of business organizations.

Italian accounting has a long and honourable tradition of theoretical and applied analysis of the accounting and reporting function, perceived and defined much more broadly than in the Anglo-Saxon tradition. The high point of this perhaps, is the creation of what is known as Economia Aziendale (EA). The antecedents, genesis and later developments are presented here in detail by highly knowledgeable specialists in the field. EA takes as a prerequisite the necessity of the business (entity/azienda) to ensure its own long-run survival. This requires that the necessary resources are retained and preserved, so operating capital maintenance, by definition future-oriented, is essential. It requires a focus on the particular business organization, entity-specific and consistent with today's notion of the business model. Entity-specific information relevant to current and future cash flows is a necessary pre-requisite for ensuring long-run survival, which historical cost accounting, or fair value (being market-specific not entity-specific) satisfactorily achieve. Flexibility of valuation and of reporting, always relevant to the specific asset at the specific time in the specific place, is a necessary condition for effective management. This is exactly the focus of EA and its analysis and tradition. Scholars and advanced students of international regulation and accounting, as well as accounting history, will find this an invaluable guide to a vibrant, scholarly tradition of great practical relevance today.

Master's Thesis from the year 2015 in the subject Business economics - Accounting and Taxes, grade: 2,0, University of Hohenheim, language: English, abstract: The purpose of this thesis is to provide direct empirical evidence on the use of the Amendment according to IAS 39 regarding the reclassification of financial instruments. It therefore reviews what happened when the accounting policies were switched from fair value accounting to historical accounting during the financial crisis in 2008. Using a sample of manually collected data from Western European banks, the thesis empiri-cally examines which banks used this reclassification option to deal with problematic financial assets and how these reclassification activities are correlated with other firm characteristics. Furthermore, the thesis shows the influence of the amount of assets in each fair value level on the fair value hierarchy and the impact of the banks' regulatory capital during the height of the financial crises on the use of the relaxation option. The final aim is to analyze the economic consequences of this option and to determine how beneficial it is for the global financial system, considering that banks will again make use of this sort of permission in other, future crises. After the development of the International Financial Reporting Standards (IFRS) by the International Accounting Standard Board (IASB) in 2001, the European Union (EU) decided to unify the jurisdictions for all listed corporations and therefore decreed a mandatory adoption of IFRS in the EU. The EU reasoned that common ac-counting standards improve capital market efficiency and reduce information processing and auditing costs. However, the decisive reason for the adoption of IFRS was that today's global economy requires global standards to ensure transparency, accountability and comparability of financial accounts. IFRS was preferred because of its focus on a fair value-based method of accounting compared to historical cost accounting, and the EU claimed that adopting IFRS would bring financial stability while serving the interests of the public.

We examine the effects of fair-value accounting (FVA) and historical-cost accounting (HCA) regimes on the ex-ante financing of projects by external investors. We formulate a model highlighting the relative merits and demerits of each accounting regime, in particular the sub-optimal continuations under the HCA regime and contagion-induced sub-optimal liquidations under the FVA regime. We show that under homogeneous beliefs about future cash-flows, FVA regime is superior with greater ex-ante financing, even during periods of high market illiquidity, when the failure of some banks leads to adverse spillovers on surviving financial institutions. However, if disclosures under the FVA regime leads to distorted beliefs about future success probabilities, ex-ante financing may suffer under the FVA regime, and it may no longer be superior relative to the HCA regime. In this setting we also analyze the impact on ex-ante financing of (i) ex-post redemption gates, which restrict the extent of investor liquidation under stress, and (ii) government guarantees, which limit the spillovers ex post but may incentivize excessive risk-taking ex ante.

This thesis examines the difference in value and risk relevance of historical cost and fair value accounting information pertaining to banks in the United States of America (U.S.) between 1986 and 2013. Under U.S. Generally Accepted Accounting Principles (GAAP), the difference between historical cost and fair value information is reported as unrealised gains and losses for financial assets categorised as available-for-sale and subsumed under other comprehensive income.

This paper examines banks' accounting choices between fair-value and historical-cost accounting when reported accounting information is used for capital requirement regulation. In choosing fair--value relative to historical-cost, banks must consider potential benefits of additional lending in good times against potential cost of a smaller lending or even insolvency in bad times. If the lending return is inelastic to aggregate lending, a higher capital requirement reduces fair-value accounting usage. However, if the lending return is elastic to aggregate lending, a higher capital requirement encourages the usage of fair-value accounting when the initial capital ratio is low. Our analysis also provides some policy implications. We find mandating a uniform fair-value accounting method is socially desirable when the capital requirement is extremely tight, and mandating a uniform historical-cost method is socially optimal when the capital requirement is extremely loose. When the capital requirement is intermediate, allowing discretion is socially optimal.

This paper analytically examines how market efficiency affects the effectiveness of fair value accounting (FVA). Fair value accounting has been one of the most controversial accounting subjects. The recent global financial crisis highlights the disparity between the views of its supporters who see it as panacea and its critics who consider it a Pandora's box. The research on FVA, with the mixed findings, also failed to yield a conclusive outcome. In the history of financial reporting FVA has fallen in and out of favor with regulatory bodies several times. It appears that the changes in regulatory position towards FVA tended to occur in the aftermath of a major financial crisis, suggesting that the effectiveness of FVA is affected by the state of market conditions. Using a simple model tracking the performance of a portfolio over a two-period investment cycle under fair value accounting and historical cost accounting (HCA) regimes respectively, this study finds that fair value accounting is more effective when the market efficiency level is high, and vice versa. The findings of this paper suggest a new dimension in future research of FVA and provide a possible reconciliation of the contradicting empirical results of the existing studies.

This dissertation was designed to investigate the relationship between the fair market value of assets and stakeholders' investment decisions. The Financial Accounting Standard Board (FASB) is primarily responsible for establishing generally accepted accounting principles (GAAP) (Weygandt, Kieso, and Kimmel, 2003). According to the FASB, GAAP require disclosing of the fair value of assets of organizations. This research investigated the effect of the disclosure of fair value of assets on stakeholders' investment decisions. The research question was, How does the hidden market value of assets affect male and female stakeholders' investment decisions? The survey positively answered this question. Both female and male respondents (519) agreed the market value of assets helps them make better investment decisions. The participants equally shared the need to know the current market value of the company's assets to make better investment decisions. The investment decisions were shared evenly by the female and male participants.

IFRS allows firms to choose between fair-value accounting and historical cost accounting with impairment testing for property, plant and equipment (PPE). This study examines the effect of firms' accounting choices for this group of non-financial assets on over-investment after IFRS mandatory adoption in the European Union (EU). My results indicate that over-investment in PPE (or capital expenditures) is lower following IFRS adoption among EU firms that used historical cost accounting with impairment testing in the post-IFRS period, consistent with EU firms having more timely loss recognition for PPE under IFRS strict impairment rules. In my analysis of United Kingdom (UK) firms, I find that most UK firms elected to use historical cost accounting with impairment testing for PPE after IFRS mandatory adoption. I also find that UK firms that previously used fair-value accounting under UK GAAP and then switched to historical cost accounting with impairment testing under IFRS exhibit greater reductions in over-investment relative to other EU firms that used historical cost accounting with impairment testing prior to IFRS adoption. Additional analysis suggests that the reductions in over-investment after IFRS mandatory adoption are greater as the severity of agency conflicts increases, consistent with outside shareholders demanding timely loss recognition as a means of addressing agency conflicts with managers.

For the past two decades, fair-value accounting -- the practice of measuring assets and liabilities at estimates of their current values -- has been on the ascent. This marks a major departure from the centuries-old tradition of keeping books at historical cost. It also has implications across the world of business, because the accounting basis -- whether fair value or historical cost -- affects investment choices and management decisions, with consequences for aggregate economic activity. This article discusses the role of investment banking and investment management industry veterans on the Financial Accounting Standards Board in the growth of fair-value accounting. It raises the possibility of special-interest capture of accounting regulation by segments of the financial-services industry.

Current standards define fair value as the market price at which an asset could be sold or a liability could be settled in the normal course of business. Setting aside measurement issues, assessing the relevance of exit values has intensified in recent years as fair value becomes a pervasive component of accounting regulation. The current debate about accounting measurement is framed in terms of making a choice between fair value and historical cost. In this article I argue that this is not a correct framing of the issues; knowledge of fair value alone cannot help investors to evaluate stewardship, because they would not know how much resources the management had sacrificed to obtain that fair value. To properly evaluate stewardship, investors need both types of information, historical cost and fair value. Using this information, a rate-of-return-like index of stewardship quality is proposed. This commentary concludes with a statement about three significant drawbacks of relying solely on fair value accounting.

The concept of "fair value" marked a major departure from traditional cost accounting. In theory, under this approach a balance sheet that better reflects the current value of assets and liabilities.

Critics of fair value argue that it is less useful over longer time frames and prone to distortion by market inefficiencies resulting in procyclicality in the financial system by exacerbating market swings. Comprising contributions from a unique mixture of academics, standard setters and practitioners, and edited by internationally recognized experts, this book, on a controversial and intensely debated topic, is a comprehensive reference source which: examines the use of fair value in international financial reporting standards and the US standard SFAS 157 Fair Value Measurement, setting out the case for and against looks at fair value from a number of different theoretical and practical perspectives, including a critical review of the merits and arguments against the use of fair value accounting explores fair value accounting in practice, involvement in the Great Financial Crisis, implications for managerial reporting discretion, compensation and investment This volume is an indispensable reference that is deserving of a place on the bookshelves of both libraries and all those working in, studying, or researching the areas of international accounting, financial accounting and reporting.

A hands-on volume for financial executives with guidance on the fair value measurement process In today's dynamic and volatile markets, whether buying or selling, what corporate officers need to know is the worth of an asset today, a task that for many has become complex and at times confusing. Fair Value Measurements: Practical Guidance and Implementation demystifies this topic, offering you a nuts-and-bolts guide of the most recent developments in preparing financial statements using fair value measurements. This straightforward book covers the best practices on measuring fair value in a business combination and how to subsequently test the value of these assets for impairment. Filters complicated insider concepts into easy-to-understand information on the valuation specialist's function Discusses the many new FASB pronouncements involving fair value Instantly familiarizes you on the ins and outs of fair value financial disclosure Well-written, conversational in tone, and filled with valuable insights, Fair Value Measurements: Practical Guidance and Implementation lifts the veil of confusion from the substantial and growing requirements for fair value disclosures.

Essential procedures for the measurement and reporting of fair value in Financial statements Trusted specialists Michael Mard, James Hitchner, and Steven Hyden present reliable and thorough guidelines, case studies, implementation aids, and sample reports for managers, auditors, and valuators who must comply with the Financial Accounting Standards Board Statement of Financial Accounting Standards Nos. 141, Business Combinations; 142, Goodwill and Other Intangible Assets; 144, Accounting for the Impairment or Disposal of Long-Lived Assets; and the new 157, Fair Value Measurements. This important guide: * Explains the new valuation aspects now required by SFAS No. 157 * Presents the new definition of fair value and certain empirical research * Distinguishes fair value from fair market value * Provides a case study that measures the fair values of intangible assets and goodwill under SFAS Nos. 141 and 157 * Includes a detailed case study that tests the impairment of goodwill and long-lived assets and measures the financial impact of such impairment under SFAS Nos. 142 and 144 * Cross-references and reconciles the valuation industry's reporting standards among all of the valuation organizations * Includes two sample valuation reports, one of which is a new USPAP- compliant PowerPoint? presentation format * Includes implementation aids for controlling the gathering of data necessary for analyses and for guiding the valuation work program

I identify issues that bank regulators need to consider if fair value accounting is used for determining bank regulatory capital and when making regulatory decisions. In financial reporting, US and international accounting standard setters have issued several disclosure and measurement and recognition standards for financial instruments and all indications are that both standard setters will mandate recognition of all financial instruments at fair value. To help identify important issues for bank regulators, I briefly review capital market studies that examine the usefulness of fair value accounting to investors, and discuss marking-to-market implementation issues of determining financial instruments' fair values. In doing so, I identify several key issues. First, regulators need to consider how to let managers reveal private information in their fair value estimates while minimising strategic manipulation of model inputs to manage income and regulatory capital. Second, regulators need to consider how best to minimise measurement error in fair values to maximise their usefulness to investors and creditors when making investment decisions, and to ensure bank managers have incentives to select investments that maximise economic efficiency of the banking system. Third, cross-country institutional differences are likely to play an important role in determining the effectiveness of using mark-to-market accounting for financial reporting and bank regulation.

This research examines the value-relevance of fair value accounting relative to historical cost accounting for financial instruments held by closed-end mutual funds to provide evidence on the reliability of fair value estimation. Closed-end funds are considered because their balance sheets and income statements typically are reported at fair value and there is great variation in the types of securities held by various funds. For a sample of 143 closed-end mutual funds during 1982-1997, we find a significant association between stock prices and the fair value of investment securities, as well as between stock returns and fair value securities gains and losses, even after controlling for historical costs. To examine whether differences in the perceived reliability of the investment securities fair values affects investors' assessments of the usefulness of the information, we examine the association between stock price metrics and fair values across different fund types (e.g., publicly held equity securities from G7 countries, equity securities other than those publicly held from G7 countries, U.S. government or municipal securities, corporate bonds). We find that in all cases there is a significant association between the stock price metrics and fair values. This suggests that the need to estimate fair values for securities traded in thin markets, such as private or non-G7 equities, does not cause the incremental value-relevance of fair value information to be eliminated. Our strong and consistent findings in the closed-end fund setting suggest that reliability problems in measuring the fair values of investment securities are not the primary explanation for the inconsistency in prior research results; instead such inconsistency may be attributed to the incomplete availability of fair value measures in other settings.

Purpose - This paper aims to discuss fair value accounting and its usefulness to financial statement users. The European Commission has recently endorsed IFRS 13 on fair value measurement and is considering the endorsement of IFRS 9, which extends the use of fair value for financial instruments. Furthermore, fair value accounting has been under deep scrutiny because of its alleged role in the financial crisis. Therefore, the usefulness of fair value accounting is a key issue for standard setting purposes.Approach - This paper delineates the theoretical background for fair value accounting, it provides empirical evidence on its usefulness, it highlights some controversial issues and makes some proposals for standard setting discussion. Findings - Empirical research raises some doubts on fair value reliability. Furthermore, fair value accounting alone cannot provide information useful to evaluate stewardship. Historical cost is also needed. A dual measurement and financial reporting system could therefore deliver more complete and useful information to financial statement users. Practical implications - This paper provides the reader with a comprehensive picture of the main issues related to fair value accounting and contributes to the standard setting debate on the optimal measurement system. Originality/value - This paper reframes the debate on historical versus fair value accounting by explaining the reason why a dual measurement and reporting model should be implemented.

One of the key factors affecting the efficient use of resources, the increase of shareholders confidence in the managers of the company, the success in achieving objectives and economic efficiency is the system of corporate governance by which a company is managed and controlled.

"This study develops a bibliometric and empirical analysis of the relevance of accounting information when biological assets are measured at fair value versus at historical cost, using an international sample of firms with biological assets." -- TDX.

Since the past 20 years, the value relevance of financial information based on the historical cost method has been widely criticized among the academics and the preparers of financial information. The ongoing debate over the shortcomings of historical cost for ascertaining the worth of assets and liabilities and the rapid spread of fair value measurement for financial reporting has first led to the issuance of Financial Accounting Standard No. 157 Fair Value Measurements in September 2006 and then the initialization of fair value measurement project by the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board in 2006 within the convergence project. On May 12, 2011, when the IASB issued IFRS 13 Fair Value Measurement, it appears that there has been substantial convergence between IFRS 13 and FASB 157. The purpose of this paper is to comprehensively explain the fair value accounting in accordance with IFRS 13 and describe the types of assets and liabilities that are subject to fair value accounting and their accompanying measurement principles with reference to other IFRSs and the Exposure Draft Conceptual Framework for Financial Reporting.