

[Home](#) > [International Advances in Economic Research](#) > [Article](#)

The Economic Impact of SFAS NO. 157

Published: 28 October 2009

Volume 16, pages 65–79, (2010) [Cite this article](#)



[International Advances in Economic Research](#)

[Aims and scope](#) →

[Submit manuscript](#) →

[Sak Bhamornsiri](#)¹, [Robert E. Guinn](#)¹ & [Richard G. Schroeder](#) ¹

 244 Accesses  3 Citations [Explore all metrics](#) →

Abstract

Statement of Financial Accounting Standards No. 157, “Fair Value Measurements,” (SFAS 157) defines fair value, establishes a three tiered framework for measuring fair value and expands the required disclosures about fair value measurements. The objective of this study is to examine and evaluate the benefits of the information disclosed by SFAS 157. The results of our study indicated that a large majority of the inputs are observable in that 93.5% of the sample financial assets and 93.1% of the sample financial liabilities were measured by level 1 or 2 criteria. However, we found a mismatch between assets and liabilities subject to the three tiers of fair value measurements. The companies in our sample disclosed \$18.8 trillion in total assets, with 51%, or \$9.5 trillion reported at fair value. Whereas, sample company liabilities totaled \$16.1 trillion with only \$3.7 trillion or 23% reported at fair value.



This is a preview of subscription content, [log in via an institution](#) to check access.

Access this article

[Log in via an institution](#) →

[Buy article PDF 39,95 €](#)

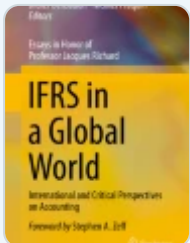
Price includes VAT (Poland)

Instant access to the full article PDF.

Rent this article via [DeepDyve](#)

[Institutional subscriptions](#) →

Similar content being viewed by others



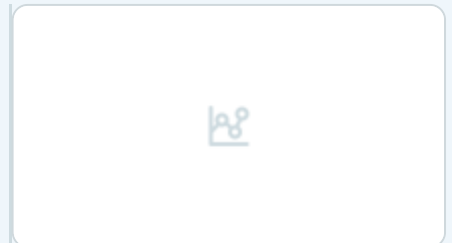
Financial Reporting and Fair Value: Where Do We Stand?

Chapter | © 2016



Fair Value and the IASB/FASB Conceptual Framework Project: An Alternative View

Chapter | © 2014



Corporate governance, SFAS 157 and cost of equity capital: evidence from US financial institutions

Article | 06 July 2014

Notes

1. Recent events have undoubtedly reduced this disparity
2. On February 12, 2008, the FASB issued FASB Staff Position (“FSP”) FAS 157-2, which delayed the effective date of SFAS No. 157 for all nonfinancial assets

and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), until fiscal years beginning after November 15, 2008 and interim periods within those fiscal years for items within the scope of the FSP.

3. The companies were stratified according to the SEC's standard industrial classification scheme.
4. For purposes of this analysis, industries with less than 10 companies reporting fair value disclosures were combined into the category all other industries.
5. For purposes of this analysis, industries with less than 10 companies reporting fair value disclosures were combined into the category all other industries.
6. In many cases it is possible to review the financial statement footnotes to determine the gains or losses from assets and liabilities measured by Level 1 criteria; however, this information is not contained in the SFAS 157 disclosures.

References

Carcello, J., & Williams, J. (2004). Fair value measurements. *Miller GAAP Update Service*, 4(17), 2-3.

[Google Scholar](#)

Financial Accounting Standards Board. (1980). *Statement of financial accounting concepts no. 2. Qualitative characteristics of accounting information*. Stamford: FASB.

[Google Scholar](#)

Financial Accounting Standards Board. (1985). *Statement of financial accounting concepts no. 6. Elements of financial statements*. Stamford: FASB.

[Google Scholar](#)

Financial Accounting Standards Board. (2001a). *Statement of financial accounting standards no. 141. Business combinations*. Norwalk: FASB.

[Google Scholar](#)

Financial Accounting Standards Board. (2001b). *Statement of financial accounting standards no. 142. Goodwill and other intangible assets*. Norwalk: FASB.

[Google Scholar](#)

Financial Accounting Standards Board. (2001c). *Statement of financial accounting standards no. 144. Accounting for the impairment or disposal of long-lived assets*. Norwalk: FASB.

[Google Scholar](#)

Financial Accounting Standards Board. (2006). *Statement of financial accounting standards no. 157. Fair value measurements*. Norwalk: FASB.

[Google Scholar](#)

Financial Accounting Standards Board. (2008). *FASB staff position FAS157-2. Effective date of FASB statement no. 157*. Norwalk: FASB.

[Google Scholar](#)

Financial Accounting Standards Board. (2009). *FASB Staff Position FAS 157-4. Determining fair value when the volume and level of activity for the assets or*

liability have significantly decreased and identifying transactions that are not orderly. Norwalk: FASB.

[Google Scholar](#)

Fitch Ratings. (2008). Challenges of moving toward market based valuations: analytical implications of SFAS 157 and 159, available at http://www.alacrastore.com/storecontent/fitch/369402_report_frame. (last viewed on June 14, 2009).

Gordon, M. & Bernard, S. (2008). Banks want to suspend accounting rule in bailout. ABC News, Money, October 1. <http://www.abcnews.go.com/Business/wireStory?id=5931917> (Last viewed on June 14, 2009).

Ryan, S. (2008). *Fair value accounting: Understanding the issues raised by the credit crunch*. Council of Institutional Investors. White Paper. July. New York.

SEC. (2008a). Press release 2008-234, SEC Office of the Chief Accountant and FASB Staff, clarifications on fair value accounting, September 30, 2008, available at <http://www.sec.gov/news/press/2008/2008-234.htm>. (Last viewed on June 14, 2009).

SEC. (2008b). <http://www.sec.gov/news/studies/2008/marktomarket123008.pdf>.

Shortridge, R., Schroeder, A., & Wagoner, E. (2006). Fair-value accounting: analyzing the changing environment. *The CPA Journal*, 76(4), 37-39.

[Google Scholar](#)

Authors and Affiliations

Department of Accounting, The University of North Carolina at Charlotte,
Charlotte, NC, USA

Sak Bhamornsiri, Robert E. Guinn & Richard G. Schroeder

Corresponding author

Correspondence to [Richard G. Schroeder](#).

Rights and permissions

[Reprints and permissions](#)

About this article

Cite this article

Bhamornsiri, S., Guinn, R.E. & Schroeder, R.G. The Economic Impact of SFAS NO. 157. *Int Adv Econ Res* **16**, 65–79 (2010). <https://doi.org/10.1007/s11294-009-9242-7>

Published

28 October 2009

Issue Date

February 2010

DOI

<https://doi.org/10.1007/s11294-009-9242-7>

Keywords

[Economic impact](#)

[Fair value](#)

[SFAS 157](#)

JEL

[M41 Accounting](#)

Search

Search by keyword or author



Navigation

[Find a journal](#)

[Publish with us](#)

[Track your research](#)

