

The Role of Accounting in the Financial Crisis: Lessons for the Future

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SYNOPSIS

The advent of the Great Recession in 2008 was the culmination of a perfect storm of lax regulation, a growing housing bubble, rising popularity of derivatives instruments, and questionable banking practices. In addition to these causes, management incentives as well as certain U.S. accounting standards contributed to the financial crisis. We outline the significant effects of these incentive structures and the role of fair value accounting standards during the crisis, and discuss implications and relevance of these rules to practitioners, standard-setters, and academics.

Keywords: [financial crisis](#), [securitization](#), [fair value](#), [incentives](#)

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