

Document Preview

Copyright information

Copyright American Accounting Association Dec 1995

Access to the complete full text

This is a short preview of the document. Your library or institution may give you access to the complete full text for this document in ProQuest.

Full Text | Scholarly Journal

Fundamental issues related to using fair value accounting for financial reporting

Barth, Mary E; Landsman, Wayne R. Accounting Horizons; Sarasota Vol. 9, Iss. 4, (Dec 1995): 97.

Full text preview

I. INTRODUCTION

The Financial Accounting Standards Board (FASB) recently has issued several standards requiring recognition or disclosure of fair value estimates for assets and liabilities, principally financial instruments (e.g., Statements of Financial Accounting Standards (SFAS) 87, 105, 107, 115, 119, and 121). In addition, many of their current agenda items and discussion documents address recognition and measurement issues relating to fair value accounting (e.g., Discussion Memoranda Recognition and Measurement of Financial Instruments and Distinguishing Between Liability and Equity Instruments and Accounting for Instruments with

Characteristics of Both). Before implementing fair value accounting on a more comprehensive basis, there is a need to explore its basic characteristics.

This paper is a response to suggestions by the FASB that academics are in a position to contribute to its standard setting process by viewing financial reporting issues in a broader context than

Manage cookie preferences

Reject all

Accept all

Manage cookie preferences

cookie policy, privacy notice, and other

privacy information by visiting our Privacy Center

specific issues raised in their discussion documents (see FASB Status Report, August 21, 1995).(1) Thus, our goal is to investigate several fundamental issues related to using fair value accounting for financial reporting.(2) In particular, we address the following questions.

*What is meant by fair value?

*In realistic settings where fair value is not well-defined, are accounting measures based on one concept of fair value more value-relevant than those based on other concepts?

*How do fair value-based financial statements relate to firm value? In particular, does a fair value-based income statement provide value-relevant information beyond that provided by a fair value-based balance sheet?

*What are the implications for firm valuation of private information and estimation error in fair values?

*Is income realization valuation-relevant?

As does the Committee on Accounting and Auditing Measurement, 1989-1990 (Barrett et al. 1991), we assume that fair values conceptually are relevant to financial statement users in assessing firm value, and define a financial statement...

Copyright © 2023 ProQuest LLC.

We use strictly necessary cookies which are required to run this site, as a result, users cannot opt-out of strictly necessary cookies. We also use non-essential cookies, which are used to enhance the user experience through analysis of your usage on this site. Users do have the option of rejecting non-essential cookies by choosing, **reject all**. If you chose to **accept all**, you will be providing consent for this site to use both strictly necessary and non-essential cookies. You can also manage your non-essential cookie preference by choosing **Manage cookie preferences**. You can read more about our [cookie policy](#), [privacy notice](#), and other privacy program information by visiting our [Privacy Center](#).

[Manage cookie preferences](#)

Reject all

Accept all