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Summary:

The move toward fair value accounting of a company's value revolves around assessing assets and liabilities at current value, rather than original cost. Long used for certain assets, fair value accounting is being extended to other asset classes by the Fair Value Measurements standard issued in September 2006 by the Financial Accounting Standards Board (FASB).

FAS 157, as the mark-to-market standard is known, became effective for fiscal years beginning after November 15, 2007. Measurement requirements were just beginning as banks and other firms faced major meltdown in financial markets.

With markets essentially non-existent for certain securities, fair-value was hard to determine. Concerns also surfaced that

- Fair-value requirements increase volatility
- Fair value may cause companies to work against their own interest and even society's, e.g. dumping securities in plummeting markets
- Accounting for fair-value carries an onerous compliance price
- The estimates involved make fair-value reporting prone to distortion.

Despite debate over its desirability, there's widespread recognition that this shift is significant. Gary Kabureck, Xerox Corporation's chief accounting officer, says the rule "is going to be, over time, one of the most important standards." Moreover, the rule coincides with movement towards IFRS, which tends to favor fair value accounting.

CFO Magazine also provides a look at the 5 accounting areas fair-value will impact most: Liabilities, Lawsuits, M&A, Hedging and Pensions.

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