

How important is Fair Value Measurement?

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Abstract

Purpose of the article The purpose of this paper is to analyse and examine related literature resources connected to the topic fair value measurement in different accounting systems. Measurement and valuation of assets and liabilities in the financial statements of the companies greatly influences investment and management decisions. Objective of this paper is to draw attention to the problems of fair value accounting (FVA) in practice.

Methodology/methods A theoretical analysis of qualitative secondary data form over 45 scientific articles, legislative acts and monographs was employed. Also study using the open-ended approach of grounded theory, including interviews and discussions with professional financial managers and accountants dealing with practical problems of fair value measurement were used.

Scientific aim In 2011 the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) issued new guidance on fair value measurement and disclosure requirements for International Financial Reporting Standards (IFRSs) and US generally accepted accounting principles (GAAP). The guidance, set out in IFRS 13 Fair Value Measurement and an update to Topic 820 in the FASB's ASB, completed a major project of the boards' joint work. The harmonisation of fair value measurement and disclosure requirements internationally also formed an important element of the boards' response to the global financial crisis. Now many researchers ask questions, if this topic has important influences on investment choices and decisions?

Findings Findings in the paper are based mainly on study of existing related literature and assessment of discussions that try to depict advantages and disadvantages using FVA practical implications. It is difficult to determine whether its contribution to the improvement of reliability of information in financial statements is really beneficial.

Conclusions The above mentioned findings highlight that traditional and fair value accounting serve different purposes. Enterprises currently use different methods and measurement techniques, both financial and non-financial, and apply a mixed valuation methods.

Keywords: accounting, measurement, fair value accounting, IFRS13

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