

2008-11-21 FAS 157: A Good Recipe that Needs Some Spice

Summary:

Fair value accounting, mandated by FAS 157, has been criticized for contributing to the financial crisis, but a meeting convened by the SEC says the rule should be kept, with a few changes.

The \$700 billion bailout approved by the U.S. Congress requires that the SEC study the effects of fair value accounting and its impact on the balance sheets of financial firms. The SEC is supposed to examine alternative accounting standards and report its findings by January.

The consensus at the meeting, which was open to the public, was that FAS 157 should be retained, but modified. Suggested changes include:

- Provisions for valuing assets in illiquid markets
- Greater disclosure of how assets are being valued in the absence of markets
- Providing more detailed information on Web sites, rather than in footnotes. (There was also a competing view that more detailed information should be included in regulatory filings so investors know this disclosure exists).

Link to Original:

<http://www.reuters.com/article/rbssFinancialServicesAndRealEstateNews/idUSN2148585220081121>

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Original Title:

Fair Value Accounting Should not be Replaced—US Panel
