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# Fair Value Accounting

(Newark, Calif.) – As a technical accountant with RoseRyan, Kelley Wall wonkishly understands the technical guidance and the FASB's position on fair value. Yet, she also understands the practical side – what it all means in the real world in terms of its impact to companies.

Wall believes that the recent brouhaha surrounding mark to market accounting has been largely overblown. She notes that, in fact, FAS157, the FASB guidance most often talked about and specifically referenced in the economic stimulus package, has been in effect since 2008. And she points out that it does not require companies to measure financial assets or liabilities at fair value that were not previously recorded as such.

Wall says that the pronouncement amounts to nothing more than a "common sense" approach when it comes to assessing the value of financial instruments. She is available to simply explain its "three bucket" approach and what it means for businesses.

## Advice for Businesses as They Navigate Fair Value

Earlier this month, the FASB issued three pieces of interpretive guidance relative to fair value accounting. And, while fair value accounting rulings most heavily affect financial institutions, they also have important accounting and reporting implications for any businesses holding financial instruments.

Here's Kelley Wall's take and some of her advice:

### Good news on impairment for Q1 or Q2:

If companies have recorded impairment—declines in the value of financial assets in down markets—based on financial instruments because such impairments were considered "other than temporary," they should look to the newly issued interpretive guidance on FAS 115. Some may find that they can reverse such impairment charges as early as Q1 of this year.

### Unfortunately, more work is needed on disclosures.

All of the interpretive guidance recently issued by the FASB will require additional disclosure and, in most cases, disclosures that used to be required only on an annual basis will now be required for interim periods as well. Further, the SEC has issued a letter encouraging companies to disclose more information about their accounting estimates and judgments in their Management, Discussion and Analysis section of their filings. The key here is transparency.

**Public companies should check in with their brokers on how the fair value information is being reported to their company.**

If the market for a financial asset has significantly decreased, adjustments to that fair value amount or other valuation techniques may be required, as well as additional financial statement disclosures. Don't just rely on the investment statements; understand where the information comes from.

**Heads up:**

FASB currently has over 20 projects on its agenda to address fair value accounting under the heading "credit crisis"—all of which are expected to result in new accounting guidance being issued in 2009. Public companies with assets need to have their SEC experts in finance/accounting stay abreast of this shifting terrain.

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**About Kelley Wall:** Kelley Wall, a CPA with 15 years' experience in finance and accounting, regularly advises clients on the interpretation and implementation of new accounting pronouncements. She joined RoseRyan, a Silicon Valley accounting and finance consulting firm, in 2005. Wall helps lead the consultancy's growing technical accounting group.

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