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The Necessity to Introduce The Accounting Rules And Fair Value in The Conceptual Framework

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Abstract

In this paper, I present the fact that important organisations, such as FASB in the United States of America and IASC accept the accounting model of evaluation at fair value which substitutes the historical cost model. Supporters of innovation find the principles, tenets and conventions of any kind, in a way not only to adapt better to the reality, but also to anticipate developments. Although we do not provide evidences as the model for the initial and future evaluations of assets and liabilities (financial and/or non-financial) company, the fair value is the measure of evaluation the most relevant because the trades made on the day of their development reflect the reality of the moment and all the tools that need to be negotiated quickly by the company determine the getting a quick gain. The acceptance of the fair value by all potential users should be subject to a prior agreement.

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1. Introduction

The concept of fair value has appeared recently in the literature and in the Accounting Standards of IASC and FASB in the United States in particular.

The generally accepted definition of fair value is as follows: "the price at which a property could be exchanged between a buyer and a seller normally informed and consenting to it, in a transaction balanced" (IASC).

Fair value measurement of incomes, as required by standard IAS 18 ("revenues must be measured at fair value exchange values received or receivable") precludes an assessment at the nominal value of the transaction. The nominal value of the transaction should be based on an accounting approach favoring the legal nature of a

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transaction in relation to its economic substance. Initial assessment (ie, the date of first entry in the accounts) and later assessment (regardless of treatment change in fair value between the two periods either by equity or through profit) of assets and / or liabilities at fair value runs counter (or rather Convention) called historical cost, which involves keeping the nominal value of money, regardless of changes in its purchasing power. This principle is of French law. The Commercial Code allows (1 January 1984) to conduct a review of the balance sheet under certain conditions. The IASC standards for tangible assets (IAS 16) and intangible assets (IAS 38) allow the possibility of reevaluation quite regular for all these assets must be valued at their fair value while FASB rule excludes this possibility of reevaluation. Measurement at fair value is opposed the principle of prudence, especially when changes in value are recorded directly in profit. The evolution of doctrine deserves to be analyzed in accounting literature to a wider application, in order to understand what are the origins, foundations and objectives of fair value and in what economic and financial environment it is registered. The several standard accounting institutions, more or less coordinated, aim to conclude a new pricing agreement previously applied widely recognized.

The objectives of this paper are:

- To show when the fair value concept was introduced in accounting and when as a rule evaluation;
- To examine the operational implementation for financial instruments;
- To show the merit and benefits fair value and what are the disadvantages and risks from the point of view of those who prepare financial statements and their users;
- To finally ask if it applies the Convention of evaluation at the fair value what is the relevance of maintaining the format and presentation of current accounts (balance sheet, income statement, cash flow statement, statement of changes in equity performance condition, annex),

2. The appearance of "fair value" and accounting standards in the conceptual framework

In the US (CON 5 § 66) conceptual framework, it si written : "items usually recorded the financial statements are measured (estimated) based on various attributes (conventions) that depend on the nature, relevance and reliability of the attribute ".

FASB admits that five attributes or different measurement bases are used in practice:

- Historical cost;
- Current cost or replacement value;
- Market value;
- Net realizable value;
- The present value of cash flows.

Accounting standards require no single assessment base or convention. FASB indicates that, in principle, the first entry in the accounts, the amount recorded for an item is the same regardless of consent withheld evaluation. FASB shows that the current financial statements are realized by the use of historical cost convention and finds that, if it can be regarded as a satisfactory basis for practical and active, such as the stocks, tangible and intangible capital, is less for classes of assets and liabilities, such as accounts of customers, suppliers and guarantee commitments. The conceptual framework shows us that the modes or different measurement attributes will be used and that the Council will be able to select the (convention) appropriate assessment in these specific cases. The FASB has not ruled out any convention or rule of valuation of assets and liabilities and any instrument and taken into account, the possibility of using any mode of assessment can be judged as being closest to a tool or a transaction according to its characteristics and based on criteria such as relevance and reliability. It would be unreasonable to say that no concept of fair value conceptual framework of accounting in the US should ban any application. An accounting standard 1953 (ARB Accounting Research Bulletin 43 Chapter 7 A) mentioned the concept of fair value, but on a very specific and standard APB 29 (Accounting Principles opinions Council) published în1973 and non-cash transactions on the accounts indicate in § 15: "The Council concludes that generally non-monetary transactions should be based on the fair values of the assets (or services) in question, which is the same basis as that which is retained in monetary transactions. the monetary cost of an asset acquired in exchange for a other non-monetary assets is the fair value of the asset given in exchange and profit or loss should be recorded

We note that the fair value in APB No. 16 adopted in 1970 treats with "Consolidation", which provides in § 11 on the method of acquisition: "The company buys records at reduced cost minus the assets acquired obligations. A