THE INFLUENCE OF ACCOUNTING POLICIES OVER THE ENTITIES’ RESULT

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ABSTRACT: This article started from the idea that International Accounting and Financial Reporting Standards have had a major impact over the accounting world. Accounting laws of Continental Europe (especially France) centered on historical cost, are in opposition to IFRS towards fair value. If accounting is based on historical cost we can say that excess of prudence leads to inaction. On the other hand the Anglo-Saxon accounting system is based on fair value that looks for a quick profit and to help investors. Financial statements record how resources have been handled by the management. The role of financial statements is to provide informations that will help users to make decisions. They can accomplish this mission only for those objectives that can be quantified as value and quantity. IFRS is referring to the whole set of financial statements that have to include a statement of the financial position, of the result, of changes in equity and treasury. Alongside these informations has to be a summary of significant accounting policies as well as informations about retrospective application of one or more accounting policies.

KEY WORDS: performance, accounting policies, fair value, historical cost, result, financial statements.

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1. ACCOUNTING POLICIES AND THEIR INFLUENCE ON THE RESULT

In a world of globalization and internationalization knowing IFRS is a necessity more than an essential instrument for the management of enterprises. From the multitude of accounting policies provided by IFRS that have an impact on the financial performance of an enterprise it’s difficult to choose the most relevant one. The variety of accounting practices makes it difficult to realistically assess the performance and financial situation of some enterprises that are from different nationalities.

It is true that if we use different accounting solutions for reevaluations, amortization and provisions it will lead to different financial results for identical exploitation conditions. Users of financial statements have limited themselves to consulting only the Profit and Loss account to find out information on the accounting

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result. It was considered the most significant indicator for measuring performance without taking into consideration the relevance of that information. Accounting result represents the result of the freedom of choice of accounting policies for the companies, leading to an increase or decrease of this result. We have at least 2 questions regarding this aspect:

1. How accurate can we determine the result taking this freedom into consideration?
2. Who uses creativity for financial performance reflected in the Profit and Loss account?

The answer to the first question is that result can only be relative. In the actual context we cannot say that there is an objective result but a more subjective one. Subjectivity is given by choosing one regulation or an option that involves abandoning another regulation or option. This game of choosing is a consequence on financial statement as well as on the accounting result. That is why information provided by the results account must be interpreted carefully because enterprises have means to distort it.

The answer to the second question is that financial statement users stimulate companies to beautify their financial performance. Maximizing performance, thus the value, implies maximizing net profit. Investors think that the most meaningful expression of performance is liquidity. An investment will always be analyzed through future economic benefits, meaning the potential to contribute to the cash flow. Maximizing cash flow implies a constructive effort from the business and the necessity to channel these flows in order to capitalize the business or to pay the capital invested.

The presence of choice in accounting raises the problem of choosing a certain accounting policy. Starting from the limits of accounting principles suppliers of information turn to different ways to shape, until distortion, the final result.

Through IFRS, accounting policies are defined as principles, bases, rules and specific practices applied to enterprise in order to make and present the financial situation.

The accounting policies that are referred to in IFRS are those that allow making financial statements with relevant and viable information regarding transactions and events from the life of the enterprise. The two terms used by IFRS have the following connotations: relevance is closely tied to investors’ necessities to make accurate decisions; viability refers to the quality of information needed by financial statements. Based on this we can state that there is a close connection between accounting policy and financial information. This connection comes from the assumption that any change in accounting policies will influence the financial statements. On the other hand relevance and credibility of the information is closely related to the concept of faithful image, a concept from the Anglo-Saxon accounting culture drafted in 1948, Great Britain under the expression *true and fair view*, in the Companies Act that stated: *every balance sheet must give a true and accurate image of the financial and patrimonial statement of the company at the end of the exercise, and every results account must give a true and faithful image of profit or loss at the end of the financial exercise.*

In Europe, this concept was introduced in 1978 for all members of ex-European Economic Community (CEE) through 4th Directive at the proposal of Great Britain.

According to the European Directive: *annual accounts must give a faithful image of the patrimony, as well as of the financial statement and the company results*. In France,
the General Accounting Plan states that accounting information supplied by financial statements must ensure users an appropriate, loyal, clear and complete description of transactions and events that appear in the life of an enterprise. Specific to French accounting is the fact that the object of accounting information is the reflection of a faithful image of reality represented by it.

The IFRS conceptual framework doesn’t refer directly to the concept of faithful image of the financial position and performance of an enterprise, but states that faithful image is a consequence of abiding by the quality of the financial information (comprehensibility, relevance, credibility and comparability) as well as applying proper accounting standards that help prepare the financial statements of an enterprise.

IAS 1 *Presenting financial statements* states that in order to ensure an accurate financial position and treasury flows, an enterprise must present detailed information regarding accounting policies and changes that happen. An enterprise will change accounting policies only if the change will have as a result obtaining financial statements that will provide viable and relevant information regarding the financial position, financial performance or treasury flows. Causes that modify accounting policies refer especially to a series of situations specific to commercial activity (if we cannot make certified estimates regarding uncertain clients, life duration of amortizable assets, the consumption modality for future economic benefits of amortizable assets).

Retroactivity in an accounting policy will be applied to comparative financial information for prior periods of time as far away in time as possible to the moment of applicability. To ensure time comparison of financial statements, an enterprise must apply its accounting policies in a consistent way for transactions, events and similar conditions, except the time that IFRS allows the use of different policies. This fact is mentioned in the conceptual framework of IFRS. For example, if a company chooses to change the evaluation method for stocks that exit the inventory, from LIFO to FIFO, in a time of high prices, the analysis based on the result indicate an increase in performance. Taking into consideration the policy adopted by the company (changed following the increase of prices) we notice the result is conjectural, determined by the simple market price change. At the same time the accounting information provided by financial statements are no longer compared in time (in a year the company evaluates stocks based on LIFO method, next year on FIFO).

Unlike International Standards, the national accounting framework mentions that any change of accounting policies is made only for future periods of time, starting with the financial exercise that follows the one in which the decision was made. If we change the accounting policy and correct the errors related to a previous period of time, then the balance sheet related to a previous time than the one being reported doesn’t have to be changed. Changing accounting policies will be done if an exceptional situation appears in the environment of the enterprise or in the economic and financial context, or if the level of credibility and the relevance of the information increase. For better understanding the situations that imply changing policies there are a few examples: admitting or withdrawing from transaction short term securities of the enterprise, changes in the structure of stakeholders, changes due to entering a group, mergers and similar operations.

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2 IAS 8 Accounting policies, *changes or errors and accounting estimates* – (Ceccar, 2009)
In consequence we can observe a different approach from International Standards of Accounting related to a retrospective application of accounting policies and to the reasons that determine the change of a policy. Unlike International Accounting Standards that provide a major role to uncertainty of the commercial activity, the national accounting regulations refer to evaluations for the uncertain clients, moral usage of stocks, and useful life duration in a secondary level.

2. EVALUATION BASES AND THE RESULT OF ENTERPRISE

Nowadays evaluation is a key aspect for financial reporting because of the mutations from traditional accounting to fair value (historical cost). International accounting state that evaluation is a process to determinate monetary values that will be recognized as elements in financial statements. The credibility of evaluation is the one that allows or not recognizing some elements from the financial statements. Many times the cost or value must be estimated; using reasonable estimation is an essential part of drawing financial statements and it doesn’t influence their credibility. If a reasonable estimate can’t be done the item will not be recognized in the balance sheet or the Profit and Loss account. For example, estimated return due to a court process may correspond to the definition of assets and income as well as to the achievement probability criteria; still if a credible evaluation of income is not possible then it cannot be registered as asset or income. FASB (Financial Accounting Standards Comity) states: “Information provided by financial statements is a result of an approximate quantification rather than an accurate one. Quantification often implies many evaluations, classifications, synthesizing, reasoning and systematization. The product of economic activity in a dynamic economy is uncertain and it’s a result of a multitude of factors. So, in spite of the impression of accuracy given by financial statements, with a few exceptions, quantifications are approximations that rely on rules and conventions rather than exact sums”.

Some items of annual financial statements cannot be evaluated with accuracy but just estimated because of imminent uncertainties. The estimation process implies reasoning based on recent credible information. Usually, estimation may be revised if changes in circumstances take place as a result of new information or a better survey. The Conceptual framework of IFRS mentions the uncertainty related to estimating future economic benefits. The concept of probability is used as far as recognition criteria in order to have a reference for the uncertainty level in achieving a future economic benefice associated with an item. This concept is imposed by the uncertainty of the economic environment. Evaluating the level of uncertainty related to future economic benefits is tied to the available information when drawing the financial statements. For example, when cashing a debt is a possibility, in absence of an evidence to prove the contrary, recognizing the debt as asset is justifiable. In case of diversity of debts, the possibility of not cashing will be considered normal so the decrease of economic benefice will be registered as expense.

IFRS Conceptual Framework gives a level of freedom in choosing the basis for evaluation as long as it ensures pertinence and viability of the information provided by

3 Evaluation is designating a monetary expression to an item in order to present a financial statement.
5 IFRS, General Framework, point 85.
financial statements. At present, IFRS Conceptual Framework mentions the use of 4 evaluation bases:

- **Historical cost**;
- **Current cost**;
- **Achievable value**;
- **Actual value**.

Although it doesn't appear in the IFRS Conceptual Framework, fair value is used to evaluate some items of assets and debts. Choosing a basis for evaluation is a problem of option or an imposition of law. The possibility to act within this option appears most of all related to financial assets, historical cost being always mixed with other bases for evaluation, like fair value. IFRS as well as US GAAP have rules regarding demarcating financial assets based on the intent of the enterprise to classify these assets. If the enterprise wants to purchase those assets to make immediate profit then they will be accounted as financial instruments at fair value recognized in the Profit and Loss account. Any change made in fair value will affect the Profit and Loss account. On the other hand if the enterprise purchases these assets to keep them for a long time then they will be accounted as financial instruments available for selling and evaluated at fair value. We can mention other example too: stocks can be registered at the smallest value between cost and net achievable value, bonds can be recorded at the market value and debts related to pensions at their actual value.

The European accounting referential grants much importance to the principle of permanent methods that refers to applying evaluation methods in a consistent basis from one financial year to another.

The International Financial Reporting Standards state that enterprises most use historical cost as basis for evaluation in drawing up financial statements. By using historical cost as basis for evaluation assets will be registered at cash value or equivalents paid in cash or at fair value of the transactions offered in the moment of purchase. According to the European Commission Regulation no. 1136 November 25, 2009, modifying Regulation no. 1126/2008 to adopt certain international accounting standards, some enterprises present comparative information besides IFRS and historical synthesis of selected data for periods previous to the first period that presents complete comparative information according IFRS. IFRS doesn’t specify that such synthesis to be according to rules of recognition and evaluation of IFRS. Some enterprises present comparative information according to previous accounting principles generally accepted (GAAP) as well as comparative information requested by IAS 1 Presenting financial statements. In every financial statement that includes historical synthesis or compared information according to previous accounting principles generally accepted (GAAP), an enterprise must point out clearly information according to those principles (as not being made according to IFRS) and must describe the nature of main adjustments needed to insure compliance with IFRS.

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7 On November 27, 2008, the Council for International Accounting Standards (IASB) published IFRS 1 “Adopting for the first time International Financial Reporting Standards”, that replaced the existent IFRS1.

8 The accounting base used by an entity that adopts for the first time IFRS just before adopting them.
An enterprise must explain how transition from previous accounting principles generally accepted (GAAP) to IFRS affected its financial position, financial performance and treasury flow.

According to international accounting regulations, current cost represents cash value or cash equivalents that should be paid if the same asset or a similar one is to be purchased at a current time. Debts are accounted at an undiscounted cash value or equivalents cash needed to settle an obligation at the current time. International accounting regulations as well as national ones (OMFP NO. 3055/2009) use current cost only to evaluate provisions.

IFRS general framework mentions that achievable value (also known as settling value) represents that cash value that can be obtained in the present through normal sale of assets. Debts are registered at discount value that is undiscounted value that will be used to pay off debts. Achievable value is used to evaluate stock items, if net achievable value is lower than stock cost. By achievable net value we understand estimated selling price that could be obtained as long as the commercial activity is normal, from which we subtract estimated costs to finalize a product and estimated costs needed to make sale (IAS 2 Stocks).

Actual value is the actual value of future cash input that is to be generated for a normal activity of the enterprise as well as the actual value of future cash output needed to pay off debts. Updating cash flow is applied to fixed assets used in production, these assets being a generator of future economic benefits for the enterprise.

Although it is not mentioned in IFRS General Framework, fair value is a basis for evaluation more and more used in accounting language, as well as international and national accounting regulations. Evaluating at fair value assets and liabilities, allows a rapid transmission of information to investors and stakeholders.

At the same time, using fair value as basis for evaluation represents a permanent adjustment of assets purchasing costs with their market value, meaning a continuous reevaluation of items related to the financial situation of the enterprise.

When Romanian accounting system was first reformed we used historical costs that became basis for evaluation used as a general rule for financial statements. Choosing historical cost as evaluation basis was linked to the viability of the information obtained. Meanwhile, it’s been proven that this model is not relevant for a hyper inflationist economy such as Romania. Nowadays, national accounting regulations mention that all assets are to be recognized initially at historical cost, except those assets that are contributed because they are evaluated at contribution value and those assets that are obtained free and evaluated at fair value. After initial recognition, all assets are evaluated at historical cost (according to OMFP no. 3055/2009). There are exceptions referring to tangible assets and financial instruments (including those financial instruments derived in consolidated situations) for which we choose reevaluation, evaluation being made at fair value. Unlike international regulations that somewhat eliminated using expressions like basic treatment and alternative treatment, national accounting regulations continue to use expressions like basic evaluation rules and alternative evaluation rules (OMFP 3055/2009).

Fair value is obtained by combining different measurement attributes from the bottom level: “market value”, “actual value of future cash low”, “replacement costs”.

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Ținta, A.E.
Some of these values are derived from commodity markets while others from purchasing markets. All these attributes have something in common: they are characterized by their orientation to present or future values. As a measurement feature, fair value criteria refers to the inferior part of the matrix, the one on the bottom right especially.

3. FAIR VALUE VECTOR OF CHANGE FOR INTERNATIONAL ACCOUNTING REGULATIONS

3.1. Historical cost versus Fair value

Evaluating at historical cost is an old accounting principle. It first appeared in June 1979, in a French accounting scheme, after many theoretical debates. Evaluating at historical cost means that inputs are registered by the enterprise in its patrimony at the acquisition price, historical cost without any ulterior modification, even though the real value changes. It reflects the value of items at the moment of their initial recognition, as a fair value at that specific time. In this situation performance cannot be evaluated correctly because of the overvaluation of profit, the enterprise having to pay inflation taxes and to sell fictive dividends that are distributions of the firm’s capital. That is why corrections of the historical costs have to be made through reevaluations or using accounting indexed to inflation.

Now, the result of the enterprise determined by historical cost reflect less than a real potential especially for those enterprise centered on providing services and high tech that invest a big part of their resources in intellectual capital. For these enterprises the traditional model based on historical cost doesn’t reflect the real value of the enterprise. Also, by applying the prudence principle, that treats asymmetrically value pluses and minuses through registering probable expenses but not recognizing latent pluses of value, enterprises accumulate accounting loses that do not reflect their real potential. It can be concluded that, in the new business environment, the accounting model based on historical cost does not insure the reflection of reality. But a question arises: “what do we use instead of historical cost if this model is no longer according to the future and is characterized by : globalization-technology-complexity?”.

The notion of fair value appeared for the first time in 1953, in Accounting Research Bulletins related to balance sheet reevaluation; after this it was introduced by IASB in 1998 for evaluating financial instruments (IAS 39) corresponding to a logical evolution of accounting.

The concept of fair value is defined by international accounting standards as: “the amount for what an asset can be sold or paid off as a debt, willingly, between knowing parties during a transaction that determines a price objectively”. Experts tried to find out the relationship between fair value and market value if market value shows the fact that a price must be searched on a market. They concluded that market value can be fair value if active, stock, liquid and organized markets exist (a situation corresponding to Anglo-Saxon model of accounting).

International accounting regulations favor fair value. By evaluating at fair value of an item we will attribute a value related to the market—mark to market.
Considered the best estimation for fair value, the international accounting normalization instances validated the extensive practice of evaluating at fair value that tends to include all balance sheet assets. Fair value is defined slightly different: “as the price resulted from a normal transaction between partners with equal guns, well informed, a price that corresponds to the actual value of cash flow expected from that asset” (Ionașcu, 2003). From the point of view of this definition and according to international standards, any asset is similar to a financial asset for which a correct and real value is given to the actual value of treasury flow expected taking into consideration the risks. So, the fair value is a value oriented towards the future because of its correct estimation of cash flow expected from the sale of the enterprise’s assets. Reality has proven that markets may be absent or characterized by major unbalances. In this situation we have to find a substitute for market value. Between market value and its substitute will exist a difference because market value is observed by the management of the enterprise and it is performed independent of its value judgments, and the item substituting the value is a value determined by the management, determined by own professional judgments.

The methods proposed to determine fair value show difficulties in evaluating mark to market. So, the fair value of an asset is given by the actual value of different treasury flows expected in the future. Considering the difficulties, these methods suggest that generalizing fair value as criteria for evaluating all financial assets and debts (the full fair value) seems to be a utopic project because there are many risks to be considered that can generate loss. For example, according to IFRS estimating net treasury flow to receive or to pay for an asset at the end of its life duration, must be represented by the amount expected giving that asset during an objective transaction, between interested and knowing parties, after the deduction of costs associated to disposing the asset. The enterprise must present fair value for every financial assets and debts designated in each category at the time of their designation, as well as classification and accounting value from previous financial statements. According to European Regulation Commission no. 1136/2009, enterprises are allowed to designate a financial asset or debt previously recognized as a financial asset or debt at fair value through the Profit and Loss account, or as available for sale. If the enterprise uses fair value in the opening statement of the financial position as deemed cost for an item of tangible assets, a real estate investment or an intangible asset, then the first financial statements of the enterprise made according to IFRS must present for each item-row from its opening statement: aggregate value of those fair values and aggregate adjustment of reported accounting values according to GAAP.

Problems refer to the impact of evaluation at fair value over the accounting information recorded in the balance sheet and in the results account. So “is a result based on fair value closer to the truth and more reliable than one established on historical cost?”

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9 To determine true values according to IFRS, an entity must apply the definition of true value and other precise guidelines to determine the true value of the specified asset or debt. These true values must reflect the existing conditions at the time they were determined.

10 Commission Regulation (CE) no. 1136/2009 from November 25, 2009, that modifies Commission Regulation (CE) no. 1126/2008 that adopts certain international accounting standards according to European Parliament and Council Regulation (CE) no. 1606/2002 related to the International Standards of Financial Reporting IFRS1, defines assumed cost as: a value used as a substitute for cost or amortized cost at a specific time. Subsequent depreciation assumes that the entity has recognized initially the asset or debt at a certain time and that the then cost was equal to its assumed cost.
In order to estimate fair value of assets and debts SFAS 157 suggests a 3 level hierarchy\(^{11}\): 
*level 1*: analysis of existent prices in an active market; 
*level 2*: analysis of observable market data; 
*level 3*: market inputs that are not observable. Level 3 needs more reasonable judgments from accounting professionals, and then it is applied to artificial financial instruments that cause the most problems when companies implement SFAS 157. The problems emerging from implementing SFAS 157 are caused by the lack of prices listed from inside some active markets which makes the management of companies to resort to evaluation based on own designs. Doing the hierarchy of fair value on 3 levels has become common between financial statements. From another perspective, the notion of fair value is frowned upon by the management of the companies because its use induces the change of a controllable component (net profit) to a less controllable one (value of net assets). So the evaluation at fair value decreases possibilities of managers related to adjusting results for devaluation, methods with great impact over the result. At the same time appears the difficulty to explain to stakeholders why the value of assets has changes through fair value.

Based on the facts presented above, we can state that the opposition historical cost-fair value is still active in a traditional Europe (especially France), that is excessive in prudence, and the Anglo- Saxon countries that want before anything else a “quick buck” and to favor the investors. Analyzing the above mentioned bases for evaluation we can talk about a mix between historical cost and fair value. The advantage of using fair value compared to using historical cost is that the value of the enterprise from financial statements is closer to market value that is an objective value. If we cannot talk about an active market then we cannot talk about the objectivity of fair value. So determining fair value will be made through equivalence to a utility value calculated through actuarial methods, using math models based on the evaluation of future treasury flows. Using *mark to model* we have subjectivity generated by choosing the parameters of the model.

### 3.2. Fair value – an evolutionary notion with many aspects

Synthesizing opinions related to fair value presented by François Mousel\(^{12}\) we can state that fair value is an evolutionary notion with many aspects. This statement is justified by the things presented as follows. Although it is presented in many international accounting standards, the definition of fair value doesn’t appear in the conceptual framework of IFRS. Fair value is defined by international accounting regulation as the amount for which an asset can be changed or a passive settled between well informed parties, willingly in normal competition conditions. This definition leaves us to understand that fair value is a market value that materializes in a commercial transaction independent from specific internal factors of the enterprise. At the same time, this definition translates the concern to materialize this notion, meaning that a market value would be an external, objective and verifiable reference that does not need subjective feedback.

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\(^{11}\) In September 2006, FASB issued SFAS 157 *Fair Value Measurements* that describe the hierarchy of *fair value* and identifies priorities that must be followed by the management to estimate fair value of assets and debts.

\(^{12}\) Translation and synthetization after (Mousel, 2006, pp. 157-162).
For reevaluation regarding assets at a specific previous time to a transaction there is no fair value by definition. An example for this ascertainment is fungible financial instruments negotiated on a liquid and well organized market. For such instruments, the listed price at a certain time is the amount used to change these instruments between well informed and willing parties. This happens because from a historical point of view, the fair value concept was used first for financial instruments. Moreover, the usefulness of applying the fair value of financial instruments held at the end of the negotiation is justified because the value of these assets would be represented by a potential selling price susceptible to materialize at a certain time. Fair value would be justifiable through the imminence approach of a commercial transaction. This is but a recent tendency that extends the concept of fair value from financial instruments to tangible and intangible assets. The logic of this expansion is totally different. Often, these assets are destined to a long time use so there is no imminence of a commercial transaction concerning them. On the contrary, using fair value in these cases reflects the conviction that purchasing costs or but a pertinent indication of value (using value) for this asset. While this observation seems debatable in theory, still, it leads to major difficulties for practice and often makes us think to a change of meaning for the term fair value.

Regarding tangible and intangible assets, an enterprise has to choose between 2 accounting methods: cost and revaluation. The choice must be the same for each category of assets, a category being a multitude of assets of similar nature and use. Between categories of assets the evaluation methods may vary. This structuring is a breach of the individual evaluation principle that is most important for a fiscal accounting. The logic of using revaluation model for tangible and intangible assets is pretty different from the one regarding financial assets. Actually, the first are destined for a normal enterprise activity because they are subject for depreciation. Overlapping the depreciation and reevaluation technique, IFRS recognizes clearly that the net accounting value for an asset using cost method (purchasing cost minus accumulated depreciation) is not a pertinent information, in most cases, as real value (fair value), for this asset. Actually, these assets destined for exploitation lack in unambiguous market value most of the time. Individual regulation has to base itself on approximation to determine fair value: similar transaction on comparable goods (with the possibility to report 1 time if the transactions do not exist at the time of reevaluation) or recognizable evaluation methods in general. The obvious problem of these approximations is that they turn the notion of fair value from external and consensual reference value to an estimated theoretical value influenced by the enterprise.

3.3. Fair value and the present financial crisis

International accounting regulations, especially fair value principle have been the target of many allegations. At present the idea that fair value has had an important role in the financial and economic crisis because of its pro cyclic effect, is certified. For this reason the accounting regulations based on fair value have to be reformed. The causal relationship between accounting regulations and economic crisis is a subject that causes a lot of commotion. The debates on this regard have tried to find answers to a few underlying issues: what is a market price when there is no transaction?; how do we measure performance and what is its definition?; what is the relation between international
accounting regulations and gaining from financial markets?; do accounting regulations have an impact on social responsibility of the enterprise?

Propositions made by IASB and FASB (Exposure draft July 14th 2009) leave a free way to expansion of the fair value implementing perimeter. The expansion of fair value implementing perimeter to result will lead to an increase of volatility for the accounting result. Also, evaluating at fair value sends us to a model that favors measuring performance through different items of active and passive in the balance sheet. Representation of the enterprise as a portfolio of changeable assets and passive is the main principle of a normal international accounting system. The expansion of use of fair value includes the increase of accounting evaluations to prices based on models that are more difficult to estimate and with a high uncertainty margin. There for the published accounting results are more opaque.

One of the arguments of those protecting fair value is that any alternative method hides reality presented on a market. The idea that market price is useful information is accepted, but at the same time it is considered that it should not change the result of the enterprise. Assimilation of fair value market price is based on the efficiency of information model of capital markets whose application is based on a set of assumptions that can’t always be verified (market liquidity, integration of available information in assets price). Interests of accounting regulators are oriented towards investors, but investors are not a homogenous class from the point of view of accounting information. At present, short term investors are favored by international accounting regulations which make the principle of continuity to seem to not be respected but seem to be reflected in a short term management.

The debates on accounting regulations responsibility IFRS/ US GAAP to increase financial crisis is far from over and it exists in a political and technical double dimension. On a technical level the debate is about the perimeter of fair value application and on the other hand it is about its estimation modalities.

4. CONCLUSIONS

The debate on accounting regulations responsibility IFRS/US GAAP that accelerate the financial crisis is technical and political. On a technical level the debate refers to the perimeter applied for fair value and its estimation methods. The whole process of revising accounting regulations on an international level wants to create a set of global accounting system capable to ensure comparison and quality to accounting information, thus eliminating creativity from accounting information supplied by financial statements. The national accounting framework assumed some of the international principles referring to accounting policies. Although producing the financial information is set in a regulated framework many enterprises make a correction to the result that is considered legal. It is difficult to choose the most relevant accounting policy from all the policies provided by IFRS. We can state that there is no objective result in the actual context to provide a diversity of options that could reflect the same transaction. Choosing an option that involves giving up another option influences the accounting result and the financial statements.
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