

Fair Value Accounting: *An Overview*

Course Description

Numerous FASB Standards have been issued requiring certain items to be measured and reported at “fair value” on the Balance Sheet. Prior to the release of ASC 820 Fair Value Measurements and Disclosures (formerly known as SFAS 157), the concept of “fair value” had never been formally defined in U.S. accounting literature. Since its issuance in September 2006, ASC 820 has become one of the most controversial accounting standards ever released.

This course provides a conceptual review of fair value accounting, as outlined in ASC 820 and other U.S. accounting standards. This review includes discussions on the ongoing controversy surrounding its impact on the global economy, as well as the current FASB & IASB proposals that will potentially require fair value accounting for all financial instruments. Finally, this course will provide an overview of the authoritative guidance for auditing fair value measurements and disclosures, SAS No. 101.

Completion Deadline & Exam: This course, including the examination, must be completed within one year of the date of purchase. In addition, unless otherwise indicated, no correct or incorrect feedback for any exam question will be provided.

Course Level: Overview. This program is appropriate for professionals at all organizational levels.

CPE Credits: 6 (CPA)

Category: Accounting

Prerequisite: None.

Advanced Preparation: None

Course Learning Objectives

Chapter 1: The Evolution of Fair Value

1. Define the ‘historical cost’ method of accounting and calculate the current ‘amortized cost’ of assets and liabilities accounted for under this method.
2. Define the ‘fair value’ method of accounting for assets and liabilities and recognize accounting practices consistent with this method.
3. Recognize the differences between the ‘historical cost’ and ‘fair value’ methods of accounting.

Chapter 2: Measurement

1. Define 'fair value' as outlined in ASC 820 Fair Value Measurements and Disclosures.
2. Recognize accounting practices that are consistent with the fair value framework established in ASC 820.

Chapter 3: Valuation Techniques and Inputs

1. Recognize valuation techniques that are consistent with the guidance of ASC 820.
2. Recognize the proper classification of valuation inputs into the levels of the fair value hierarchy.

Chapter 4: Auditing Fair Value Measurements and Disclosures

1. Recognize accounting practices consistent with the fair value disclosure requirements outlined in ASC 820.
2. Recognize auditing practices consistent with the standards of fieldwork related to auditing fair value measurements and disclosures included in SAS No. 101.
3. Explain the roles that management and the auditor have in the fair value measurement process.

Chapter 5: The Fair Value Option

1. Recognize the proper application of the fair value option under ASC 825-10.
2. Identify assets & liabilities that are eligible for the fair value option.

Chapter 6: The Future of Fair Value

1. Describe the ongoing FASB/IASB "convergence" project and its impact on fair value accounting
2. Describe the principal arguments against fair value accounting
3. Explain the limitations of applying the ASC 820 definition of fair value when markets are illiquid or inactive