

## WHY FAIR VALUE ACCOUNTING?

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April 8, 2008

### **I Investor point of view**

### **II Fair values are more relevant than historical costs**

Management decisions are based on fair values

Investor decisions are based on fair values

Managements should be evaluated based on returns earned on resources owned, measured at fair value

### **III Fair values are more comparable than historical costs**

### **IV Fair values are more objective than historical costs**

### **V Fair value measurement and timing are less arbitrary than historical costs**

### **VI Gains, losses, and volatility result from market forces**

Not from financial reporting

### **VII Why change is needed**

Mixed attribute model provides misleading information

Hedge accounting hard to do and hard to understand: complex, arbitrary, opaque

### **VIII Reporting fair value is not enough**

Disclose risk exposures

Disclose models and assumptions used to estimate fair values, especially when no liquid market

Disclose factors that changed fair value