

# Fair Value Accounting: Political Obstacles?

Jiří Strouhal, Carmen Bonaci, Nicolae Pasca, and Jiřina Bokšová

**Abstract**—Paper discusses accounting for financial instruments as well as their fair value, documenting how they tend to create obstacles in terms of the worldwide globalization process. More precisely, we focus on analyzing the amendment to IAS 39 for reclassifications of financial assets. Two objectives are being followed: to consider the amendment and its implications from the standard setting point of view and to afterwards quantify its effect on the EU companies. The first objective is reached by concluding that the amendment significantly altered IASB's credibility, while the second failed in completely convincing us about the economic grounding of the amendment.

**Keywords**—Fair value, financial instruments, reclassification, international harmonization, IASB, globalization.

## I. INTRODUCTION AND SOME LITERATURE REVIEW

THE first task of this paper is to place accounting for financial instruments as well as their fair value within the context of international accounting harmonization and emphasize the importance and impact they had within the international accounting arena. This not only helps us delimit the area of our study but also clearly points towards the main objectives when developing such a study.

It is a well-known fact that the International Accounting Standards Board (IASB) assumes a leading role in enhancing accounting harmonization [2], continuing what also represented the major objective of its predecessor the International Accounting Standards Committee (IASC). Still, the lack of power to enforce the use of its accounting standards prevented IASB from promoting international accounting harmonization to the desired level. Moreover, the recent credit crunch, which increased the indebtedness of EU and non-EU countries and families, created the need for solving acute problems related to asset pricing and reliable financial reporting. [7] It becomes evident that even some programs promoted from Brussels contributed to worsening

the situation and as a consequence may have resulted into lower competitiveness in some fields and to a worse economic downturn. A good example of such practice is the photovoltaic power plants subsidy program [8]. All these facts have undermined confidence in the competence of accounting standard setters worldwide [10]. Besides questions related to financial reporting and the inability of financial reports to reflect major risk exposures, standard setting bodies' credibility was also affected. As [10] notices, just a couple of years ago the intellectual and political proponents of stock market based globalization seemed to be defeating all who stood in their way, but the intellectual and political opponents of the rush to stock market based globalization now have an opportunity to be heard. Furthermore the entire process is being rethought even by its proponents who are nowadays reflecting at the most appropriate pace that should be considered for such a process and also at ways of improving the necessary corresponding global governance structures.

Paper focuses on analyzing how particular events related to accounting for financial instruments and their fair value significantly affected the accounting standard setting process in times of crossroads and turbulent times. When saying crossroads we go back in time and think about EU adopting IFRSs for consolidated financial statements of listed companies, through the so-called EU IAS Regulation (1606/2002). Such a decision for sure represented a significant step forward in IASB's fight for supremacy in the international accounting arena. But we mustn't forget that it did not come without any costs. It was then that French banks' well-known opposition to carrying financial instruments at fair value ended up into the shape of the IAS 39 carve out. The danger in making such a compromise for IASB is translated through threats of carves outs elsewhere. Furthermore we must also consider that when the US Securities and Exchange Commission said in September 2007 that it recognized IFRS as equivalent to US GAAP for the purposes of foreign companies listed in the US, it specified that this applied only to IFRS as issued by the IASB. Therefore, from this moment on the risk for and implications of potential other carve outs became even greater.

This received acceptance from the SEC can once again be considered as a victory for IASB. It was once again the turbulent times of 2007-2009 that came to threaten all these developments in the field of international accounting harmonization. Even though the new SEC chairperson, Mary Schapiro declared she thought a single set of global standards would be a very beneficial thing, she meanwhile expressed doubts about the independence of IASB and declared she would not necessarily be bound by the proposed roadmap [1].

Manuscript received June 18, 2011.

This paper is one of the research outputs of project P403/11/0002 registered at Czech Science Foundation (GAČR) and project POSDRU/89/1.5/S/59184 "Performance and Excellence in Postdoctoral Research within the Field of Economic Sciences in Romania", Babes-Bolyai University Cluj Napoca being a partner.

J. Strouhal is with the University of Economics Prague, W. Churchill Square 4, 130 67 Prague 3, Czech Republic (e-mail: [strouhal@vse.cz](mailto:strouhal@vse.cz)).

C. Bonaci is with Babes-Bolyai University Cluj Napoca, T. Mihali 58-60, 400591 Cluj Napoca, Romania (e-mail: [carmen.bonaci@econ.ubbcluj.ro](mailto:carmen.bonaci@econ.ubbcluj.ro)).

N. Pasca is with Bogdan-Voda University Cluj Napoca, G. Alexandrescu 26, 400591 Cluj Napoca, Romania.

J. Bokšová is with the University of Economics Prague, W. Churchill Square 4, 130 67 Prague 3, Czech Republic.

It is this aspect referring to IASB's independence that we focus on and more precisely on the IAS 39 amendment that significantly affect it. Besides actual financial reporting consequences of the amendment which we will further analyze within the third part of our paper, the mechanism and story behind the amendment must also be considered when thinking about the forces that interact within the international accounting arena. The accounting standard setting process is extremely complex especially when purposes such as international accounting harmonization are aimed at. In this case what we must reflect upon is the wisdom of replacing national institutions and regulatory safeguards built up over centuries and how best it can be done in case it is considered to be globally beneficial. Under such circumstances, IASB's leading position in terms of enhancing accounting harmonization requires special attention for all decisions being made.

This is why we consider it important to analyze the underpinnings of such an amendment as that of IAS 39 (October 2009) that nearly brought another carve out for IASB. This time the problem was related to a key anti-abuse requirement of IAS 39 based on which entities had to determine at inception into which category the asset fell, and were not subsequently able to re-classify it. Since an old US standard did not require property mortgages to be held at fair value and that SFAS 133 allowed available for sale financial instruments to be re-classified under rare circumstance, French banks this time argued for a level playing field so that they wouldn't be disadvantaged in comparison with American banks. Indeed the EU IAS Regulation also includes a requirement that IFRS endorsed by EU must not disadvantage European companies when compared with those in other major markets. Therefore the reason was found to argue for another potential carve out. It was the IAS 39 amendment that saved the situation, allowing certain re-classifications. Avoiding this second potential carve out was essential, many people, including Sir David Tweedie, IASB president (testimony to House of Commons Select Treasury Committee 11 November 2008) believing that a second European carve out would lead to the demise of the worldwide globalization project [1].

But once again the compromise was not without any consequences. US members actually voted against the amendment explaining that the reading of US practice was wrong and therefore European arguments ungrounded. The fast amending was also attacked; some considering that not even IASB's due process was respected. Sir David Tweedie once again concluded that the amendment damaged the whole exercise based on questions he had to answer, such as Why did you do this? This is European influence. Are you a European body? (Transcript of the House of Commons Select Treasury Committee November 11, 2008).

We consider that even if this compromise helped control for the risk of taking away all safeguards on manipulating the categories of financial instruments, IASB's image and credibility were affected and furthermore, based on its role within the accounting harmonization process, so was the

worldwide globalization process. This grounds the objectives of our study of on one hand placing the amendment between political lobby and correct economic decisions, while on the other presenting a quantification of the amendments' registered impact.

Considering the context of the economic crisis, a large number of the measures taken by the various regulatory organisms focused on the fair value and its' roles in the evolution of the stock markets. In the U.S., the SEC joined efforts with the FASB, amending SFAS 157 (on October 10, 2008) regarding the calculation of a financial assets' fair value for which there is not an active market. On October 12, 2008, when the Euro Zone Summit took place, a concession was already made, regardless of the affinity for fair value evaluations. Basically, this concession consisted in giving the companies certain flexibility in the implementation of accounting rules and allowing them the possibility to evaluate their assets according to the risk associated to the assumptions linked to negative cash flows rather than immediate market value which - given the circumstances of a liquid market - might not be suitable.

Also on the 13th October 2008, the IASB too amended IAS 39, so as to accept the reclassification of some derivatives regarding their interest rates, from the category of financial instruments measured at fair value through the profit and loss account and the category of the instruments available for sale to the category of instruments measured at their amortized cost, option which was at that time already allowed for American institutions, in some specific circumstances. Furthermore, in October 2008, the IASB published a series of statements in order to provide some assurance regarding the fact that the IASB's position was in concordance with IAS 39 provisions. The amendments were implicitly comprised into EU standards, the EU being once again one of the main supporters of these types of changes which have direct consequences on various sectors of the economy (such as banking).

We have chosen to analyze in detail the case of this amendment, which became effective under a stress situation - if we considered the state of the markets at that time - generated mostly by the EU. Our analysis is therefore based on the considerations shown above, considerations regarding the situation of financial instruments.

A letter sent by the European Commission to the President of the IASB, Mr. David Tweedie in October 2008, underlined the necessity of research and acceptance by all parties, of a creative and flexible approach. This approach should be based on consultations with the stakeholders, the preparers, the investors, the auditors and of course, the main regulating organizations in the field. All their opinions affirmed the immediate necessity of adopting a global solution to the economic difficulties posed by the economic crisis, however without ignoring the specifics of the European context.

The insurance companies and the banking sector persuaded their efforts in obtaining other concessions [4]. Even though the amendment in cause accepted the reclassification of

financial assets from the fair value through the profit and loss account category, in the particular case of the assets held for trading, further pressures from the banking and insurance sector targeted the acceptance of reclassification also in the case of assets included in this category at an initial recognition.

We support the IASB in permitting the reclassification of fair value through the profit and loss account in the case of assets held for trading, and in the case of assets included in this category at an initial evaluation - but only when there is a firm intention from the management to have a real and correct perspective on the instruments, keeping in mind that the markets can and have become less liquid, t

hus affecting the management's capabilities of managing such assets. There were and still are a lot of discussions and controversies concerning the necessity of analyzing if doubts affecting the management's intentions do really exist [4].

Despite the fact that the European requests underlined the necessity of accepting the possibility of reclassification in the category of financial instruments at fair value through the profit and loss account, and also pointed out those special situations in which the initial conditions weren't met anymore. Therefore, the final effect of this endeavor must not be confused. Even if the existing rules already included a high degree of subjectivism - being based on the managements' declared intentions - they were also imposing some restrictions. In our opinion, the cancellation of these exact restrictions could represent one of the main causes for the evaluation to span out of control.

[1, 3, 9] make an extensive presentation of the efforts that were made by the representatives of the banking sector in order to avoid applying fair value under crisis circumstances, when existing conditions imposed an unwanted but in our opinion very necessary reduction of the value of some balance sheet assets. Or the discussed amendment does exactly the opposite, creating a narrow gap which can unfortunately be used to ignore fair value evaluation/accounting. The amendment seems at a first glance, to be based on actual and healthy reasons, but it only manages to keep that gap of freedom and flexibility which can be used by the entities when elaborating their financial reports and statements.

Another important aspect from our point of view is the significant reduction of the financial assets' values whose recognition was for some time avoided by ignoring or underestimating risks. Having in mind the economical premises of such assets, it is our opinion that the possibility of the assets' values to return to their past, high levels, is a very unlikely one. Also, given these conditions, we can state that this reclassification in the frame of other categories that would allow keeping depreciated costs and avoiding fair value reflection would do nothing more than to postpone the inevitable.

## II. RESEARCH DESIGN

When considering the employed research methodology we

must once again make reference to the two main objectives of the study. Therefore placing the analyzed IAS 39 amendment between political lobby and correct economic decisions is done based on our presentation of historical events as well as on discussions related to economic groundings that were previously introduced. The quantification of the registered impact relies on presenting the results of a case study that was developed by the former Committee of European Securities Regulators. We say former because starting with January 2011 CESR has become the newly created European Securities and Markets Authority (ESMA). ESMA is an independent EU Authority that contributes to safeguarding the stability of the European Union's financial system by ensuring the integrity, transparency, efficiency and orderly functioning of securities markets, as well as enhancing investor protection. The ESMA regulations actually came out of the De Larosiere Report, published in February 2009, which suggested creating a new regulatory structures for financial services and securities throughout Europe. Its projects include closely monitoring developments regarding accounting and especially developments regarding the ongoing discussions on financial instruments and fair value accounting. Therefore information they presented in this regard was extremely helpful in putting together our study.

## III. RESULTS OF PERFORMED ANALYSIS

What we set out to do in the following case study is a detailed analysis of a specific/certain case regarding the amendment of the standards currently regulating the financial instruments at the European level. It is mandatory to keep in mind that our present option is not a random one because it was our decision to focus not only on the availability of the data, but also on the moment in which the discussed amendment became valid and on its' implications.

The considered amendment thus affected at the same time IAS 39 and IFRS 7, following the creation of the so called level playing field - which we mentioned before - with correspondence to the possibility of reclassifying financial assets, a possibility which already existed in the American Accounting Referential. Therefore it appeared the possibility of reclassifying some financial assets from the fair value through the profit and loss account category, but not into this category, and from the category of the available-for-sale one, this being allowed by the US GAAP but only under limited circumstance. These amendments became effective starting July 1st 2008 and implicitly affected the presentations of financial information as stated in IFRS 7.

Using the reclassifying option imposed the disclosure of information regarding the following elements:

- The transferred amount resulted from the reclassification in and from each category;
- The accounting value and fair values corresponding to all financial assets reclassified before or during the current reporting period.
- If one used the option of reclassifying on the grounds of special circumstances, these have to be

detailed.

- The generated gains or losses that affected the profit and loss account or other shareholders' equity elements, before or during the period in which the reclassification takes place.
- Presentation of gains or losses that should have been reflected in the profit and loss account or in other shareholders' equity elements, if that financial instrument has not been reclassified, and if the present gains, losses, earnings and spending elements - all registered in the previous, current, and future reclassification period until the derecognition of the financial asset(s).
- The effective interest rate and estimated cash flows, which the entity expects to recover - according to the reasoning used at the date of the reclassifying.

The next subject, on which we chose to focus on, is a study that quantifies the impact that this amendments' implementation had on the EU. The study however has its' limits, because it only analyses the data supplied by the analysis being developed by the CESR, nowadays ESMA. Their analysis was first developed on the 3rd quarter interim financial statements and interim management statements for 2008. This was due to the fact that the amendment became effective starting July 1st 2008. CESR's analysis was therefore offering a first glance of its impact. A follow-up work was developed by reviewing the application of the amendments to IAS 39 and IFRS 7 regarding reclassification in the annual financial statements for 2008. The statement also mentioned that CESR would review other aspects of the application of IFRS 7 in light of the financial crisis. CESR has now completed the first part of this analysis regarding reclassification and expects to publish the results of the second part of the analysis later in 2009. We have therefore separately presented the results of these two studies.

The study uses data obtained from interim financial reporting published in the 3rd quarter of 2008 (the immediate period after July 1st 2008 when the amendment became official) and from managerial reports drafted by European financial companies. It is because of this context that we can observe a lack of available data. The reality is that some European states did not impose the application of the international accounting referential for the intermediary financial statements belonging to the companies that should have applied that specific referential. The sample used in that study contained 22 FTSE Eurotop100 companies and 78 non FTSE companies, belonging to 8 E.U. states. Therefore, data

from a total of 100 companies was used to generate a representative and objective opinion on the situation of financial companies throughout the E.U. That data was interpreted using two different clusters: one representing the whole of the population - the 78 non FTSE 100 companies - while the other represented the FTSE 100 companies, acting also as a referential for the analyzed sample.

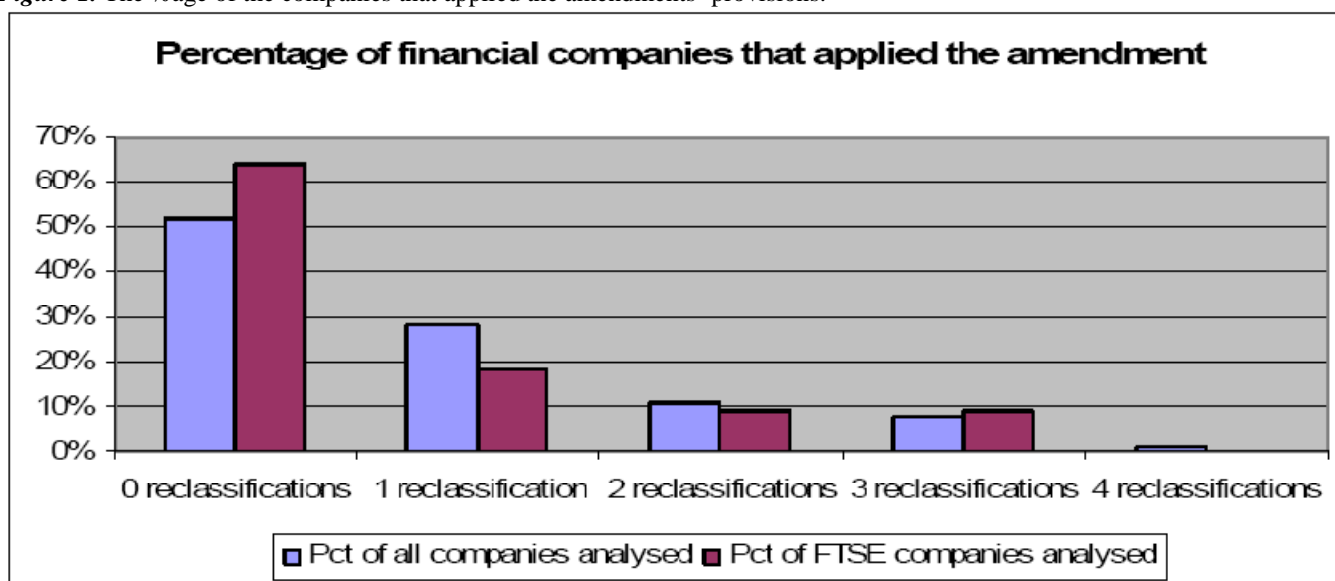
The methodology used for the study was developed in such a manner as to allow the analysis of the degree in which European states applied the recent amendments brought upon IAS 39, amendments for which the representatives of those states brought their best efforts. Another important element of the methodology was the focus on the importance of the information provided by the participating companies regarding the reclassifications performed according to the amended IFRS 7. Furthermore, one must also take into consideration the fact that the results of the study can be affected by the moment in which data was collected, i.e. the quarterly reporting which in some member states is not affected by the IAS/IFRS's provisions.

The interpretation of CESR's analysis results at the level of the two identified clusters demonstrates that more than half of the total number of the studied entities did not opt for reclassifying the financial instruments in the financial reports from the 3rd quarter of 2008. Regarding the FTSE100 companies, the number of entities that applied the amendment was even lower, at least two thirds of them disregarding the amendment implementation.

The analysis also focused on the possibility of the reclassifications in the following categories, according to the amended IAS 39:

- The reclassification from the category of financial assets measured at fair value through the profit and loss account to the loans and receivables category;
- The reclassification from the category of available-for-sale financial assets to the loans and receivables category;
- The reclassification from the category of financial assets measured at fair value through the profit and loss account to the available-for-sale financial assets;
- The reclassification from the category of financial assets measured at fair value through the profit and loss account to the investments held to maturity.

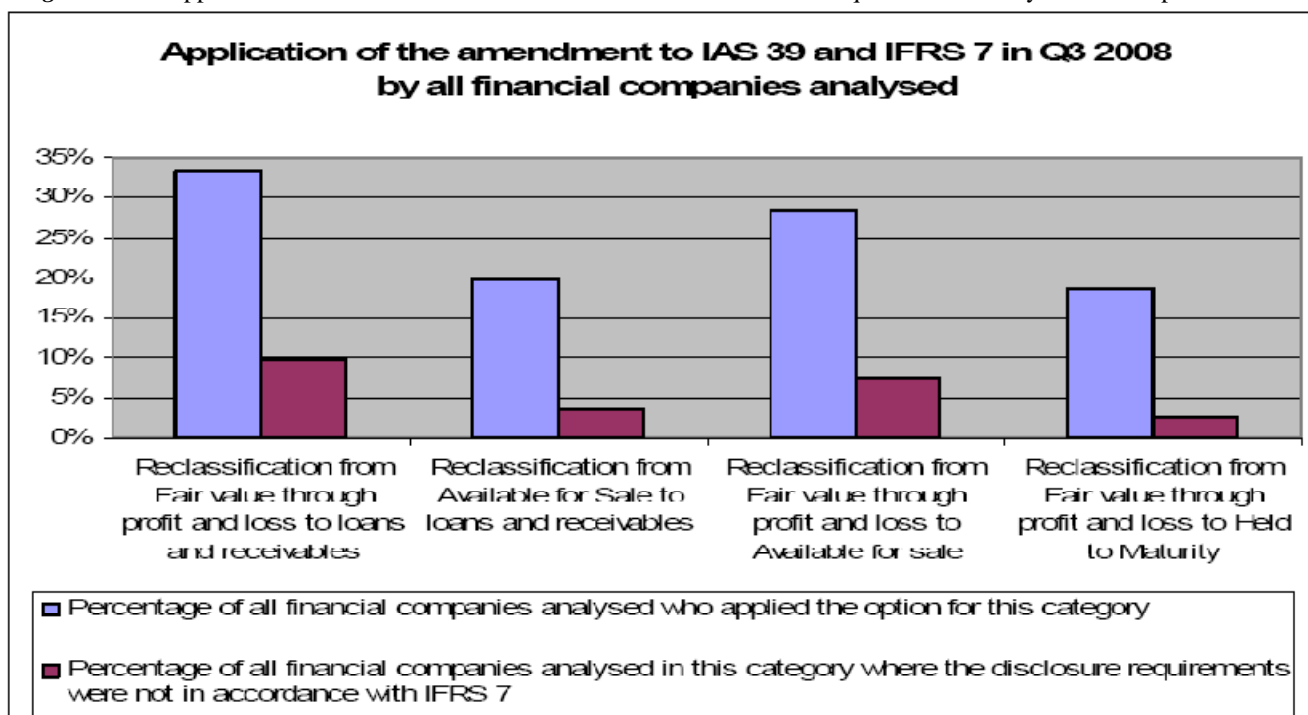
Some of the analyzed companies have applied more than one reclassifying option, as we can see from the below figure 1:

**Figure 1.** The %age of the companies that applied the amendments' provisions.

Source: [5]

The previous figure displays clearly the fact that more than half of the companies in the study did not made any reclassifications during the third quarter of 2008. In addition, in the FTSE100 cluster, two thirds of the companies also had the same attitude towards reclassifications. An interesting element is that when a reclassification was made, 20 % of the total companies reclassified financial instruments from and in at least one of the categories, while in the FTSE100 cluster 18 % of the companies acted in the same manner.

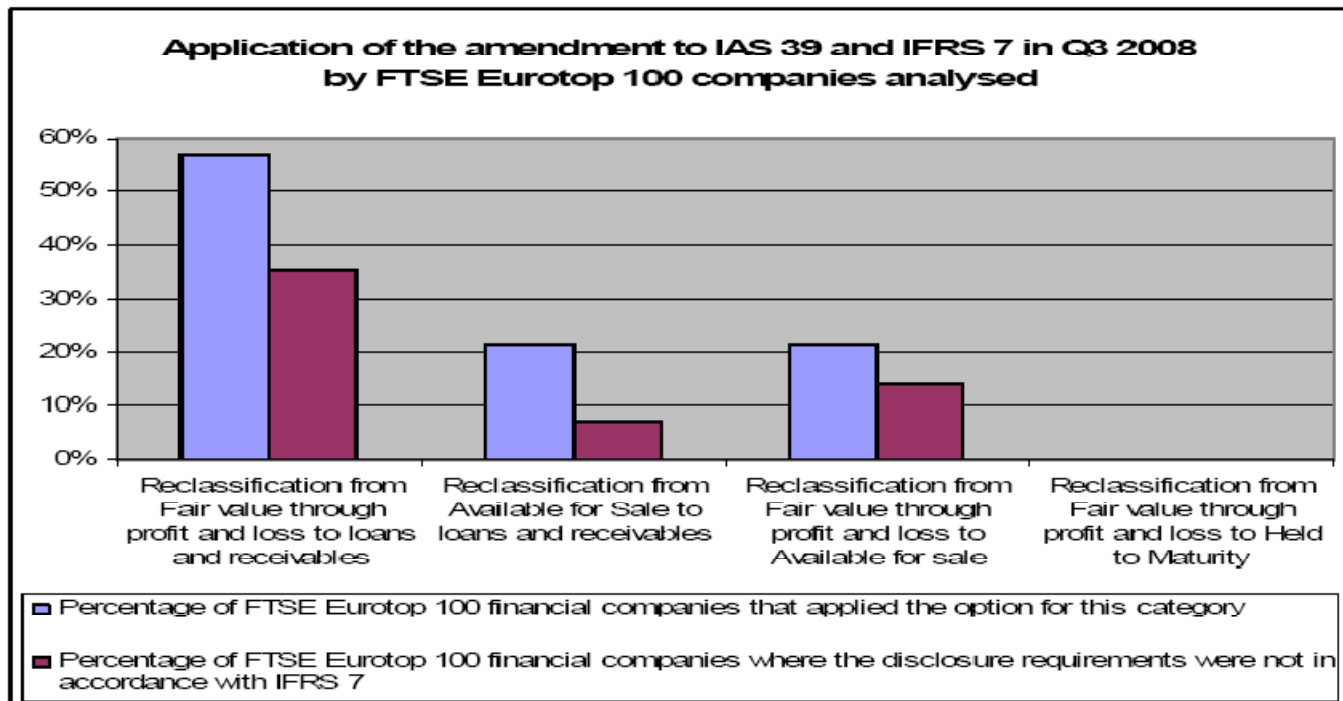
As we mentioned above, a quintessential part of the study was the observation of the types of reclassifications, and the categories from and in which the reclassifications were made. The observation focused on each cluster individually so as the results could be pertinent. The next figure 2 shows the situation of the analyzed companies, also taking into consideration the requirements for the needed information:

**Figure 2.** The application of the amendment on IAS 39 and IFRS 7 in the third quarter of 2008 by all the companies involved.

Source: [5]

Concerning the FTSE100 company cluster, the next figure 3 offers a clear perspective:

**Figure 3.** The application of the amendment that affected IAS 39 and IFRS 7 by the FTSE100 companies in the third quarter of 2008.



Source: [5]

As we can see in the figures above, the most widely used reclassifying option is the one from the category of financial assets measured at fair value through the profit and loss account to the loans and receivables category, which assumes a change of the evaluation attribute from the fair value to the depreciated cost. An interesting aspect is that this situation is common to both clusters.

Only 19 % of the companies involved in the study used a reclassifying option, representing only 15% from the total number of the analyzed companies (this also including the companies that did not apply the amendment), the most used type being the one which consists in the reclassifying from the category of financial assets measured at fair value through the profit and loss account to the investments held to maturity category, this implying the use of the evaluation at a depreciated cost by using the effective interest. Furthermore, even this option was not once used in the companies belonging to FTSE100 cluster.

Regarding to the identification of those situations in which information related to reclassifying did not correspond to the requirements of the amended IFRS 7, a justificatory interpretation is not possible because at the moment when the data was collected - the third quarter of 2008 - the legislation of some member states did not impose the application of the international accounting referential for interim reports. It is

also our opinion that this concession does not have a beneficial effect for the users of the accounting information provided by the respective companies, causing a lack of consistency between accounting practices related to intermediary and yearly information reports. Thus, the main negative effect of this concession consists in the fact it prevents active investors from acquiring the correct financial information. Investors need a stable information flow in order to take the best financial decision, and this concession does nothing but create discrepancies between intermediary and yearly financial reports. And if this concession was considered by the member states as a way to facilitate the preparation of intermediary financial statements while for the yearly reports the application of the international accounting referential is necessary, we can only see this concession as an unnecessary segmentation of accounting practices.

The results of the analysis show a low level of implementation of the option at a European level, the main source of the lobby that was made in favor of amending IAS 39 so as it could allow reclassification.

Although data provided by the CESR (2009a) represents an important first step in monitoring the application of the amendments implementation and its' effects in Europe, it fails in providing a value quantification of the generated transfer. We consider that only an analysis focused on the effects of the

reclassifications could have the capacity to offer a complete image of the amendments' impact. This is further done through CESR's follow up work in July 2009. Generally following a similar methodology, CESR (2009b) completes our analysis on one hand by offering comparative information and on the other by also presenting some information on the amounts involved in reclassification and also some disclosure related aspects.

In order for the results comparing data obtained through the two studies (on 3rd quarter reports and annual reports of 2008) to be correctly assessed, we will also present a part of CESR's methodological aspects, despite the similarities. The sample of financial companies included in FTSE Eurotop 100 index is unchanged compared to the analysis being performed on 3rd quarter reports. Only the sample for the other companies suffered slightly changes with the purpose of better reflecting the distribution of financial companies within the European market. The sample was therefore composed of the 22 financial companies which are included in the FTSE Eurotop 100 index and 78 other financial companies across Europe. An analysis of the FTSE Eurotop 100 companies was chosen due to CESR's view that these companies, being the largest financial companies in Europe, have their financial statements subjected to the highest level of market scrutiny in comparison to the sample taken as a whole.

[6] documents that 61% of all the companies analysed used the option to reclassify some financial instruments in their annual financial statements for 2008. In terms of the FTSE Eurotop companies, the analysis reveals that 68% of the companies applied the option to reclassify in their annual financial statements for 2008. Their study also shows that when taking the sample as a whole, the most widely used reclassification option was to transfer from available for sale to loans and receivables. Reclassification from the fair value through profit and loss category to loans and receivables was the second most widely chosen option. The same analysis at the level of FTSE Eurotop companies, the most widely used reclassification option was to transfer from the fair value through profit and loss to loans and receivables. Reclassification from the available for sale category to loans and receivables was the second most widely used option.

As previously mentioned, the study being developed on annual reports also includes information related to reclassified amounts. Therefore, when considering all the companies, the total amounts reclassified amounted to 550 billion EUR. Overall the largest amount reclassified (269 billion EUR) was from the available for sale category to loans and receivables which was also the most common type of reclassification. A detailed analysis on the FTSE Eurotop companies cluster documents that the total reclassified amount was 217 billion EUR and the largest amounts reclassified were from fair value through profit and loss to loans and receivables (125 billion EUR), which was also the most common type of reclassification for this sub-category within the sample.

[6] also documents that more than 60% of companies that reclassified did not disclose the gain or loss on the financial asset recognised in the profit or loss account or other comprehensive income in the previous financial year, and

more than 50% did not disclose the cash flows the entity expected to recover from the asset. As regards the gain or loss on the financial asset recognised in profit or loss or other comprehensive income prior to the reclassification, and the effective interest rate, more than 40 % of companies that reclassified did not provide these disclosures.

#### IV. CONCLUSION

If we are to conclude through comparing the results of the analysis being developed on the interim financial statements for the 3rd quarter 2008 and for the annual financial statements we may say they are generally comparable. The percentage of companies using the option to reclassify some financial instruments is higher for the annual than for the interim financial statements. This increase is even higher when only looking at FTSE Eurotop companies. Information on reclassified amounts and disclosure is not possible since it is not presented within CESR [5, 6]. Still, annual financial statements seem to be providing low level disclosure in relation to the requirements of the amendment.

Through this article, we have tried to present some personal considerations on the process of accounting regulation in the field of financial instruments. We tried to support our considerations by presenting important milestones throughout the evolution of the regulation process, and by presenting the in a detailed manner the CESR case study. A clear aspect being emphasized through the CESR case study is that most reclassification aimed at switching from fair value measurement to amortized cost. Despite illiquid market conditions characterizing the considered reporting period that might have impacted on management's intention towards their institutions' financial assets, this makes us wonder about the complete truth behind reasons being put forward by banks in their lobby.

Our study is of course limited by only offering a case study that relies on data provided through the former CESR's analysis. Still we consider that our case study's presentation in the context of the financial crisis and regulatory insights is helpful in offering a broad picture upon current realities in the international accounting arena. Therefore many studies can further be developed with the purpose of analyzing all determinant factors of the worldwide globalization process and its optimization while considering an accounting point of view.

#### ACKNOWLEDGMENT

This paper is one of the research outputs of project P403/11/0002 registered at Czech Science Foundation (GAČR) and project POSDRU/89/1.5/S/59184 "Performance and Excellence in Postdoctoral Research within the Field of Economic Sciences in Romania", Babes-Bolyai University Cluj Napoca being a partner.

#### REFERENCES

- [1] P. André, A. Cazavan-Jeny, W. Dick, C. Richard, and O. Walton, Fair Value Accounting and the Banking Crisis in 2008: Shooting the Messenger, *Accounting in Europe*, Vol. 6, No. 1-2, 2009, pp. 3-24.

- [2] B. Barlev, and J.R. Haddad, Harmonization, Comparability and Fair Value Accounting, *Journal of Accounting, Auditing and Finance*, Vol. 22, No. 3, 2007, pp. 493-509.
- [3] C.G. Bonaci, D. Matis, and J. Strouhal, Crisis of Fair Value Measurement? Some Defense of the Best of All Bad Measurement Bases, *WSEAS Transaction on Business and Economics*, Vol. 7, No. 2, 2010, pp. 114-125.
- [4] A. Breitburd, *Letter to IASB on 10 November 2008 from Amélie Breitburd*, Chair of the Technical Working Group, European Insurance CFO Forum, 2008.
- [5] CESR, *CESR Statement on the Reclassification of Financial Instruments and Other Related Issues*, 7th January 2009, 2009.
- [6] CESR, *CESR Statement on Application of and Disclosures Related to the Reclassification of Financial Instruments*, 15th July 2009, 2009.
- [7] L. Smrčka, Government Indebtedness and Family Indebtedness as an Inseparable Twins in the Modern World, *International Journal of Mathematical Models and Methods in Applied Sciences*, Vol. 5, No. 3, 2011, pp. 480-489.
- [8] L. Smrčka, Photovoltaics in the Czech Republic – Example of a Distorted Market. Cambridge 22.02.2011-25.02.2011. In: *Recent Researches in Energy & Environment*. Cambridge : WSEAS Press, 2011, p.378-383. ISBN 978-960-474-274-5.
- [9] J. Strouhal, C.G. Bonaci, and E.A. Matis, Corporate Governance Lesson Taught by the Financial Crisis: A Research Note, *International Journal of Mathematical Models and Methods in Applied Sciences*, Vol. 5, No. 3, 2011, pp. 688-695.
- [10] M. Walker, Accounting for Varieties of Capitalism: The Case Against a Single Set of Global Accounting Standards, *The British Accounting Review*, No. 42, 2010, pp. 137-152.

**Jiří Strouhal** is a senior lecturer of the University of Economics Prague, Czech Republic. He is an acting Vice President of the Chamber of Certified Accountants Czech Republic holding an accounting expert certificate. His research interests: international accounting, SMEs reporting, corporate finance, financial analysis.

**Carmen Bonaci** is an assistant professor of the Babes-Bolyai University Cluj Napoca, Romania. Her research interests: international accounting, SMEs reporting, corporate governance, critical accounting.

**Nicolae Pasca** is a professor of the Bogdan Voda University Cluj Napoca, Romania.

**Jiřina Bokšová** is an associate professor of the University of Economics Prague, Czech Republic. Her research interests: insurance companies – reporting, finance.