Discussion on Several Problems of Accounting Measurement

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Abstract

Japanese well-known accounting scholar Yuji Ijiri once said that accounting measurement is the core function of the accounting system, accounting measurement is the process of registering the accounting elements that meet the conditions for recognition and registering them in the financial statements. Enterprises should be in accordance with the provisions of the accounting measurement properties to determine the relevant amount. Measurement refers to the characteristics of an element of the item to be measured, such as the length of the table, the weight of the iron ore, the height of the building, and so on. From the accounting point of view, measurement attributes reflect the basis of the determination of the amount of accounting elements, including historical costs, replacement costs, net realizable value, present value and fair value.

Keywords

Accounting measurement ;fair value.

1. The Accounting Measurement Overview

Accounting measurement is an accounting part, accounting measurement refers to the use of specific rules and scales in the accounting information system to measure the measurement object, the calculation, and ultimately converted into financial performance of monetary information, to reflect the specific subject of the financial situation and operating results, operating results and cash flow conditions, accounting measurement is to meet the conditions of accounting elements registered and reported in the financial statements to determine the amount of the process. As early as 1907, C. E. Sprague in the main discussion of the accounting principle of the book "account philosophy", in the form of account account, it is related to the value of the measurement-related information. In the "account of the philosophical" chapter II "account form" states: the account "need to provide the following information: how much value? How to provide? When to provide? Why provide and to whom." 1922 W. A. Payton is clearly reflected in the value of accounting functions. "The role of accounting (function) is the value of the record, the value of the classification and the fact that the owner and his agent can intelligently use the requirements of their disposal of capital to organize the current value data," Payton said, "the duties of accountants The essence of which includes the net profit and financial position of the firm. "John Cunning also attached importance to the study of measurement and valuation issues In 1929, in his book" Accounting Economics ", there are five chapters involved in accounting, The valuation is divided into direct and indirect valuations. "The direct valuation is when and only if the realized monetary gains exist and satisfy the determinable conditions, the increase in such gains may be either positive signs or negative symbols (money come in or out) Any method of distribution in the future. "Alexander is more emphasis on earnings decisions. He wrote: "The revenue decision is the main function of the business accountant." In fact, Payton is also the representative of the importance of consistently emphasizing earnings decisions. He later in 1940 with AC Littton co-authored "corporate accounting standards introduction" put their emphasis on the decision of the income decision to a new peak in the book in the basic concept of accounting, creatively put forward is also the same income Decided to closely related to the "measurement of pricing", "cost attribution" and "strength and achievements" and other three concepts. In particular, in the "Strength and Achievement" section, they fully and profoundly describe the "ratio" principle in accounting, which is measured by "cost" and "achievement" by "income". As corporate behavior is continuous, its end result is always in the uncertain future. The management, the investor and the government, and all the groups associated with the firm's interests, must not wait until the final outcome of the business On the business progress, in a different period there is a "measurement of the reading", the method is to the period of income compared with the cost of the cost, which is the accounting principle of the ratio. From the historical history of accounting, the publication of Peyton and Littleton's writings (1940) can be used as a measure of the valuation and return of assets. Before the 1940s, the accounting profession attached importance to asset valuation, the balance sheet was listed as the first statement; and in the 20th century, 40 years later, the accounting community turned to emphasis on earnings decisions (through the ratio), income statement Into the actual first report, the role of accounting staff also changed. In fact, Payton and Litton in 1940 have regarded assets as "the unallocated costs of waiting for their fate." The object to be measured should distinguish between financial statements and other financial reports. In the case of financial statements, monetary measurement is the only or major measurement attribute, since it only reflects financial information (if the financial statements are included in the notes, the financial information is mainly reflected). The measurement of the financial statements is divided into two parts: the valuation and the income of the assets (including the three parts of the debt as the negative assets and the owner's equity of the net assets). The so-called income decision generally refers to the income statement (income statement) valuation, that is, by the realization of the principle of recognition of income, according to the principle of distribution costs, to determine the proceeds. In fact, the valuation of assets in addition to determine the financial situation of enterprises, but also to achieve the purpose of revenue decisions.

2. Measurement Attribute

Accounting metering attribute refers to the accounting practice must be measured in the financial accounting features or external forms of expression. Different measurement attributes, will make the same accounting elements of the economy as a different amount of money, so that the accounting information reflects the financial situation and operating results vary widely. With the rapid development of economy, the diversification of accounting information needs and the choice of measurement attributes, so as to form the measurement model which can meet the accounting objectives, it is an important problem that needs to be studied and discussed in the process of accounting reform. So far, there have been five measurement attributes: historical cost, current cost, net realizable value, future cash flow present value and fair value. The emergence of these six measurement properties have their own historical background and advantages and disadvantages.

3. Evaluation Of Accounting Measurement

(1) Historical cost

Usually the historical cost is for the asset factor, the historical cost measurement attribute to the currency stability as the assumption, to the transaction result as the foundation, can the real and the objective obtains the economic business the information, is easy to be accepted by the information user. The second is that the calculation of profit is not real enough; Third, the ratio of income and cost is not logical unity, and the difference between income and cost is not true. ; Fourth, the operating results and holding income can not distinguish between non-monetary assets and liabilities are underestimated, it is difficult to truly reveal the financial situation of enterprises.

(2) Reset costs

It is determined by the current market price. Is from the cost point of view to reflect the input value of a business entity. The current cost is conducive to the correct determination of the proceeds and capital preservation, to facilitate the information users to distinguish between the caliber of income, match the logic of the same, the financial statements can provide the current information. Its limitations will now, first, to determine the replacement cost is more difficult, can not fully match with the original holding of assets, thus affecting the reliability of information; Second, the lack of comparability between the statements of the project.

(3) Net realizable value

Net realizable value refers to unrealized cash or cash equivalents. The ability to reflect information that is equivalent to cash is most relevant to decision making and can overcome the subjectivity of cost allocation. However, the net realizable value is difficult and does not easily reflect the fulfillment of the fiduciary duty. The net realizable value is only used to plan the assets to be sold in the future or the liabilities to be repaid in the future, reflecting the expected liquidity of the firm, which embodies the principle of conservatism, but it can not be applied to all assets of the enterprise.

(4) Future cash flow present value

The present value of future cash flows refers to the discount value of an asset that is expected to become cash in the future. Capitalization value focuses on future measurement. The measurement attributes can provide information that reflects the economic value of the subject, and the information has the strongest correlation. However, the subjectivity of interest rate determination makes the reliability of the measurement results worse.

(5) Fair value

Fair value refers to the price of the exchange or debt settlement of the parties who are familiar with the transaction in a fair transaction. Is based on the transaction generated by the evaluation of market information, there is an active market transactions in the case of an exchange price, which represents the collective participation of market participants, therefore, the market price is the most fair. However, in practical application, the actual application of fair value is much higher than the scope of the transaction, which is not only applicable to the initial measurement, but also to the subsequent measurement, and the subsequent measurement is mostly in the national accounting standards, accounting system and even accounting practice There is no transaction in the case. The characteristic is that the transaction is the two sides in the voluntary, fair conditions of the transaction, it is the premise of the existence of the transaction, and the transaction can be now, it can not yet achieve the expected transaction. So the fair value is more suitable for future transactions.

4. Accounting Measurement Attribute Selection Of The THEORETICAL BASIS And Principles

Theoretical basis:

(1) Determination of capital preservation and income

Capital and income are closely linked, only to maintain good capital, only to talk about the recognition of income, that is, the real income should be based on the integrity of the capital and to maintain the same production and business capacity on the basis of the enterprise. There are two views on capital preservation in international financial accounting practice: financial capital preservation theory and physical capital preservation theory. The view of financial capital preservation theory advocates the preservation of monetary capital, depending on the amount of net assets at the end of the period minus the amount of net assets at the beginning of the period, and then the balance after the current owner's investment and the profits distributed to the owner. To achieve financial capital preservation, select the historical cost measurement attributes can be. The idea of physical capital preservation theory advocates the preservation of physical capital, that is, the actual production and management capacity, depending on the current period of income for the current period of the actual capital increase. So that only the current cost, the current market value and other current value as a basis for measurement in order to truly preserve the physical capital. Obviously, different capital preservation concepts and income determination requirements require different accounting metrological attributes to be appropriate.

(2) Accounting information quality requirements

The direct reason for choosing the measurement attribute is that the accounting is an information system whose main function is to provide information to the users of the accounting information. The users of the accounting information are not accounting experts. They are most concerned with the quality of accounting information. From the point of view of providing useful information for decision-making, the relevance of information quality is the primary feature. In today's risky and uncertain economic environment, investors and managers are most concerned with the real value information needed in decision making, rather than Historical cost data, the information required must be of predictive value, feedback value and timeliness so as to avoid or reduce investment and credit risks and uncertainties due to decision-making errors. Therefore, the relevance of accounting information quality requires the use of current value or capitalization value as a measurement attribute. However, from the perspective of fiduciary duty, the use of historical cost measurement attributes as the best choice, because it reflects the financial situation and business results of the most objective, reliable, well documented, impartial, can be better to all Reflect the fulfillment of the fiduciary duty and the responsibility for the relief of management.

5. Selection Of Measurement Attributes Should Follow The Principles

Choice is a trade-off in the process of weighing the pros and cons. Each measurement attribute has its own advantages and disadvantages, while enjoying its advantages, we must bear and try to overcome its shortcomings. Therefore, in the choice of measurement attributes, we should follow the following principles:

(1) Trade-off between relevance and reliability

The factual basis and decision-making value of the choice of accounting metering attributes The degree of emphasis on reliability and relevance is different for both the historical cost, the current cost, the net realizable value, the future cash flow present value and the fair value. Will choose a different measurement attributes.

(2) The selected accounting method has sufficient operability and realistic possibilities

Accounting measurement as the theoretical basis of accounting practice, we must take into account the measurement attributes and the resulting accounting measurement methods in practice has a certain degree of operability. Able to master the accounting staff and does not affect the timeliness of providing information.

(3) Follow the principles of cost-effectiveness and importance

Whether the marginal benefit is greater than the marginal cost, that is, whether the benefits available to the information provided by the measurement model are greater than or can compensate for the cost of the cost of providing information so as not to suffer.

(4) Consider the level of information users

The selected measurement attributes must be acceptable to the majority of accounting personnel, practical. If the level of the development of the accounting system itself is different, the quality of accounting personnel is low, it is impossible to require the use of complex measurement attributes and measurement methods in accounting practice. Inventories, fixed assets and intangible assets are measured at the net realizable value as the reference measure. The transactional financial assets, the financial assets, the financial assets, the financial assets and so on, Non-monetary asset replacement, debt restructuring and other specific business in the fair value of the property measured. With the development of social economy, the continuous improvement of measurement technology, a variety of accounting measurement attributes will be more reasonable coexistence, will meet a variety of accounting information users diversified needs.

6. On The Fair Value Measurement Issues

(1) The theoretical basis of fair value measurement

The purpose of the financial report is the purpose of the financial information provided by the enterprise, which is the highest level of the financial conceptual framework or the basic accounting standards of our country, and plays a guiding role in the development of financial accounting and normative development. The goal of the financial report is the theoretical starting point of the fair value measurement. Generally speaking, there are two views on the financial reporting objectives, namely, the concept of fiduciary responsibility and decision-making useful view. The early financial reporting objective was the fiduciary duty concept, which was at the time of the origin and prosperity of the corporate system, and the separation of the ownership and management of the company's property. The company operator needs to report the fulfillment of the fiduciary duty to the shareholders on a regular basis. The way of reporting is to prepare the financial statements. The main view of the company's past business results is that the historical cost measurement attribute is more in line with the fiduciary duty. With the development of capital market, the exchange and circulation of equity become more and more common, the emergence of trading platform is also conform to the needs of the development of the situation, the company's owner is no longer a simple minority shareholders, most of the investment from the market , Investors through the company's financial report, understand the company's business situation, so as to make their own decisions. Changes in the environment have led to changes in the objectives of the financial report, making the objectives of the financial report from the fiduciary duty to the decision-making useful view. In the decision-making useful view, the financial report users from the market, which requires the preparation of financial statements for the entire market investors, rather than simply for the company's internal minority shareholders, fair value measurement attributes clearly meet this requirement, the market Of the investors are not concerned with the historical costs of the company's assets and liabilities, the amount of capital and liabilities initially measured when they are of little use and have little impact on their decision-making, and they are more concerned with the current value of assets and liabilities The Assets and liabilities are measured at fair value, and at the same time means that the company is at risk of changes in the price of assets and liabilities. Any business activity of the company can be seen as an investment activity that is part of the company's management. There is no significant difference in historical cost and fair value measurement only in a relatively stable economic environment and market environment.

(2) The relationship between fair value measurement and monetary measurement

One of the four basic assumptions of accounting is monetary measurement. Currency measurement refers to the accounting entity in the financial accounting to confirm, measure, record and report in monetary dollars, reflecting the accounting entity's production and business activities, money is used as a trading medium, storage value and accounting unit of a tool is specialized Special goods that act as general equivalents in the exchange of goods and services are material attachments and symbolic appendages of people's commodity values. Money is the general equivalent of goods, is a measure of the value of the general commodity value of a common measure of an economic activity itself and an element itself, the simple use of text measurement is the most real and reliable, such as ten tons of coal, nothing more than the balance sheet On the record ten tons of coal more reliable, but this measurement is clearly not additive, nor comparable, unified currency measurement to solve this problem. The definition of fair value in China's accounting standards refers to the price paid by a market participant in the orderly transaction in which an investor can receive or transfer a liability. Here the fair value is defined as a price, monetary measurement is essentially fair value measurement, monetary measurement in a sense that is the initial fair value measurement. Historical cost is the most traditional accounting measure attribute, which is the exchange price that the buyer and the seller voluntarily reached when the transaction or matter occurred. The historical cost is the fair value of the transaction.

7. Discussion On Fair Value And Relevance

(1) Relevant requirements the accounting information provided by the enterprise should be related to the economic decision-making needs of the financial users of the financial report, and help the investors and other financial reporting users to the enterprise. Present and future situation to make an evaluation or prediction. under certain circumstances. Internal management and external investors may not be the same information, external investors may be more concerned about the value of the current assets and liabilities of the enterprise, and the internal management of the enterprise, sometimes concerned about the fair Value is meaningless, the enterprise is concerned about the value of assets for the enterprise, especially for the production of fixed assets, the price fluctuations on the enterprise is basically meaningless, as long as the business continues to operate on the balance sheet Numbers are of little significance to internal decision makers, which means that there may be inconsistencies in the information needed by the business operators and investors on the market, so the relevance is out of the question, and information about external investors For the management of the enterprise may be irrelevant information.

(2) Fair value measurement can reflect the real situation of the economic status of the enterprise at the balance sheet date

The balance sheet is an accounting statement that reflects the financial status of an enterprise on a particular date. The purpose of the enterprise's balance sheet is to reflect the assets, liabilities and owner's equity and its structure, Information users to assess the quality of corporate assets and short-term solvency, long-term solvency and profit distribution capacity. Since the balance sheet is a financial condition that reflects a specific date (balance sheet date), assuming that the firm's assets and liabilities are able to find the corresponding capital market, then the fair value of the enterprise assets and liabilities can be observed directly , So fair value measurement is clearly more than the historical cost measurement more in line with the balance sheet requirements.

(3) The essence of accounting measurement is to record the past or now, the future?

The most primitive of the most basic functions of financial accounting is to reliably record the production and business activities that occur in the enterprise, which requires the enterprise to change the resources and obligations of the enterprise arising from the past transactions and events for the purpose of recording and reporting, mainly reflecting the past economic results. This is from the definition of assets and liabilities can be seen, such as the definition of assets is that the assets of the past transactions or events formed by the enterprise owned or controlled, is expected to bring economic benefits to the enterprise resources, The matter of the past. The development of any subject is to conform to the development of the objective social environment, the natural selection of the fittest, the survival of the fittest, the evolution of the creatures so that the development of the discipline is the same, and only adapt to the changes in the external environment, of the extension, it will not be social out. Accounting development to the present stage, has been from the initial accountant to the present both a certain management functions, the past accountant Mr. era, accounting staff only need to record the transaction has occurred, accounting is only a record of past business activities , So the measurement of property selection of historical cost; the current accounting, the record is only part of the accounting function, if the current accounting or only record this function, then the accounting profession will be eliminated by the computer, as the previous driver is a kind of specialized career, now driving is basically the same as everyone's skills. The change of the times requires that the financial report has sufficient relevance to the future decision, and the fair value has a relatively good correlation with the historical cost, but under the condition of underdevelopment of the capital market, the fair value is more based on the subjective judgment and estimation on the basis of, there is a large risk and uncertainty. The fair value describes the price of an asset or liability of a firm on a given date, reflecting the fact that management now makes some kind of economic decision on the future based on that information. So accounting is recorded in the past, reflecting the present, and can predict the future according to the current information.

(4) Fair value and depreciation of fixed assets

If the fixed value of the fixed assets is longer than that of the fixed assets, the fixed assets will be depleted. If the value of the currency is stable and the price is stable, the book value of the fixed assets minus the amount of depreciation after the provision is equal to the fair value of the fixed assets of the balance sheet, the depreciation amount of fixed assets is the fair value of fixed assets changes. Long-term assets are discarded once a write-off, with the increasing number of long-term assets, the increasing value, this method is clearly not in line with the principle of proportion, this method is not true under the calculation of accounting profits. Depreciation of fixed assets has a lot of depreciation theory, depreciation of fixed assets is the loss of fixed assets. If the fixed assets are measured at fair value, then the depreciation and impairment of fixed assets are not required. The change in fair value during the current period is the cost of using fixed assets in the current period. It also conforms to the principle of accounting and the depreciation of fixed assets In fact, the method is essentially as much as possible so that the book value of fixed assets close to its fair value.

8. Conclusion

In short, the fair value of the capital market development to a certain stage after the inevitable choice of accounting measurement, if the business of all the business is in a highly developed capital market, the enterprise all the assets and liabilities can easily find the relevant market, then At the balance sheet date, all assets and liabilities of the firm can be found at the fair value. The fair value reflects the value of the current asset, has a pro-cyclical effect, and is expected to have significant uncertainty, which requires the market of the investors have a higher market analysis capabilities; the corresponding if the enterprise's assets and liabilities are reflected with the fair value, it means that all business activities will bear the risk of changes in fair value, business-owned production and business activities can be seen as Is a kind of capital activity. In the financial accounting, there are differences in the selection of measurement attributes. Although the application of fair value is increasingly favored by the international accounting community, it can have a great deal of controversy if it can completely replace historical costs and whether there is a general applicable fair value for all projects other than financial assets and financial liabilities.

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