

Discussion on fair value in financial accounting

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Abstract: The economic environment in the era of knowledge economy fluctuates sharply. The book value of accounting individual economic resources reflected by historical cost has deviated from its market value seriously, which has affected the correct decision-making of economic decision makers. One kind of measurement attribute which abandons the concept of cost measurement and can reflect the value of individual economic resources emerges as the times require, which is fair value. With the continuous development of economic globalization, financial accounting has made great progress. Fair value, as a means, has been continuously applied to financial accounting, which has played a positive role in promoting the development of financial accounting industry. As an important accounting method, fair value can be widely used in financial accounting to maximize the fairness of transactions, increase the security of corporate financial information and reduce the risks of corporate operations. Especially under the market economy system, the level of financial management of major enterprises is uneven, and the application of fair value in financial accounting is becoming more and more obvious.

1. Introduction

The history of economic and accounting development has proved that the more the economy develops, the more important the accounting is. The more the economy develops, the stronger the ability of accounting information to promote or hinder economic development [1]. The core of accounting is measurement. Because accounting itself is a measurement process. In other words, if accounting is unable to measure certain objects reliably, it will not recognize, record and report them in the financial statements, even in people's view, recognizing these objects is extremely important and relevant for economic decision-making [2]. The development of society has promoted the reform of the accounting industry, and the leading city of financial accounting has developed rapidly. More and more small and medium-sized enterprises have applied the accounting method of fair value to their internal financial accounting, which has promoted the innovation and development of the accounting industry as a whole [3]. Applying fair value as an accounting means to the practice of financial accounting can help enterprises to collect financial information efficiently and reduce operational risks [4]. Fair value is a very important tool in financial accounting. Its most basic function is to maintain the fairness of market transactions. Under the premise of ensuring the fairness of transactions, both parties can obtain certain benefits, so as to promote both parties. Common development [5]. Fair value is effectively applied to financial accounting work, and actively promotes the normal and orderly development of various industries. The concept of fair value was first studied and put forward in the financial accounting work of western countries, which mainly reflects a standard of commodity value and price, and also shows a kind of attribute characteristics. In the process of market transaction, the existence of commodity value and price reflects its internal core value, which also includes fair value [6].

2. Fair value concept

Fair value is the accounting expression of the concept of value in economics and the embodiment of the concept of present value which can reflect the essential characteristics of accounting elements. Fair value is the general name of direct and indirect measurement of value. Fair value accounting represents the future development direction of financial accounting, which indicates that

accounting is moving from cost measurement to value measurement. Reliable measurement of present value is often the key and difficult point of reliable measurement of value and fair value [7]. Fair value is the accounting expression of the concept of value in economics and the embodiment of the concept of present value which can reflect the essential characteristics of accounting elements. Fair value accounting is accounting based on value and present value. This view deeply reveals the relationship between fair value and value and present value, which is very crucial for us to understand many issues in fair value accounting. When understanding this relationship, we must never forget: the present value can best reflect the essential characteristics of each accounting element, it is the highest goal of accounting measurement, and other measurement attributes are just substitutions of the present value under certain conditions. Even if the concept of fair value itself includes historical cost, its creation is not a completely new concept. It is just a general term for many alternative measurement attributes that need to be "utilized" in order to use the present value measurement attributes [8]. At present, China is facing a complex situation at home and abroad, and the economic system reform is in an important period. In this period, new requirements are put forward for the financial and accounting management of various enterprises. Only in China's economic environment, the formulation of scientific and reasonable enterprise financial management system can better promote the healthy development of various enterprises in China [9].

In recent years, the level of China's economic development has increased year by year. To adapt to the development of the times, enterprises must strengthen the management of their financial resources, innovate their internal management mode and improve their financial management level. Financial accounting objectives are divided into general objectives and specific objectives. The former is what we usually refer to as financial accounting objectives, while the latter refers to the quality characteristics of accounting information. According to the different ways and characteristics of general accounting objectives in various countries, general accounting objectives should be described in broad terms and rigorous terms, as shown in Table 1.

Table 1 Classification of financial accounting objectives

Classification of Accounting Objectives		Basic Features
General objectives	Broad description	Generally appearing in countries where there is no conceptual framework, it is a broad description of financial accounting goals. There may not be a strict logical connection between accounting goals and accounting standards, and sometimes the existence of such goals is only formal.
	Rigidity description	Countries that have established a conceptual framework generally appear, and serve as the logical starting point for a series of concepts in the conceptual framework, and play an important guiding role in the accounting standard system.
Concrete objectives		Generally refers to the quality characteristics of accounting information or the general principles of accounting.

The application of fair value is conducive to improving the quality of enterprise financial accounting information. Generally speaking, the fair value can effectively collect and obtain the financial information related to the development of the enterprise. The enterprise financial accounting personnel can provide specific strategic guidance for the macro development of the enterprise and promote the healthy development of the enterprise after careful analysis of its financial information. In this process, the adoption of fair value means can effectively ensure the openness and transparency of corporate finance, and on the one hand, it is conducive to the release of corporate information. On the other hand, it is beneficial for enterprises to gain trust, further promote enterprises to attract more investment partners, and achieve a win-win situation for both enterprises.

3. Discussion on Adopting Fair Value in Financial Accounting

Confirmation is a prerequisite for measurement, which refers to the process of recording whether,

when, and how a transaction, event, or situation should be recorded. This process is a very important information screening process and the basis for ensuring that accounting information is reliable and relevant. Accounting confirmation consists of two steps, initial confirmation and reconfirmation, as shown in Figure 1.

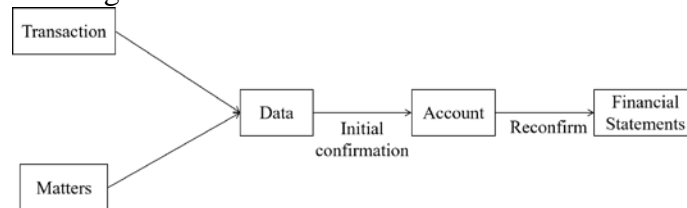


Figure 1 Report confirmation process

Fair value is an important part of financial accounting, and it is also an effective tool. Therefore, the application of fair value in financial accounting can ensure the scientificity and standardization of transaction operation, so as to effectively avoid the reduction of financial accounting efficiency and quality caused by some influencing factors. Therefore, if we want to improve the application efficiency of fair value, we need to strengthen regulatory measures, improve the professional quality and professional technical level of financial accounting staff, so as to ensure the normal and orderly development of fair value measurement. All enterprises need to strengthen the transformation of financial management consciousness, strengthen the cost accounting of budget, and strengthen the standardized management of financial management system. In addition, the enterprise accounting system should also focus on the importance of fair value means for enterprise financial accounting management, and at the same time, examine the role of various factors in financial accounting management methods from various aspects. At the same time, the information management system should be used to record the use of various funds in detail, and strengthen the supervision of the use of various funds. On this basis, through the analysis of the use of funds in each year, a scientific and reasonable plan for the use of funds in the next year is made, so as to better promote the modernization and scientificization of enterprise financial management. One of the important reasons why China maintains a cautious attitude in the application of fair value is that the fair value valuation technology is still not mature enough. In the actual fair value determination, a lot of information needs to be referred to, during which it will be affected by many uncontrollable factors, and some professional valuation techniques will be applied. Although in China's latest fair value measurement standards, there are some regulations on fair value valuation techniques, but these regulations are still relatively general, and the actual operability is not strong, which makes it more difficult to confirm the fair value. Therefore, we also need to pay attention to the continuous improvement of measurement technology level, improve fair value valuation technology, promote the perfect combination of fair value and valuation technology, make fair value play its due role in financial accounting, and ensure the rationality of market price in the process of transaction.

Table 2 China's accounting measurement based on the conceptual framework of fair value

Project	Relative ideal level (convergence with the joint conceptual framework)	Realistic level (in line with China's national conditions)
Accounting element measurement	Full use of fair value	Partial application of fair value
Types of measurement attributes	Current sell-off price Future sell-off prices	Past entry price, current release price, future release price
Measurement attribute screening method	Weighted ranking	Weighted ranking

4. Conclusions

According to the relevant standards of financial accounting, improving the effect of fair value measurement can improve the efficiency of dealing with related problems in financial accounting, so as to ensure that enterprises can rise to a higher level in the management of financial accounting

and ensure that the quality of financial accounting can meet the standards. Fair value plays a positive role in promoting the development of enterprise financial accounting, but this method has not been popularized in China. All enterprises should fully understand the importance of fair value in enterprise financial accounting according to their own development situation, so as to better promote the development of enterprises. With the rapid development of accounting field, the role of fair value in financial accounting is becoming more and more important, and more and more enterprises have brought it into their own financial accounting work. However, due to the current market economy system, the level of corporate financial management, the use of financial management and other factors, there are still many problems in the application of fair value in corporate financial accounting at this stage. Therefore, the government should be committed to the improvement of the market economy system. At the same time, enterprises should continue to summarize and improve the existing management development model, and address the existing problems of its management model from strengthening internal financial management and control, and improving financial accounting personnel. We will start with comprehensive literacy and professional level, and make efforts for a more healthy development of the enterprise.

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