Fair Value Measurement Disclosures in Practice of Companies Listed at London Stock Exchange and Deutsche Börse

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Abstract: - The financial reporting process generating information which is useful in relation to user needs helps companies in becoming more competitive within both the local and global environment. Paper contributes to the body of literature dealing with financial reporting disclosure practices: there is studied the issue of disclosures on fair value measurements in the financial statements. The employed research design imposes the construction of a guide of best practices that is further used in computing a disclosure index. Based on a sample of companies belonging to the financial sector we analyze to which extent they disclose information on fair value measurements used in financial reporting. In order to achieve the objective of this study there was calculated a firm-based disclosure score called a disclosure index. Descriptive analysis and potential correlation between this index and the use of fair value for financial reporting valuations are further investigated. When aiming to clarify professional ethics, we closely analyze integrity based on the latest developments undertaken by European professional bodies. Findings are used in identifying ways to contribute to the endeavor of aligning the profession's performance with society's reasonable expectations.

Key-Words: - Financial Reporting, measurement, fair value, disclosure index, IFRS 7, professional ethics

1 Introduction

The financial reporting process involves an extremely complex relationship between financial accounting, regulators and markets. As the 2010 International Accounting Standards Board's "2010 Conceptual Framework for Financial Reporting" emphasizes: the objective of general purpose financial reporting is to provide financial information on the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions on providing resources to the entity. This automatically attributes special status to investors whose needs, due to their role of providing resources for the entity, must be taken care of. The international accounting standard setter therefore admits to put investors first among the users of accounting information. Even when looking at other stakeholders, the purpose of the financial reporting process would be to provide information that is useful for the decision making process. The term accounting information covers both quantitative and qualitative data [2, 6]. Sound corporate governance policies should therefore stimulate companies into presenting information that is useful when analyzed in relation to users' needs. Despite sounding quite simple, practice often shows us that this represents an objective which is not easy to be achieved.

It is our argument that aiming for a financial reporting process that generates information which is useful in relation to users' need helps companies in becoming more competitive within both the local and global environment. Paper focuses on a narrower objective of analyzing companies' disclosure practices in relation to fair value measurement.

Disclosure represents a highly studied topic in accounting research literature. As Dumontier and Raffournier [4] also explain, when discussing disclosure we must make the distinction between voluntary and mandatory disclosure, since many firms exceed the disclosure requirements by providing information that is not required by the existing law or accounting standards. A number of studies develop empirical analyses regarding disclosure practices, trying to identify corporate characteristics that could help in predicting the disclosure level of a company. Overviews on empirical disclosure literature have also been developed [3, 5, 7, 8, 9, 12]. Healy and Palepu [8] consider six forces that affect managers' disclosure decisions for capital market reasons, as follows: capital market transactions, litigation, stock compensation, corporate control contests, stock compensation, proprietary costs, and management talent signaling.

After arguing our focus on disclosure practices, we must also explain our choice of investigating companies' fair value measurement disclosure practices. While fair value represents a controversial topic in itself, the recent financial crisis brought it even more into the spotlight. Furthermore, the financial sector has always been most interested in accounting regulations' developments in the area of fair value. This of course is also due to companies belonging to the financial sector managing financial instruments which often require fair value measurement. Our study analyzes how companies in the financial sector behave in relation to fair value measurements and the implicit disclosure, and to which extent these disclosures were influenced by the recent financial crisis. Therefore we selected 20 publicly traded companies from the financial sector. A total of 10 companies were selected from the constituents of the London Stock Exchange index FTSE 100. The other 10 companies were selected from the constituents of the Frankfurt Stock Exchange DAX and MDAX indices. We analyzed these companies' financial statements for the years 2007, 2008 and 2009. Afterwards we used a well-known method in the literature which consists of calculating a firm-based disclosure score called a disclosure index, made a descriptive analysis of his evolution in time and space and searched a possible correlation between this index and the use of fair value for financial reporting valuations.

Following the analysis being performed, we determined that a fair value measurements disclosure index had an upward evolution during the study period, expected phenomenon since the ambiguity surrounding the presentation and measurement of fair values in the financial statements often resulted in blaming it during the recent economic and financial crisis.

2 Research Design and Methodology

One of the first elements in a research design aims to develop a guide of best practices on disclosures about fair value measurements in financial statements that will further be employed in computing the disclosure index. The guide is also discussed and used in developing the analysis of Matis et al. [10] which has the same methodological approach, but a different research objective. Thus, we examined the requirements of the two well-known accounting standards, IFRS and U.S. GAAP. Due to the fact that IFRS 13 Fair Value Measurement was developed in a joint project of the IASB and FASB, as part of the Memorandum of Understanding (MoU), and later also FASB issued Accounting Standards Update (ASU) No. 2011-04 Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, fair value measurement and disclosure requirements are largely the same in the two sets of standards.

Based on the developed analysis we further established the following disclosures that we consider necessary in the financial statements in order to assure a better informing of the users of accounting information:

- For recurring and non-recurring fair value measurements, the fair value measurement at the end of the reporting period. Recurring fair value measurements of assets or liabilities are those that other IFRSs require or permit in the statement of financial position at the end of each reporting period (IFRS 13, paragraph 93(a)).
- For non-recurring fair value measurements, the reasons for the measurement. Non-recurring fair value measurements of assets or liabilities are those that other IFRSs require or permit in the statement of financial position in particular circumstances (IFRS 13, paragraph 93(a)).
- For recurring and non-recurring fair value measurements, the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (IFRS 13, paragraph 93(b)).
- For assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis, the amounts of

any transfers between Level 1 and Level 2 of the fair value hierarchy, the reasons for those transfers and the entity's policy for determining when transfers between levels are deemed. Transfers into each level shall be disclosed and discussed separately from transfers out of each level (IFRS 13, paragraph 91(c)).

- For recurring and non-recurring fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation technique(s) and the inputs used in the fair value measurement. If there has been a change in a valuation technique (e.g. changing from a market approach to an income approach or the use of an additional valuation technique), the entity shall disclose that change and the reason(s) for making it. For fair value measurements categorized within Level 3 of the fair value hierarchy, an entity shall provide quantitative information on the significant unobservable inputs used in the fair value measurement. An entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the entity when measuring fair value (e.g. when an entity uses prices from prior transactions or third-party pricing information without adjustment). However, when providing this disclosure an entity cannot ignore quantitative unobservable inputs that are significant to the fair value measurement and are reasonably available to the entity (IFRS 13, paragraph 91(d)).
- For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following:
  - total gains or losses for the period recognized in profit or loss, and the line item(s) in profit or loss in which those gains or losses are recognized (IFRS 13, paragraph 91(e));
  - the amounts of any transfers into or out of Level 3 of the fair value hierarchy, the reasons for those transfers and the entity's policy for determining when transfers between levels are deemed to have occurred. Transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3 (IFRS 13, paragraph 91(e)).
- For recurring and non-recurring fair value measurements categorized within Level 3 of the fair value hierarchy, a description of the valuation processes used by the entity (IFRS 13, paragraph 91(g)).
- For recurring fair value measurements categorized within Level 3 of the fair value hierarchy a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement (IFRS 13, paragraph 91(h)).

An entity shall present the quantitative disclosures required by this IFRS in a tabular format unless another format is more appropriate (IFRS 13, paragraph 99).

Our sample comprised 20 publicly traded companies from the financial sector. A total of 10 companies were selected from the constituents of the London Stock Exchange index FTSE 100. We selected the FTSE index because it represents the performance of the 100 largest blue chip companies listed on the London Stock Exchange, which have a total market capitalization that worth 81% of the UK stock market. The other 10 companies were selected from the constituents of the Frankfurt Stock Exchange DAX and MDAX indices. These two indices were chosen because DAX is the index of the first 30 German blue chips and MDAX is the index of the following 50 companies of Frankfurt Stock Exchange, considering the criteria of market capitalization.

The two stock exchanges were selected based on a FESE report for the year 2012, report which states that the two stock exchanges have recorded the highest turnover, and London Stock Exchange is placed on the first position. All the companies are selected from the financial sector because for the companies in this sector the percentage of assets measured at fair value is higher, which is why in the recent economic and financial crisis they have aroused the greatest controversy about the value of financial assets.

The time horizon covered through our analysis was set so that it allows assessment of the impact of the recent financial crisis on companies' volume of disclosures on fair value measurements. Thus, for each company we investigated the financial statements of the years 2007, 2008 and 2009. We chose these financial years since the financial, monetary and banking crisis in 2008 that began as an issue of subprime lending in the United States in the second quarter of 2008 spread rapidly in the third quarter in Western Europe and in the fourth quarter in Central and Eastern Europe [11]. Therefore, we considered it appropriate to analyze the situation before the burst of the crisis (2007), the financial statements prepared in 2008 (the year in which the crisis spread to Europe) and the statements for 2009. The proposed Disclosure Index was computed based on a formula which is quite often used in literature, as follows:

$$D_I = \frac{\sum_{i=1}^{m} d_i}{\sum_{i=1}^{n} d_i} \qquad D_I \in [0;1] \tag{1}$$

where:

DI = Disclosure index,

d_i = 1 if information was provided and 0 otherwise,

m = number of items effectively disclosed,

n = maximum number of disclosure items possible

In order to determine DI for all selected companies we have used Microsoft Excel, and in this way we had accurate records of items that were disclosed, as well as those that were omitted or were not applicable (n / a). We classified pieces of information as inapplicable, in order not to distort DI by stating that a group did not have disclosed information that could not be shown. Once computed the DI, our analysis focuses on the following aspects:

- DI evolutions in time and space;
- DI correlation with the use of fair value for financial reporting valuations.

3 Problem Solution

3.1 Disclosure Index Evolutions in Time and Space

In this section we propose, in the first instance, to analyze the determined value of disclosure index in space and time. In Table 1 there is presented an overview of disclosure index determined for each company in the sample and for each year included in the study.

Table 1. Time and Space Evolution of Fair Value Measurements Disclosure Index

No.	Company	Country	Stock exchange	Sector	DI 2007	DI 2008	DI 2009
1	Aberdeen	GB	London SE	Financial services	0.55	0.77	0.77
2	Admiral Group	GB	London SE	Insurance	0.33	0.33	0.33
3	HARGREAVES LANSDOWN	GB	London SE	Financial services	0.44	0.66	0.77
4	Aviva	GB	London SE	Insurance	0.77	0.88	1
5	Barclays	GB	London SE	Banks	0.33	0.77	0.88
6	HSBC	GB	London SE	Banks	0.88	0.88	0.88
7	ICAP	GB	London SE	Financial services	0.44	0.44	0.44
8	Lloyds	GB	London SE	Banks	0.44	0.44	0.77
9	Man Group	GB	London SE	Financial services	0.22	0.33	0.44
10	Standard	GB	London SE	Banks	0.625	0.75	1
11	GAGFAH	Germany	Deutsche Boerse	Financial services	0.22	0.22	0.44
12	Deutsche Wohnen	Germany	Deutsche Boerse	Financial services	0.22	0.22	0.33
13	Deutsche EuroShop	Germany	Deutsche Boerse	Financial services	0.33	0.44	0.55
14	Hannover Rückversicherung	Germany	Deutsche Boerse	Insurance	0.55	0.55	0.88

No.	Company	Country	Stock exchange	Sector	DI 2007	DI 2008	DI 2009
15	Aareal Bank	Germany	Deutsche Boerse	Banks	0.625	0.625	0.75
16	Allianz	Germany	Deutsche Boerse	Insurance	0.625	0.77	0.77
17	Commerzbank	Germany	Deutsche Boerse	Banks	0.55	0.55	0.77
18	Deutsche Bank	Germany	Deutsche Boerse	Banks	0.88	1	1
19	Deutsche Börse	Germany	Deutsche Boerse	Financial services	0.5	0.5	0.66
20	Münchener Rück	Germany	Deutsche Boerse	Insurance	0.44	0.55	0.77
Minimum		GB			0.22	0.33	0.33
Maximum		GB			0.88	0.88	1
Average		GB			0.50	0.63	0.73
Standard deviation		GB			0.2061	0.2189	0.2412
Minimum		Germany			0.22	0.22	0.33
Maximum		Germany			0.88	1	1
Average		Germany			0.49	0.54	0.69
Standard deviation		Germany			0.2026	0.2329	0.2021
Minimum					0.22	0.22	0.33
Maximum					0.88	1	1
Average					0.50	0.58	0.71
Standard deviation					0.1990	0.2241	0.2174

Source: authors' computations

As it can be seen in the table, the evolution of the fair value measurements disclosure index had an increasing tendency during the period of study. This is an expected phenomenon since the ambiguity surrounding the measurement and disclosure of fair values in the financial statements led to blaming of fair value during the recent economic and financial crisis. In this respect, the preparers of financial statements tried to increase the volume of disclosures regarding fair value measurements in order to maintain user confidence not only in general but especially in what concerns the investors. The average value of disclosure index in 2007 was 0.5, but it increased to 0.58 in 2008 and 0.71 in 2009. We can see a significant increase of 22.4% in the average of DI in 2009 compared to 2008, which could be interpreted as evidence of lessons learned from the crisis.

Analyzing the disclosure index space evolution, i.e. taking into account the country where companies in the sample studied have their headquarters, we observe that the disclosure index average for UK companies was higher than the average DI for companies in Germany for each year considered in the study.

For UK companies the average DI in 2007 was 0.5, meaning 2% higher than the average DI for companies in Germany. For 2008 the average DI for UK companies was 0.63, i.e. 15% higher than the average DI for companies in Germany. In 2009, the average DI for UK companies was 0.73, namely 5% higher than 0.69, the average DI for companies in Germany.

3.2 Correlation Analysis between the Use of Fair Value for Financial Reporting Valuation and Disclosure Practices

In this part it is proposed to consider whether there is a correlation between the use of a fair value measurement basis in the financial statements and fair value measurement disclosure practices as reflected through the disclosure index which was computed based on the previously discussed research design. In this regard, when collecting the case study data we also determined a percentage of financial assets measured at fair value of all financial assets, in order to determine if it is true that an important part of financial assets are recognized at fair value in the financial position.

As it can be seen in the following table the minimum value for the percentage of financial assets measured at fair value in the financial statements is 1%, while the maximum value within the studied sample is 99%. The average value of the percentage in 2007 is 55%, increased to 56% in 2008 and in 2009 decreased to 54%.

We observe that the evolution is different in the two countries discussed. For UK companies average percentage rose from 51% in 2007 to 56% in 2008, followed in 2009 by a fall to 49%. For companies in Germany we see a completely different trend, in 2007 the average was 59%, in 2008 was 57%, and in 2009 increased again at 59%.

Analyzing the percentage of financial assets measured at fair value of all financial assets and the fair value measurements disclosure index, we see that there is no correlation between the two variables.

Table 2. Correlation Analysis

No.	Company	Country	Stock exchange	Sector	% FV 2007	% FV 2008	% FV 2009
1	Aberdeen	GB	London SE	Financial services	0.81	0.79	0.85
2	Admiral Group	GB	London SE	Insurance	0.70	0.53	0.38
3	HARGREAVES LANSDOWN	GB	London SE	Financial services	0.52	0.53	0.47
4	Aviva	GB	London SE	Insurance	0.94	0.93	0.93
5	Barclays	GB	London SE	Banks	0.45	0.62	0.45
6	HSBC	GB	London SE	Banks	0.66	0.71	0.56
7	ICAP	GB	London SE	Financial services	0.05	0.01	0.02
8	Lloyds	GB	London SE	Banks	0.26	0.31	0.25
9	Man Group	GB	London SE	Financial services	0.57	0.81	0.71
10	Standard	GB	London SE	Banks	0.17	0.34	0.32
11	GAGFAH	Germany	Deutsche Börse	Financial services	0.56	0.51	0.50
12	Deutsche Wohnen	Germany	Deutsche Börse	Financial services	0.99	0.99	0.99
13	Deutsche EuroShop	Germany	Deutsche Börse	Financial services	0.96	0.98	0.98
14	Hannover Rückversicherung	Germany	Deutsche Börse	Insurance	0.40	0.39	0.38
15	Aareal Bank	Germany	Deutsche Börse	Banks	0.07	0.09	0.17
16	Allianz	Germany	Deutsche Börse	Insurance	0.20	0.03	0.03
17	Commerzbank	Germany	Deutsche Börse	Banks	0.35	0.29	0.34
18	Deutsche Bank	Germany	Deutsche Börse	Banks	0.81	0.80	0.88
19	Deutsche Börse	Germany	Deutsche Börse	Financial services	0.81	0.86	0.91
20	Münchener Rück	Germany	Deutsche Börse	Insurance	0.79	0.76	0.74
Minimum		GB			0.05	0.01	0.02
Maximum		GB			0.94	0.93	0.93

Average	GB	0.51	0.56	0.49
Standard deviation	GB	0.2858	0.2773	0.2794
Minimum	Germany	0.07	0.03	0.03
Maximum	Germany	0.99	0.99	0.99
Average	Germany	0.59	0.57	0.59
Standard deviation	Germany	0.3260	0.3572	0.3537
Minimum		0.05	0.01	0.02
Maximum		0.99	0.99	0.99
Average		0.55	0.56	0.54
Standard deviation		0.3014	0.3113	0.3144

Source: authors' computation

4 Role of Professional Ethics

Corporate governance represents a highly debated topic, raising significant interest for researchers in different areas during the last decade. Under poor corporate governance settings one of the risks that became obvious from the above presented discussion is that accountants might be pressured by management to present information that is likeable for the shareholders, but sometimes miles away from the economic truth. Using structured financial instruments creates a series of difficulties from the financial reporting point of view, such as fair value measurements through the use of mark to model valuation.

An important aspect that must be considered is avoiding the development of reward systems for management and other employees that act as traders and that allow the hiding of mistakes being made within their activity. When such systems exist, there is also the possibility of consequences reaching up to the level of accounting practices and putting pressures on accountants as well. This practice actually represents a reality that comes up in history starting with the first financial scandals that shook the accounting environment at the beginning of the 21st century (e.g. Enron, World.com, etc.). Management being able to obtain huge rewards even in cases that ended up with monumental bankruptcies and failures tempt them in undertaking exaggerated risks. The natural consequence will afterwards be for them to try and hide these risks and the potential losses therefore being generated for as long as possible. We are dealing here with moral hazard issues, an inappropriate rewarding system enhancing management's behavior in maximizing their own bonuses while sometimes even destroying value from shareholders' point of view [1].

Accounting professionals and their relation to stakeholders represent an essential component when considering corporate governance mechanisms. Furthermore, the agency theory describes the complexity of the relation between shareholders and managers. While working with managers, accountants should aim for the faithful representation with informational content for shareholders. Considering the complexity of their position, we find accounting ethics and professionalism to play an important role when constructing sound corporate governance structures.

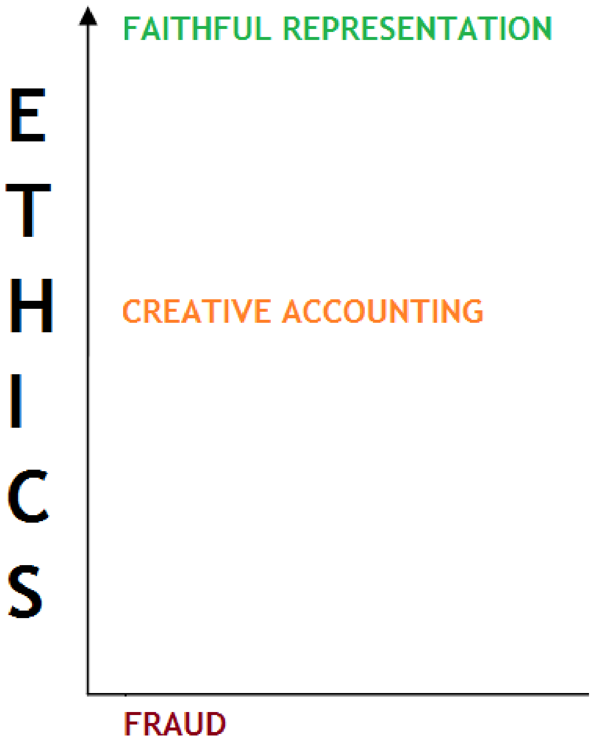
The role of accounting ethics is to ensure a system of information that would encourage and support rational behavior. Accountants are not held responsible for the structure within which they produce and communicate information, nor for the purpose of that information. One of the main purposes that should be considered throughout accountants' continuous professional evolution is the development of moral judgment. The necessity of maintaining public trust in the integrity of the accounting profession has led to an increase in the number of studies analyzing the moral judgment abilities. Most of the studies look at accountants working within large companies (especially the Big 4), while only a few consider little entities or accountants working on their own. The main thing that differentiates the above mentioned categories of accountants is their working environment, since large companies bring the benefit of cooperation with colleagues, in-house training and organizational support.

Ethics looks at human behavior, moral principles and the attempt to distinguish good from bad. When trying to identify common issues being dealt with within the business environment, professional bodies' codes of ethics is the right place to look. These codes represent what we can consider to be the reflection of business ethics. Codes of ethics should mainly address the particularities of high risk activities and are built on the collective conscience of a profession as a proof for the group's acknowledgment of the moral dimension. In the particular case of the accounting profession we should mention the International Federation of Accountants' (IFAC) code of ethics establishing the standards for accounting professionals' behavior and displaying the fundamental principles they should respect in order to fulfill their common objectives. IFAC's code of ethics generally adopts a principles-based approach. The five fundamental principles in the IFAC code are: integrity; objectivity; professional competence and due care; confidentiality; and professional behavior.

Accountants, employees working in financial control and top managers accept responsibilities with regard to financial reporting and providing information that investors should be able to use in the decision making process. This information is also being used in assessing management's performance. Auditors accept responsibilities to examine financial situations being filed by the companies' employees and asses their conformity with the financial reporting standards. Accounting academics accept responsibilities related to professionals' development that will stand at the basis of their professional activity. Regulators and standard setting bodies also take responsibilities with regard to the financial reporting standards that will help faithfully represent economic realities. It is large financial scandals that make us reconsider the attributions of the above mentioned groups and to what extent they are being carried out.

Significant financial consequences usually draw the alarm regarding ethical failures. When management decides on the remuneration of auditors or of the board's members we can speak of complete independence. We will therefore have no independent control over management's reporting of its own performances except for the role being played by the auditor and the fear of sanctions in case failure is detected. The recent financial crisis represents a good example of managers and traders undertaking significant risks that further impacted upon shareholders. Ignoring corporate governance principles led to a series of worldwide known financial scandals such as Barings Bank, IBM-Hitachi, Lehman Brothers, Drexel Burnham Lambert, Enron, WorldCom and Parmalat. Ethical behavior can be questioned in many of the above cases for a number of involved parties. We will therefore further focus on developing a conceptual framework that would enhance accounting professionals' ethics and help them contribute to accountancy in the context of sound corporate governance structures.

Integrating ethics to accountants' role we consider the following interactions: a high level of ethical behavior would make it easier for the accountant to give a fair representation of the economic reality, while compromises from ethics point of view might move their actions towards creative accounting and even fraud. The following figure reflects our reasoning:



Source: authors' analysis

Figure 1: Accounting professionals' ethics and the result of their work

As it can be seen from the above presented figure, when dealing with fraud we cannot speak of ethics. Creative accounting takes a big part of the representation due to its complex interpretations. Used in good faith it should help the accountant reach the faithful representation taking us to the superior area of the figure. On the other hand, it can also lead to manipulation which takes us closer to the fraud area. Faithful representation is assumingly linked with the highest degree of ethics. Still we have the issue of faithful representation itself because one could always argue fair for whom, taking us the users of accounting information and the objective of financial reporting. Despite all these, we consider it a good way to argue for the importance of ethics in relation to the accounting profession. Closely analyzing accountants' ethical behavior first helps from the perspective of their current activity that might face ethical dilemmas and the manner in which will be solved further impacts upon the result of their work and therefore shareholders.

The manner in which ethics is incorporated in accounting professionals' activity naturally impacts on the comparability of the accounting information being provided. This also brings the globalization process into the picture, or more precisely the accounting harmonization process. Since ethics represents a complex and philosophic enough concept, we will focus our analysis from a regional perspective by looking at the latest developments in the area belonging to the Federation of European Accountants (FEE - Fédération des Experts comptables Européens). We were previously mentioning the five fundamental principles in the IFAC code of ethics, integrity being one of them. It was in September 2009 that FEE was releasing a discussion paper on integrity in professional ethics, emphasizing the importance of this particular principle. Furthermore, a FEE press release from April 2011 was stating that personal and professional integrity is the first and foremost ethical principle for behavior in business.

We consider the discussion paper being issued in September 2009 to represent a significant step in its demarche to clarify professional ethics. The discussion paper comprises an introduction and a background part and afterwards considers the importance and meaning of integrity, behaving with integrity, integrity in organizations, the role of individual financial reports and the role of FEE member bodies. A number of 30 responses were received for the discussion paper. Respondents were FEE member bodies, audit firms, other professional accounting bodies, other professional bodies, regulators and individuals. Respondents' arguments documented FEE's consideration of integrity as the core fundamental principle from which the others derive. Its interaction with the other principles and their importance was still underlined by some respondents. Threats to integrity were interpreted differently depending on the economic period (downturn or boom). The idea was further supported, FEE president, Philip Johnson stating that it will be key to look at how codes of ethics and disciplinary arrangements can respond better to unethical behavior in the different economic cycle.

5 Conclusion

The paper addresses the issue of fair value measurement disclosure in the financial statements. Thus, we selected a sample of 20 companies listed on the London Stock Exchange and Frankfurt Stock Exchange, companies active in the financial sector. The financial statements of these companies for the years 2007, 2008 and 2009 were analyzed to identify the extent to which they provide information related to fair value.

Following the performed analysis, we concluded that the fair value measurements disclosure index had an upward evolution during the study period, expected phenomenon since the ambiguity surrounding the presentation and measurement of fair values in the financial statements often resulted in blaming it during the recent economic and financial crisis. In this regard, many tried to increase the volume of disclosures regarding fair value measurements for financial information in order to maintain users' confidence, especially in what concerns the investors. We also observed that the disclosure index space evolution, i.e. taking into account the country where companies in the sample studied have their headquarters, indicates that the companies from UK systematically disclosed more on fair value measurements than those from Germany.

During the last decades, public interest for business ethics has significantly increased due to an apparently continuous flow of business fraud and fraudulent management. It, therefore, does not surprise us that public trust in businesses and accountants is decreasing. This represents our argument for finding ways to incorporate ethics both within the educational environment and accounting practice. Encouraging an ethical behavior would not only discourage fraud, but would also help us contribute to the state of accountancy that would make us be proud of our profession.

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