

## **PROPOSAL: “INFORMATION CONTENT OF INTERNALLY-GENERATED FAIR VALUE ESTIMATES”**

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The objective of the project is to examine the equity and debt markets’ assessment of transfers between market-based and internally-generated measurement pools, distinguishing among the various theories on the role of fair value accounting in the statement users’ information set.

### **DETAILS:**

A growing body of research examines the role of mark-to-market (fair value) accounting in statement users’ information sets. Opinions remain split: One set of studies document that fair value estimates are value- and risk-relevant, while another argues that these estimates are susceptible to manipulation, rendering them of little, if any, use.

FAS 157 (now part of ASC topic 820) requires firms to provide information on the transfer into / out of the pool of internally-generated fair value estimates (Level 3, in the terminology of the pronouncement). Since this group is, allegedly, the most susceptible to manipulation, the transfers provide a convenient setting for empirically evaluating the statement users’ perception of the role of internally-generated fair value estimates.

### **REQUIREMENTS:**

The position entails 1) cleaning and cross-referencing a set of data on the factors underlying the change in internally-generated fair-value estimates (revaluation, sale/purchase/settlement, and transfers), extracted from financial reports; and 2) assisting with the review of the relevant literature. Familiarity with SAS or STATA is preferred, but not mandatory.