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APPLICATION OF FAIR VALUE IN THE ACCOUNTING, CONTROL AND REPORTING FOR UKRAINE IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Abstract. One of the key and most controversial accounting and control issues is the measurement of the elements of financial statements. The question of determining the fair value of assets and liabilities is one of the most relevant in modern accounting practice. This type of measurement is currently the subject of heated debate in the accounting community. International Financial Reporting Standards proceed from the priority of the interests of users of financial statements and are essentially aimed at providing them with the most relevant and useful information. This message determines the logic of building standards. IFRS 13 «Fair Value Measurement» considers fair value measurements in a broad sense, concentrating on the definition of fair value and the principles for measuring it. The main problem arising in the process of applying the fair value estimate is the lack of a methodology for its calculation. The article reveals the factors that influence the process of determination fair value. An algorithm in the selection of fair value valuation methods for management accounting is proposed, which allows quickly and timely determine the real value of accounting items and financial reporting elements, as well as a hierarchy of sources of fair value, which is represented by three levels. Level I is distinguished by the lowest degree of subjectivity in the measurement of assets and liabilities, Level II is characterized by a greater degree of subjectivity in the measurement of assets and liabilities, Level III is associated with the greatest degree of subjectivity in the measurement of assets and liabilities. The choice and proper use of the fair value method requires a high level of qualification in the field of appraisal, in-depth knowledge of the asset being valued, a liability or business, as well as the wide application of professional judgment. Historical cost and fair value provide two different kinds of information, which are both useful to investors. A dual measurement and reporting model could be more effective for assessing the success of an investment. Financial statements are more reliable, the more adequately it reflects the financial situation and financial results of the company. It is very important in the preparation of financial statements to apply various methods of measurement of assets and liabilities that are relevant to the company at the moment. Both historical cost and fair value should be provided as only together they can deliver complete and useful information to investors.

Keywords: fair value, historical cost, measurement, reliability of accounting information, management control, International financial reporting standards.

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ЗАСТОСУВАННЯ СПРАВЕДЛИВОЇ ВАРТОСТІ В ОБЛІКУ, КОНТРОЛІ ТА ЗВІТНОСТІ УКРАЇНИ ВІДПОВІДНО ДО МІЖНАРОДНИХ СТАНДАРТІВ ФІНАНСОВОЇ ЗВІТНОСТІ

Анотація. Одним із ключових і найбільш суперечливих положень бухгалтерського обліку та управлінського контролю є оцінка елементів фінансової звітності. Питання визначення справедливої вартості активів і зобов'язань є одним із найбільш актуальних у сучасній практиці бухгалтерського обліку. Цей вид оцінки є сьогодні предметом гострих дискусій у бухгалтерському співтоваристві. Міжнародні стандарти фінансової звітності виходять із пріоритету інтересів користувачів звітності та за своєю суттю спрямовані на надання їм найбільш актуальної та корисної інформації; цей посыл визначає логіку побудови стандартів. МСФЗ 13 «Оцінка справедливої вартості» розглядає справедливу вартість у широкому сенсі, концентруючись на визначенні справедливої вартості і принципах її вимірювання. Основною проблемою, що виникає у процесі застосування оцінки справедливої вартості, є відсутність методики її розрахунку. Розкрито фактори, що впливають на процес установлення справедливої вартості. Запропоновано алгоритм у виборі методів оцінки за справедливою вартістю з метою управлінського обліку, що дозволяє швидко і своєчасно визначати реальну вартість об'єктів бухгалтерського обліку та елементів фінансової звітності, а також ієрархію джерел справедливої вартості, яка представлена трьома рівнями. Рівень I відрізняється найменшим ступенем суб'єктивності оцінки активів і зобов'язань, рівень II характеризується більшим ступенем суб'єктивності оцінки активів і зобов'язань, рівень III пов'язаний з найбільшим ступенем суб'єктивності оцінки активів і зобов'язань. Вибір і правильне використання методу оцінки справедливої вартості вимагають високого рівня кваліфікації щодо оцінки, глибоких знань про активи, зобов'язання або бізнес, що оцінюються, а також широкого застосування професійного судження. Історична вартість і справедлива вартість надають два різні види інформації, які корисні для інвесторів. Модель подвійного оцінювання та звітності може бути ефективнішою для оцінки успіху інвестицій. Фінансова звітність вірогідніша, що адекватніше вона відображає майновий стан і фінансові результати діяльності підприємства. Дуже важливо при складанні фінансової звітності застосовувати різні методи оцінки активів і зобов'язань, які є актуальними для підприємства на даний момент. Слід застосовувати як історичну, так і справедливу вартість, оскільки тільки разом вони можуть надати інвесторам повну і корисну інформацію.

Ключові слова: справедлива вартість, історична собівартість, оцінка, достовірність облікової інформації, управлінський контроль, Міжнародні стандарти фінансової звітності.

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ПРИМЕНЕНИЕ СПРАВЕДЛИВОЙ СТОИМОСТИ В УЧЕТЕ, КОНТРОЛЕ И ОТЧЕТНОСТИ УКРАИНЫ В СООТВЕТСТВИИ С МЕЖДУНАРОДНЫМИ СТАНДАРТАМИ ФИНАНСОВОЙ ОТЧЕТНОСТИ

Аннотация. Одним из ключевых и наиболее противоречивых положений бухгалтерского учета и управленческого контроля является оценка элементов финансовой отчетности. Основной проблемой, возникающей в процессе применения оценки справедливой стоимости, является отсутствие методики ее расчета. Раскрыты факторы, оказывающие влияние на процесс установления справедливой стоимости. Предложен алгоритм в выборе методов оценки по справедливой стоимости в целях управленческого учета и контроля, позволяющий быстро и своевременно определять реальную стоимость объектов бухгалтерского учета и элементов финансовой отчетности, а также иерархия источников справедливой стоимости, которая представлена тремя уровнями. Историческая стоимость и справедливая стоимость предоставляют два разных вида информации, которые полезны для инвесторов. Модель двойного измерения и отчетности может быть более эффективной для оценки успеха инвестиций. Очень важно при составлении финансовой отчетности применять различные методы оценки активов и обязательств, актуальных для предприятия на данный момент.

Ключевые слова: справедливая стоимость, историческая стоимость, оценка, достоверность бухгалтерской информации, управленческий контроль, Международные стандарты финансовой отчетности.

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Introduction. Reliability of information, as a resource for making major management decisions, is getting a key role in modern economic conditions. One of the main sources of data on the company's performance is the accounting and reporting system, and ensuring its reliability and veracity is becoming a top priority.

Accounting and financial reporting of entities, regardless of the chosen concept (national Ukrainian or American, or international standards) are based on certain key tenets — principles.

According to the Conceptual Framework for Financial Reporting, which was adopted by the International Accounting Standards Board, the accrual principle is the main principle of accounting and reporting for recognition of income and expenses, as well as rights to assets and accepted liabilities. The Conceptual Framework for Financial Reporting and IAS 1 «Presentation of Financial Statements» also mention the need to comply with the going concern assumption (the ability of an entity to continue operations), the conservatism principle (when transactions are recorded) and consistency principle for presentation of information in financial statements.

The above four basic principles, as well as the full disclosure principle, the economic entity assumption and a monetary unit assumption in the presentation of financial statements form the basis of national accounting and reporting system in accordance with the new edition of the Law of Ukraine «On Accounting and Financial Report in Ukraine» from October 5, 2017.

It should be noted that the previous edition of the law also contained the principles of periodicity, historical cost and prudence. And if the principle of periodicity follows from the procedure for preparing reports, then historical cost and prudence (not overstating incomes and assets, and not understatement of liabilities and expenses) are no longer basic in international practice, where fair value and the need for regular testing of assets for impairment are playing an increasing role.

Measurement of assets at actual cost does not meet the current requirements of external users, as it makes the values incomparable. For example, it is possible that the estimation at actual cost increases the company's assets at the amount of hidden losses, and sometimes leads to an underestimation of profits.

Thus, the new law of Ukraine already at a principled level takes into account modern global trends in the presentation of financial information by entities.

The International Financial Reporting Standards (IFRS) contribute to the organization of national accounting elements that facilitate its adaptation to generally accepted rules for keeping records of the results of business practices. In particular, IFRS 13 «Fair Value Measurement» allows making the transition from historical cost estimates of accounting objects to fair value.

Volkova O. [1] notes that with the implantation of fair value in the accounting and audit practice, approaches to the interpretation of accounting principles have changed. For a long time, reliability and veracity dominated among the principles and postulates of accounting and reporting; they were also considered the main ethical value of accounting and auditing professionals. However, with the implantation of the fair value, the values have changed: relevance is now at the forefront, that is, focus on the interests of users of financial statements.

Critics of accounting and management control at fair value argue that the measurement is too subjective, too complex and constantly increase income volatility. Obviously, fair value model also has advantages and disadvantages that cannot be denied. The concept of fair value in its current form is not perfect, but at the same time a return to historical estimates does not solve existing problems in the markets.

In this regard, it seems necessary to identify the consequences of the transition from the actual (initial) value to the new provisions recommended by IFRS 13 «Fair Value Measurement», taking them as a basis in modern economic practice. To accomplish the task, it is necessary to compare the opinions of representatives of various economic schools regarding the measurement of objects of accounting and reporting at historical cost and measurement at fair value, emphasizing the advantages and disadvantages of two types of value of objects and the methods of recording them in accounting and reporting.

Literature review and the problem statement. Fair value is an alternative to measurement at historical cost, which has been used in accounting and finance for several centuries and which has ceased to fully satisfy financial markets in the last third of the twentieth century.

Starting in the 1970s as alternatives to historical cost such concepts as current value, mark-to-market value and fair market value were discussed, but it was exactly fair value that fixed in financial practice and standards.

The reasons for the departure from traditional estimates are diverse, some of them are associated with changes in the information needs of participants in the markets and in society, the other part — with changes in the markets and society themselves. The initial reason for the criticism of traditional estimates at historical cost was the high inflation of the 1970s, which led to significant distortions in the value of the companies' non-current assets of; at that time, the solution was seen in the indexation of the residual value of an asset, which made it possible to adapt the state of property status to changes in the scale of economic indicators in the country, but did not reflect the specifics of individual companies and markets.

Accelerated in the 1980s innovations in technology, economics and society, the information revolution, globalization have led to an increase in the importance for companies and markets of non-material aspects of activity that do not have a historical estimation at all or have such that it does not reflect their real role in formation of financial results [1].

Raymond John Chambers (1917—1999) is considered to be the founder of the theory of fair value, who in the mid-60s of the 20th century made an attempt to eliminate the negative impact of inflation on the reporting figures through the use of a new accounting method. For the first time in international accounting regulations, the term «fair value» appeared in IFRS in 1982, but only 13 years later, fair value as one type of estimation appeared in the IFRS system, when accounting regulation was introduced — IAS 32 «Financial Instruments: Disclosure and Presentation». The active use of the concept of «fair value» became possible in 1998. That year the first version of the international standard, IAS 39, dedicated to the recognition and measurement of financial instruments, was prepared and put into effect. In the American accounting system, certain steps were also taken in implanting fair value into the practice of corporations. In 1991 Standard No. 107 «Disclosure of the fair value of financial instruments» appeared in the American Standard System (US GAAP). In 2006, a non-governmental organization (FASB) prepared and introduced Regulation No. 157 «Fair Value Measurement», which governs the fair value determination process and contains requirements for identifying additional details on such measurements.

Only in May 2011, the International Accounting Standards Board and the Financial Accounting Standards Board of the United States approved and implemented a new standard — IFRS 13 «Fair Value Measurement».

The specified regulatory document contains a terminological definition of this phenomenon: the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. That definition of fair value emphasises that fair value is a market-based measurement, not an entity-specific measurement. When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value [2].

Fair value has both supporters and opponents, but the existence of disputes and interest in this category suggests that this topic is relevant and requires an appropriate methodological and methodical solution, which means that the regulation of accounting will change in the future in accordance with the requirements of market and time.

Many scientists and practitioners opine about the problems of implantation fair value into Ukrainian accounting. First of all, we are talking about the difficulties in determination a fair price for assets and liabilities in the absence of market information.

Scientists R.A. Alborov and S.V. Bodrikov wrote: «to evaluate and recognize fair value in practice is a rather complicated process, associated with certain objective reasons, as well as a somewhat subjective approach» [3].

Doctor of Economics, Professor E.M. Sorokina believes that «the implantation of fair value in the practice of national accounting is very laborious and expensive because it requires the participation of professional appraisers». At the same time, the author notes that «for the purposes of analyzing and managing the liquidity of a company's assets, the concept of fair value is very relevant» [4].

Some scientists are concerned about the quality of financial reporting in connection with the implantation of fair value. French economist J. Richard and Russian scientists V.G. Shirobokov and Yu.V. Altukhova believe that the use of fair value will lead to the variability and vulnerability of financial statements [5].

Charles Lee, professor of accounting at Stanford Graduate School of Business, argues that fair-value accounting goes against the fundamental purpose of accounting. It would actually inject more uncertainty into financial reporting and make life harder for shareholders. It might even create new opportunities for companies to cook their books.

In a combative keynote address at a London accounting conference, Lee argued that fair-value accounting confounds and confuses the core purpose of rigorous accounting. That purpose, he contends, is to provide economic history — an accurate report on transactions that have already occurred.

Market-value assessments represent something entirely different: collective forecasts about future returns. Lee isn't disparaging market valuations. In fact, he argues that the most important component of a company's market value lies in shareholder expectations about its future earnings. But the purpose of accounting isn't to make those forecasts, he insists. The purpose is to give shareholders the tools they need to make their own forecasts [6].

The debate between historical cost accounting and fair value accounting is usually framed by the issue of relevance and reliability. The introduction of the fair value lead to changes in priorities, and relevance becomes more important and significant than reliability of accounting information [7; 8].

Proponents of the use of fair value accounting highlight that reporting about financial assets and liabilities, and other items, at fair value is more relevant than historical cost. They emphasize that fair value reflects the amount at which an assets can be bought or sold, and enables better insights to current risk. As a consequence of that, investors, managers and other decision makers can adopt better market discipline and take a more appropriate decision.

On the other hand, those who support historical cost accounting believe that fair value accounting is less reliable. They argue that fair value accounting leads to excessive volatility and short-term fluctuations that don't reflect the value at maturity and don't represent the fundamentals of the underlying financial assets and liabilities [9]. Furthermore, many assets of financial institutions (such as loans) are illiquid, are not standardized, and are not traded in deep markets. Opponents of the use of fair value accounting claim that fair value is not relevant and potentially misleading for assets that are held for a long period or to maturity; that prices could be distorted by market inefficiencies, liquidity problems or investor irrationality; that fair value based on models (Level 2 and Level 3 inputs) are not reliable; and that fair value accounting contributes to the procyclicality of the financial system [10; 11].

Critics of the use of fair value accounting argue that fair value accounting has significantly contributed to the financial crisis, and has a significant impact on financial institutions especially [12; 13]. More cautious authors [14—17] suggest that the use of fair value, if not the direct cause of the crisis, but at least contributed to it.

However, not all researchers agree that fair value was the cause and even accelerator of the crisis. So, D. Tarr [18] and P. Wallison [19] believe that the cause of the crisis of 2007—2009 was the policy of the US government in the field of mortgage lending and the undue level of government regulation in financial markets; these authors do not consider accounting problems as important enough to even be considered as the cause of such a serious crisis.

However, most economists and practitioners speak positively on the use of fair value.

Professor L.I. Khoruzhiy notes that since the fair value promptly reacts to the current price situation, depends on sales markets and takes into account the zoning factor, its use allows reliably disclosure information on the company's performance [20].

Proponents of fair value consider it as an absolute advantage to update all relevant factors at each reporting date, which provides the most meaningful information about company's financial position to users, which is a reflection of economic reality.

It should be noted that Ukrainian accountants have certain difficulties in understanding and applying IFRS 13 «Fair Value Measurement», since the standard requires certain knowledge in the field of accounting theory, estimates, which are far from all practicing accountants. In addition, there are no specific recommendations that would allow Ukrainian accountants to determine unambiguously the order of their actions in estimation the fair value of assets and liabilities.

To improve the quality of financial reporting by public companies, as well as for better understanding and use IFRS 13 «Fair Value Measurement» in Ukrainian accounting, it is necessary

to develop and adopt special methodological recommendations on the use of the concept of fair value, as well as methods for determining it.

It is necessary to develop a standard containing the definition and rules for calculating the fair value in order to determine it reliably when measuring assets. It is advisable to take IFRS 13 «Fair Value Measurement» as its basis. However, as noted by many scientists and practitioners, this standard contains many controversial issues that need to be considered when developing a national standard.

Research results. The main problem arising in the process of applying the fair value measurement is the lack of a calculation method. The IFRS Foundation is the developer of financial reporting standards, however, for the implementation of IFRS 13, it is necessary to use the methods, which are used in valuation activities and are not regulated by the IFRS Foundation. Therefore, IFRS 13 «Fair Value Measurement» does not contain a detailed methodology for estimating the fair value and does not prioritize the selection of an approach to measurement, and does not require the use of any particular approach to a particular accounting object (except for financial instruments listed in an active market). Instead, IFRS 13 establishes a hierarchy of data used for evaluation purposes in one approach or another (maximizing the use of observable data).

IFRS 13 «Fair Value Measurement» only states that the fair value approach is based on the market approach, the cost approach and the income approach. However, a detailed description of the listed approaches and the features of their use in certain situations are missing.

Analyzing the requirements for calculating the aforementioned type of estimation, we should note that IFRS does not say who should determine the fair value: an accountant or appraiser (or both). Relevant regulations should be included in the international standards. Referring to the activities of professional appraisers, we draw attention to the fact that the approaches to calculating fair value under IFRS 13 fully coincide with the approaches to determining the market value contained in International Valuation Standards (IVS). But it must be admitted that the International Valuation Standards and International Financial Reporting Standards apply different concepts to designate the same valuation, which is determined on the basis of market, cost and income approaches: in the IVS, this is «market value», in IFRS «fair value». As justified above, fair and market values are not synonymous. In our opinion, the method under consideration relates to fair value. This suggests that the category of «fair value» should be introduced into the International Valuation Standards, bringing it in line with the IFRS regulations.

We believe that when determining the fair value, it is necessary to take into account the characteristics of the assets and liabilities, namely the condition, location and size of the asset, restrictions on the sale or use of the asset, etc. The unit of account affects the estimation of the asset and liability. Assessment objects can be represented as a separate asset or liability (financial asset, financial liability), or as a homogeneous group, for example, a generating unit or a property complex as a whole. In assessing the fair value of an asset and a liability, it is necessary to take into account the individual psychological characteristics of an economic entity to create economic benefits through the best and most efficient use of this accounting object, or through its sale to another independent market participant.

An important feature of fair value is its market character, free from the influence of the specifics of the company. Similar assets should have identical (or as close as possible to each other) value, regardless of the particular company, the conditions of use of the assets, the intentions of the company to retain or settle the asset (liability), etc. Since any market implies the existence of risks, fair value as a market category should also be determined taking into account risk adjustments. Risk adjustment is the compensation that risk-averse market participants are seeking for taking on the uncertainty inherent in the cash flow of an asset or a liability. There are three groups of risks: credit risk, market risk and liquidity risk.

In most cases, when there is an active market for goods, work and services, the current market value is taken as fair value, but if there is no active market, then the fair value should be calculated. It should be noted that the quantity of the fair value, determined by experts according to a certain method, is inherently not accurate. According to the Vice Chairman and Senior Technical

Director for Financial Assessment at Marshall & Stevens, Alfred M. King, «its value can be found in the range from 5% to 10%. This means that two equally competent appraisers, having the same task and relying on the same assumptions about prospects and competitors, can get results that differ by 10%. They will not have the same value indicators» [21].

Fair value measurement involves professional judgment. It should be noted that accountants and other appraisal professionals will need years before they become truly competent appraisers for most types of financial and non-financial assets. But, regardless of the previous experience and professional qualities of a specialist, it remains unchanged that each object will require professional judgment. Therefore, practicing accountants and their consultants need to be extremely cautious when analyzing the features of an object for the most accurate reflection of its value and achieving comparability of data in the presentation and disclosure of information on types of property, reporting periods and various companies. We propose an algorithm for the choice of valuation methods at fair value for management accounting purposes, which allows quickly and timely determine the real value of accounting objects and elements of financial statements.

The hierarchy of sources of fair value is represented by three levels:

- Level I is distinguished by the least degree of subjectivity in the measurement of assets and liabilities. Accurate market information is used that reflects the registered (official) prices for objects that are the same in all respects with the assets or liabilities on the market with a large volume of transactions to which the reporting economic entity has access to the measurement date. The initial data of the first level include: foreign exchange market; dealer market; intermediary market; markets «from principal to principal».

- Level II is characterized by a greater degree of subjectivity of measurement of assets and liabilities. In this case, data are used that are known in the market but are not registered (quoted) prices in an active market. Baseline data can be derived financial instruments, for example,

1) information on the agreement reached between the two parties on the exchange of cash flows, expressed in the same currency with fixed incomes and variable payments;

2) interest rate swap with well-regulated income and variable payments, based on the yield curve presented in any foreign currency;

3) interest rate swap with fixed amount receipts and variable payments based on the interest rate of a particular bank, a three-year stock option in stock exchange turnover, a license agreement, stocks of finished products at a retail outlet, a retained and used building, a cash generating unit.

- Level III is associated with the greatest degree of subjectivity of the measurement of assets and liabilities. In determining fair value, unobservable market data can be used, for example, by predicting unknown values by extending functions beyond the boundaries of a region of known values or finding intermediate values of a value from an existing discrete set of known values. These include: long-term currency swaps; a three-year stock option in exchange turnover; interest swap, the obligation to decommission objects, arising from the contract for business combination, i.e. liquidation obligation; cash generating unit.

According to IFRS 13 «Fair Value Measurement», three approaches to fair value measurement are applied hierarchically.

The market approach uses prices and other relevant information characterizing market transactions with identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities (for example, a business as a whole), i.e. in fact, we are talking about a comparative approach used in assessing the value of a business.

Cost approach is determined by the amount that would be required at the moment to replace the estimated asset, taking into account its inherent parameters (current replacement cost or current reconstructive cost). The cost approach is the least priority for estimating fair value and is used when market and income approaches are almost impossible to apply. To determine the fair value, the cost approach is based on current replacement costs, that is, on the amount of money that may be required on the measurement date to replace the production capacity (ability to produce services) of the examine asset. Thus, the cost approach is based on the fact that the buyer does not pay a

larger amount for the object than the one in which it would cost him to recreate the object similar in purpose and quality as of the valuation date without significant additional costs.

Income approach provides an estimate of the fair value as the amount of income that can be obtained from the use of the asset. Since it is necessary to calculate potential future returns, the time value of money and the risks that may arise in the process of owning an asset should be taken into account. Within the framework of the income approach, valuation methods should be applied, which allow to convert future cash flows into the present value (PV) based on current market expectations of these future revenues. For the purposes of IFRS 13, it is possible to use such methods as: valuation methods at the present value; option pricing models; discounted cash flow method. The main advantage of the income approach in comparison with the approach of comparative analysis of sales and cost approach is that it largely reflects the investor or owner's idea of real estate as a source of income. The main disadvantage of the income approach is that it is based on forecast data. Criticizing the methods of implementation of income and cost approaches in valuation activities, experts point out the shortcomings that caused the transition to the use of fair value in financial accounting.

The *table* below presents the main approaches and their types.

Table

Three widely used valuation techniques

Market approach	Income approach	Cost approach
Guideline company method mainly used in the measurement of financial instruments	Discounted cash flow method most often used in business measurement	Adjusted nets assets method can be used in business measurement
Comparable transactions method used in measurement of various assets listed on a regulated market	Relief from royalty method used in measurement of intangible assets	Current replacement cost method mainly used in the measurement of PPE
Direct sales comparison method mainly used in commercial property measurement	Multi-period excess earnings method used in measurement of goodwill and intangible assets	

To estimate the fair value, IFRS 13 «Fair Value Measurement» allows the use of either one of the proposed methods or their combination, taking into account the following conditions:

- opportunity to apply one or another method;
- sufficient information to implement the chosen assessment method;
- comparative level of alternative approaches across the hierarchy;
- any significant changes in the activity or market activity;
- opinions of market participants on the applicability of the methods used.

The company should use such an approach that is most appropriate in the circumstances and for which data are available and sufficient to measure fair value.

When choosing one approach or another to measure fair value, the following factors should be considered.

First, the decision on the choice of approach depends on the nature of the estimated object.

Second, the company must take into account the advantages and disadvantages of each approach, as well as the level of assumptions used in it. For example, the assumptions used in one approach may be more objective in connection with the use of market indicators or require less subjective adjustments than in another approach.

Third, it is desirable that the company uses several approaches to measure the fair value and compare the results obtained within several approaches. The use of at least two approaches in assessing the fair value allows for additional verification of the obtained results and more accurately estimate the fair value. If a company has applied several approaches and obtained significantly different results, it may mean that the company was mistaken in the calculations or in the assumptions used in the calculations, and it needs to be further analyzed. As a rule, if a company uses correct data and assumptions when calculating the fair value within the framework of market and income approaches, the results obtained are approximately in the same range.

In our opinion, the market approach is preferred, and the replacement cost in the accounting estimate at fair value can be used only in exceptional cases. In developing the algorithm in the selection of fair value measurement methods for management accounting purposes, all of the above was taken into account.

It should be noted that the choice and proper use of the fair value method requires a high level of qualification in the field of appraisal, in-depth knowledge of the estimated asset, a liability or business, as well as a wide application of professional judgment. Therefore, it is desirable to involve professional appraisers in appraising expensive assets, liabilities or businesses. Also in the evaluation process, it is worthwhile to take part in other departments of the company depending on its structure — for example, the department responsible for acquiring assets and developing the company, budget and other departments.

The chairman of the IASB, Hans Hoogervorst [22], in one of his speeches outlined the issue of measurement of assets and liabilities as one of the most controversial in accounting.

Fair value has the great advantage that it provides a measure of what a certain investment is supposed to bring. On the other hand, historical cost is useful to investors for two main reasons: it is based on actual, not merely possible transactions, and it provides investors with a measure of the resources which have been sacrificed to obtain that investment. Actually, the debate about accounting measurement has always been framed in terms of making a choice between fair value and historical cost accounting, with the former serving a decision usefulness objective and the latter a stewardship one. Over time, standard setters have become more and more oriented towards the decision usefulness of financial information, thus abandoning the historical cost accounting in favor of fair value accounting. This paper claims that such a debate should be reframed and no longer considered in terms of the choice between fair value and historical cost. In fact, choosing between historical cost and fair value accounting implies sacrificing one these two objectives. A dual measurement and reporting system could be the solution to such a controversy. Historical cost and fair value provide two different kinds of information, which are both useful to investors. At the time of acquisition, fair value and historical cost are in most cases equal, but they do normally diverge in subsequent periods. Following acquisition, historical cost accounting and fair value accounting provide different information and serve different purposes. Fair value is needed for ranking and sorting out competing investment alternatives.

Indeed, the best understood concept of profit is the excess of selling price over historical cost. Decisions on whether to continue a product line or division or factory depend to a large extent on whether there is a favorable spread between revenue and cost. As a result, this paper claims that historical cost and fair value should not be considered as competitors and both of them should be provided. An attempt to choose either one would deprive financial statement users of access to complete and useful information for decision-making. For this reason, a dual measurement and reporting model should be a good solution. A dual measurement and reporting model could be more effective for assessing the success of an investment. Comparing expected events (i.e. fair values) with past events (i.e. historical costs) would improve the ability of financial statement users to evaluate both past performance, thus fulfilling a stewardship objective, and to predict future performance, thus fulfilling a decision usefulness objective [23]. Moreover, it would be difficult to provide value added services without efficient distribution of resources and products [24].

At the same time, we propose to take into account the following recommendations:

- if the nature of the company's activities involves the use of assets for the production of goods or the provision of services, this is usually a condition for the use of measurement at historical cost;
- if the nature of the company's activities involves mainly trading in assets or liabilities in active markets, this condition is in favor of fair value;
- if the characteristics of assets and liabilities are such that they are highly sensitive to changes in market factors, this factor is also in favor of fair value.

Conclusions. Over the past few years, the topic of business and asset measurement has become increasingly relevant. The question of how much a company, an enterprise, a separate

business or a part of it may cost, now for Ukraine, has ceased to be a purely theoretical matter and has moved into a purely practical plane.

Estimation of the market value of a business or assets is necessary today, not only for purchase and sale transactions or in determining the collateral value of an object, but also for making right strategic and management decisions, preparing management reports in accordance with the requirements of the international investment community.

Financial statements become more reliable, when they reflect the financial situation and financial results of the company more adequately. Therefore, in the preparation of financial statements it is very important to apply various methods of measurement of assets and liabilities that are relevant to the company at the moment.

The impact of accounting at fair value in Ukraine is growing primarily due to the constantly rising interest in the use of IFRS, as well as the desire of companies to be attractive in the market, i.e. provide potential investors with financial information, which is interesting to them — information on the real state of affairs in the company (assets and liabilities, assessed at the reporting (actual) date, taking into account all changes occurring in financial markets).

Thus, as a result of the study, the authors obtained the following results:

- the factors that influence the process of establishing fair value are identified: all sorts of market risks, the characteristics of assets and liabilities, the unit of accounting for assets and liabilities, market operations and information, valuation methods, market participants and their interdependence, as well as professional judgment of valuation specialists;

— an algorithm in the selection of fair value measurement methods for management accounting purposes was proposed, which allows timely determination of the real value of accounting items and accounting elements.

Historical cost and fair value accounting must not be considered as competitors, as they serve different purposes. Historical cost provides investors with the cost of the investment, while fair value gives a measure of what the management expect to get in return from a certain investment. Knowledge of fair value is important, although it is not enough. Users also need to know the cost of the investment. In fact, knowing how much resources have been sacrificed to obtain that fair value, they could effectively evaluate stewardship.

Both historical cost and fair value should be provided as only together they can deliver complete and useful information to investors. As a consequence, the adoption of a dual measurement and reporting system should be considered and discussed at a standard setting level.

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