

Historical Cost vs Fair Value in Accounting: Consequences for the Quality of Financial Information and the True and Fair View

PhD. Economist Claudia Cătălina CIOCAN

Suceava, Romania

Abstract

In the conditions of an accelerated increase of the inflation rate last year and the current geopolitical pressures, a problem arises as to whether using the most relevant measurement basis reflecting economic reality and supporting decision-makers in the decision-making process. This paper analyzes the controversies regarding the effect of measuring items in the financial statements based on historical cost over current value, with an emphasis on fair value. In this respect, referring to a series of theoretical information and examples of the use of the two measurement bases and also a content analysis, we sought to determine which of the two measurement bases is the most relevant for a true and fair view, the consequences of the use of historical cost/fair value on the quality of financial information and on the true and fair view and the measurement methods that are preferred by Romanian listed companies. The achieved results indicate that the choice between historical cost and fair value can be seen as a compromise between relevance and faithful representation, in practice the tendency to resort to a mixed measurement model being shaped over the years, generally resulting by combining the historical cost with fair value. This trend was also confirmed in the case of Romanian companies listed on the Bucharest Stock Exchange, a slight transition from the exclusive use of historical cost to the use of historical cost along with fair value and in certain cases to a balance between the two analyzed measurement bases was observed.

Key terms: historical cost, fair value, information quality, conservatism, true and fair view

JEL Classification: M40, M41

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➔ Introduction

Being the process by which a monetary value is assigned to each element recognized in accounting (whether of assets or liabilities), **measurement** plays a main role in obtaining financial reports, that must reflect the economic reality and serve the interests of users, in other words, in obtaining reports that reflect the true and fair view and that constitute a basis for supporting the economic decisions of the various categories of users.

Paragraph 4.54 of Conceptual Framework for Financial Reporting, 2010 version, issued by the IASB (2010), presents the measurement *as the process of determining the monetary amounts at which the elements of the financial statements are to be recognized and registered in the balance sheet and income statement*. This process

requires selecting the particular basis of measurement. Such a basis is described by the paragraph 6.1 of Conceptual Framework, 2018 version, issued by the IASB (2018), as an identified feature of an item being measured and that applying a measurement basis to an asset or liability creates a measure for that item and for the related income and expenses.

The Conceptual Framework presents a series of measurement techniques used in accounting and classified into two basic categories, namely **historical cost** and **current value**. From the current value category, which includes **fair value**, **current cost** and **value in use**, **fair value accounting** is the most widely used and the one that generates the most controversy (Hoogervorst, 2015, p. 2).

This paper analyzes the controversies regarding the effect of measuring items in financial statements based on historical cost and current value, with an emphasis on fair value. The significance of the two measurement methods, the main advantages and disadvantages perceived by accountants and users of financial statements alike, and the consequences of using historical cost/fair value on the quality of financial information and true and fair view are being explored in this respect.

Referring to a series of theoretical information, examples of the use of the two measurement bases and to a content analysis aimed at identifying the measurement methods used in financial reporting in the case of Romanian companies listed on the Bucharest Stock Exchange, through this paper we aim to answer the following questions:

- 1. Which measurement basis from those analyzed is the most relevant in relation to the true and fair view objective?*
- 2. What are the consequences of using historical cost/fair value on the quality of financial information and on the true and fair view objective?*
- 3. What measurement methods are used by Romanian companies listed on the stock exchange?*

In what follows, we present the methodology applied within the paper, the current state of knowledge regarding the two measurement bases, the analysis of the results and discussions regarding the analyzed issues, as well as the conclusions and limits of the study.

➤ Methodological approach

The methodological approach is inductive and aims at quantitative and qualitative methods, the main ones being documentation (analysis of accounting literature), comparative analysis by resorting to a critical examination and content analysis (quantitative research of communication to identify and objectively and systematically describe its content). The content analysis concerns the notes to the annual financial reports prepared in accordance with accounting regulations in accordance with IFRS for 54 companies listed on the Bucharest Stock Exchange (BVB), on the regulated market, in the Standard and Premium categories, out of 83 companies listed in 2022, excluding companies active in the financial-monetary industry and some companies for which it was impossible to collect data for the analyzed period. The time horizon considered was 2012-2020, with 477 observations available.

➤ Literature review

The oldest measurement method, considered the traditional basis of measurement, is a combination of historical cost with the conservatism principle (Dreghiciu, 2017; Marra, 2016, p. 586). The most controversial issues of measurement in financial reporting, also discussed by Hoogervorst (2015), mainly concern the shift from the traditional measurement basis (**historical cost**) to a new basis (**fair value**) (ICAEW, 2018, p. 5), highlighted by the globalization and harmonization process in accounting.

Most international and national accounting rules and practices are based on a greater or lesser degree of conservatism, of which the most eloquent form of prudent or optimistic behavior is the subsequent assessment of assets and liabilities. A prudent attitude implies the use for the subsequent measurement of the historical cost adjusted by recognizing depreciation (this being the most credible value), and an optimistic attitude is reflected using fair value (Mihalache, 2016). Historical cost and fair value are at opposite poles of the spectrum of the measurement process, given that the former requires a partial and less regular update of all variables, and fair value implies a complete and regular update (Hoogervorst, 2015, p. 2).

Given the prudent or optimistic nature of the measurement base selection process, we further aim to introduce a synthesis of the most widely used and controversial measurement techniques, **historical cost** and **fair value**, and to outline their role in ensuring both the quality of financial information and reaching the true and fair view objective.

■ The historical cost

The historical cost reflects the value of the items at the date of their entry into the entity, more precisely, **the assets** are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition, and **the liabilities** are recorded at the value of proceeds received in exchange for the obligation or, in some circumstances (for example, income taxes), at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business (IASB, 2010, paragraph 4.55(a)). Unlike current value, historical cost does not reflect changes in values, except to the extent that those changes relate to the impairment of an asset or a liability becoming onerous (IASB, 2018, paragraph 6.4). Thus, the measurement of assets and liabilities at historical cost consists of preserving, at the level of the balance sheet structures, the entry values that are considered historical values and correcting them, where appropriate, with the value of depreciation or impairment adjustments during the fiscal year, being, in fact, about an adjusted historical cost (Kothari & Barone, 2011).

The use of historical cost today suggests that the value at which an asset is recorded in the financial statements should not exceed the amount expected to be recovered either through its use or from its sale (recoverable amount) and is currently described as a recoverable historical cost (IASB, 2010; ICAEW, 2018, p. 19). Based on the unit of measurement concept, the principle of historical cost involves compliance with the nominal value of the currency, in this respect ignoring the fluctuations in value of the monetary standard and requesting the evaluation in the financial statements at the input value of assets and liabilities. It can be assimilated to **the acquisition cost** for the purchased goods, **the production cost** for goods obtained from own production, **the contribution value** for goods considered a contribution to share capital, **the fair value** for goods received as a donation and **the nominal value** for receivables and payables (Feleagă & Feleagă, 2006, p. 36). Once established, the historical cost remains fixed as long as the good remains in the possession of the company (Feleagă & Feleagă, 2006, p. 36). Of course, it can be adjusted to reflect, for example, the consumption of the asset between the acquisition date and the reporting date, but the amount to which the remaining, unused, asset is reported is its historical cost (Lennard, 2018, p. 29).

The recognized combination of historical costs and the conservatism principle requires the recognition of potential impairment losses and prohibits the recognition of asset capital gains. Therefore, if the company's assets increase in value, they remain recorded in the financial statements at the historical cost. Otherwise, according to IFRS, they are measured at **recoverable amount** (excluding inventories, assets resulted from the construction contracts, delayed tax receivables, of assets resulting from employee benefits and financial assets such as financial

instruments), and according to Romanian regulations, at inventory value (Jianu, 2009, pp. 79-80). Historical cost has been used in almost all jurisdictions and remains a preferred option (McDonough *et al.*, 2020, p. 6), making it the simplest and cheapest option.

At present, however, one can see a departure from the pure historical cost and a closeness to one version or another of the current value, especially toward the fair value. In some respects, the sense of historical cost has evolved to comply with this trend (ICAEW, 2018, p. 6). It is also usually combined with other measurement bases, in particular with fair value, a situation described in paragraph 4.56 of Conceptual Framework (IASB, 2010) as a response to the inability of historical cost to address issues related to the effect of changes in non-monetary asset prices.

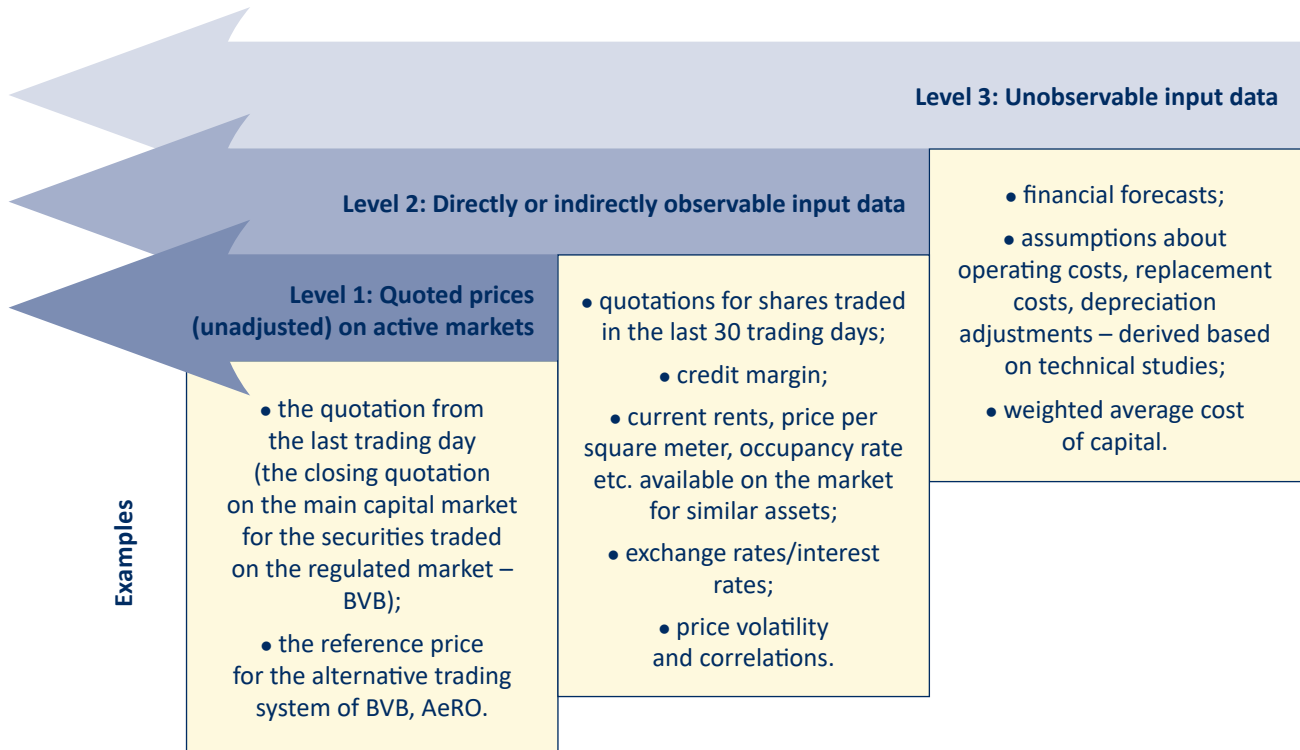
■ The fair value

The fair value is debated in the literature using the output value perspective, namely, the sale value for assets and the settlement value for debts and capital (Hodder *et al.*, 2014; ICAEW, 2018). Fair value is a market-based measurement and not an entity-specific one. Observable market transactions or market information may be available for certain assets and liabilities. For some assets and liabilities, there may be no observable market transactions or market information. However, the purpose of a fair value measurement is the same in both cases – to estimate the price at which a normal transaction would occur to sell an asset or transfer a debt between market participants at the measurement date, under the conditions of the current market, according to paragraph 2 of IFRS 13 *Fair Value Measurement*.

As Lennard (2018, p. 25) asserts, fair value was brought to light by the globalization process, more precisely by the convergence process between the two recognized international accounting standards: **IFRS** and **US GAAP**, given that the FASB, based on the US Internal Revenue Code of 1988 and the 1918 Revenue Act, which applied “the fair market rule” (Donleavy, 2019, p. 254), introduced the fair value (Lennard, 2018, p. 25) in 1991, in the Statement of Financial Accounting Standards (SFAS) 107 (Peasnell, 2018, p. 60). The IASB first introduced fair value as a measurement basis in 1998, at the same time with the publication of International Accounting Standards (IAS) 32 *Financial Instruments: Presentation* and 39 *Financial Instruments: Recognition and Measurement* (Jianu, 2009, p. 82), which is one of the reasons for the revision of the Conceptual Framework, which is, in fact, outdated (Lennard, 2018, p. 25). This attitude culminated with the introduction of fair value in the current version of the Conceptual Framework, issued in March 2018, which is considered the basis for developing standards from January 2020.

Details and debates about the onset, significance and use of fair value are numerous in the accounting literature. In this paper, we will limit ourselves to listing the three measurement techniques promoted by it, namely **the market-based approach**, **the cost model**, and **the revenue-based approach**, as well as the input data for the measurement techniques, this information being most relevant to **the historical cost versus fair value** debate.

When a company determines fair value, it must use the measurement technique that should maximize the use of observable data and minimize the use of unobservable data. IFRS does not indicate a preference for one of the three techniques but, as can be seen, gives priority to the data used to determine it. The basic rule is that **the entity must first use observable data because it is the most reliable, to the detriment of unobservable data** (examples of such data can be found in the figure below). Paragraphs 72-90 of IFRS 13 classify various input data for determining fair value into what is called the fair value hierarchy, a hierarchy that has three levels, shown in the figure below.



Fair value hierarchy

Source: Own processing.

In short, the entity should maximize the use of level 1 data. If it is not available, it should resort to level 2 data and use level 3 data only where level 1 and 2 data are not available. According to paragraph 11 of IFRS 13, the measurement at fair value of an asset or liability considers the characteristics of the asset or liability that market participants would consider in determining its price at the measurement date and it starts from the premise that the asset or debt is traded between market participants (Dreghiciu, 2017). In conclusion, fair value can be identified as a specific current value, that is the output value under ideal conditions, and its estimation involves a three-level process, with a strict preference for the first two (Marra, 2016, p. 586).

➤ Results and discussions

The description of the measurement models was centred on the IASB’s international accounting framework, which targets the investor as the main user. However, the national realities are different, as well as the specifics of each industry, and accounting and, implicitly, the measurement is influenced by the national specifics (Ionaşcu, 2003, p. 151). When choosing a measurement basis, factors such as users’ information needs, management motivation, purpose of reporting, available data, level of relevance and, simultaneously, the ability to faithfully represent the economic reality must be considered (Rankin *et al.*, 2012, p. 103). Given that the measurement process has a direct impact on the relevance, faithful representation, comparability, understandability of the information (Rankin *et al.*, 2012, p. 104) and not only, **a comparison of the two measurement bases and the effect of their use on the quality of financial information and, implicitly, on the true and fair view** is presented in Table 1.

Table 1. Historical cost versus fair value: effects on the quality of financial information

Historical cost	Fair value
How the value is set	
The actual amount paid for an item. The amount actually received for an item. The actual transaction.	The price that would have been received to sell an asset or paid to settle a debt in an objective transaction between market participants. Market prices (the main market, if it exists, or the most advantageous market, in the absence of a main market).
Objectivity	
The most objective method of measurement because it can be attested by supporting documents and is easy to verify, in the case of the audit being possible to reconcile balances with partners.	It is objective as long as it is determined using a market price established outside the entity. It is subjective if the items are not regularly traded on an active market and a fair value estimate is made (using level 3 data).
Relevance	
The information is considered less relevant because the amount that an entity has paid for a particular item in the past does not necessarily reflect the amount of benefits that will be obtained now or in the future.	The information is considered the most relevant because it reflects the value of the items currently being measured and not how much they were valued at the time they entered the entity. They are also considered very relevant from the perspective of decision-making utility, as they provide useful information about the current value and the future value of the entity. Unlike the use of historical cost, the use of fair value prevents the creation of hidden reserves, in which case the presentation of the economic situation would be distorted.
Faithful representation	
As the values recorded are based on objective transactions that actually occurred and there is no involved estimate, the resulting information is considered more neutral and to represent reality in a more accurate manner .	It is perceived as a more subjective measurement basis, which leads to information that presents in a less accurate way the economic reality of the analyzed entity. This is not a general truth because, in cases where there is an active market for the item under assessment, the use of fair value obtained by reference to the current market price is assimilated into an objective method for determining the value of the item in question, thus contributing to neutral information, which faithfully represents the economic reality . In cases where an active market does not exist and the establishment of the fair value occurs by using estimates and calculations (level 3) a reduction of information neutrality and, implicitly, of the capacity to faithfully represent reality is perceived.

Historical cost	Fair value
Enhancing qualitative characteristics	
<p>The information produced is generally easy for users to understand because the concept is well known, which does not involve complex formulas or calculations. The information produced may be considered less comparable because the items are recorded at the amount at which they were recognized at the date of entry into the entity (different dates and years). As the purchasing power of the currency fluctuates, the amounts paid for similar goods or items at different times cannot be compared.</p>	<p>The concept can be easily understood by users who are not in the financial accounting field, which leads to a high level of understandability. However, given that an active market does not exist, and the determination of fair value occurs through estimations and calculations, it becomes much more complex, more difficult to verify and at the same time difficult for users to understand. It contributes, on the one hand, to increasing the level of comparability for the information produced by the fact that the value of all elements is current and determined on the same date (reporting date). However, because of the variations that may exist in the measurement techniques adopted to determine fair value, the information produced may be considered less comparable.</p>
Criticism	
<p>It does not consider changes in the value of money over time, ignoring inflation, which leads to an underestimation of fixed assets, inventories, net worth, depreciation and an overestimation of financial expenses and income tax. The judgment involved in determining depreciation creates opportunities for inconsistencies or manipulations. It is unable to determine the cost of items that are generated internally or received in the form of donations.</p>	<p>Focusing on output value suggests that the measurement is intended to sell assets, which is contrary to the going concern principle. The market prices can be volatile, and the transactions of identical or similar goods on the market may be absent. It presents a risk of manipulation of the result by the fact that for some of the assets of the company there is no market price and, therefore, internal measurement models will be used. The very notion of an <i>objective market price</i> can be fundamentally misleading in conditions of extreme illiquidity.</p>
Example of reporting by the two methods – impact on the quality of reporting	
<p>SC Exemplu SA purchased in 2003 a plot of land in Cluj-Napoca at a value of 95,000 Euro. The market value of the land on December 31, 2021, is set at 650,000 Euro. Fair value was determined by reference to market information, using as the main measurement approach the market approach (direct comparison method) and the income approach (direct capitalization method) as the secondary measurement method, using level 2 input data. The market value per square meter is estimated at 740 Euro).</p>	
<p>The land will be reflected in the balance sheet at 95,000 Euro less any accumulated depreciation. Objective method – the value at which the land is recorded in accounting results from the supporting documents concluded on the transaction date (sale-purchase contract, invoice, minutes etc.).</p>	<p>The land will be reflected in the balance sheet at a value of 650,000 Euro. A revaluation surplus is recorded in other items of the comprehensive income and credited in the reserve from the asset's revaluation, within equity.</p>

Historical cost	Fair value
<p>The information is less relevant because it does not reflect the benefits that can be obtained now or in the future. Cluj-Napoca is the city with the most dynamic real estate market in the country, which is why the price set almost two decades ago is not very relevant for decision-makers. It is neutral and faithfully represents the economic reality because the value results from an objective transaction, which actually occurred, without any estimates or corrections being involved.</p>	<p>Objective method – the fair value of the land is established according to the market by using observable data, respectively, the market value per square meter.</p> <p>The information is relevant because it reflects the current value of the land, relative to the current requirements of the real estate market.</p> <p>The method is neutral and represents the economic reality to a great extent because the value of the land is determined using input data available on the market for similar assets.</p>

Source: Own processing after Rankin *et al.*, 2012, pp. 93-97, 104-105; Ionaşcu, 2003, p. 153; Feleagă, 1997, pp. 360-361; Greenberg *et al.*, 2013.

As can be observed in Table 1, both for the historical cost and the fair value, there are **advantages/arguments** in their favor and **disadvantages/counterarguments**, both models having partisans and contestants alike (Hoogervorst, 2015, p. 2). Partisans of historical cost promote the objectivity and stability offered using this method. Arguments against fair value focus on the volatility resulting from changes in market prices and the subjectivity when using unobservable data. Supporters of fair value consider it is the most appropriate measurement method, because it requires a complete update of all entries at each reporting date. They believe that this provides the most significant picture of an entity's financial position and performance. Fair value can lead to income volatility, but this is an **accurate reflection of economic reality**. Supporters of fair value consider historical cost as a primitive measurement basis, which provides information that quickly becomes obsolete (Hoogervorst, 2015).

The choice between historical cost and fair value is often described as a trade-off between relevance and faithful representation. Fair value and historical cost, taken separately, are unlikely to achieve both characteristics. In practice, there seems to be an inherent trade-off between these two, namely: the information that is most relevant is often the least reliable, and the information that is the most reliable tends to be irrelevant (Rankin *et al.*, 2012, p. 107). Thus, on the one hand, we have the measurement according to the fair value model, that provides **relevant and perspective** information, but involves, in the absence of observable data, the possibility of manipulating the value, and on the other hand, a measurement based on historical cost, which is difficult to manipulate, but does not provide perspective information to users of financial statements (Blecher, 2019, p. 3).

Given the growing process of globalization, the information revolution (Marra, 2016, p. 584), as well as the growing importance of financial markets, shareholders and stakeholders need a better assessment of real performance than allowed by the use of historical cost (Argilés *et al.*, 2011, p. 90). Under these conditions, the traditional accounting model does not reflect the real capacity to generate profits and, implicitly, cannot capture the real value of the company, in other words, it does not ensure the reflection of reality (Ionaşcu, 2003, p. 146).

As the amounts recognized in the financial statements for depreciation and amortization adjustments are not economically determined and because the change in the purchasing power of the money is ignored, the strict use of historical cost in the measurement process does not usually reflect information about the economic

conditions and the changes of these conditions in the successive data of the balance sheet. According to the results obtained by Thies and Sturrock (1987), the historical accounting of the costs overstates profitability during a period of rising prices, the cost-based financial reports often misrepresenting the relative financial strengths of firms. Instead, the use of current market value provides a “new beginning”, a new value in line with the market at each reporting date (Hodder *et al.*, 2014).

The Conceptual Framework for Financial Reporting, in all its versions, does not provide a basis for choosing the alternative measurement bases. The various measurement bases proposed have different degrees of relevance and the management must seek a balance between the two characteristics (Jianu, 2009, p. 79), so that the resulting image should be the most accurate representation of reality. Barth (2013, p. 331) concludes that measurement according to the fair value model is better suited to the concepts of assets and liabilities than that of historical cost (whether adjusted or not). However, it cannot be said that the IASB recommends the use of fair value in any situation, because there is no belief that it will lead in all cases to a fair and relevant presentation. Hoogervorst (2015) argues that the IASB is aware of measurement under the fair value model may involve a high degree of subjectivity when there is no active market, and the entity must use level 3 data. However, despite a high degree of uncertainty, in some situations, fair value may still be the only measurement basis that can provide an accurate representation. To limit subjectivity, the IASB has developed extensive disclosure requirements in IFRS 13 that require entities to disclose clearly where they use these data and what their impact is on the results.

The historical cost leads to a negative view of the entity and allows the creation of hidden reserves with which to “juggle” in the future, which is contrary to the interests of shareholders, who do not want the existence of such reserves (Jianu, 2009, p. 79). Subjectivity in measurement according to the historical cost is more pronounced when an asset is deemed impaired, and an estimate of its value must be made. Because of this subjectivity, there is room for abuse. Hoogervorst (2015) argues that in practice there have often been cases in which creative techniques such as “big bath” have been used by the new management team to “stimulate” gains in the following financial years.

■ **Content analysis applied to the notes to the annual financial statements of some of the companies listed on the Bucharest Stock Exchange in the 2012-2020 period**

Next, to identify which measurement methods are used by Romanian companies listed on the stock exchange, we used a content analysis applied to the notes to the annual financial statements of some of the companies listed on the Bucharest Stock Exchange in the 2012-2020 period. Following the processing and systematization of the collected data, presented in Table 2, a shift from the exclusive use of historical cost to the use of historical cost along with fair value can be observed and in some cases to a balance between the two analyzed measurement bases. The use of the pure historical cost, as it does not consider changes in the value of money over time, cannot be considered the best choice for the measurement basis at the present time, even if it remains a benchmark measurement basis. The use of fair value, given the current geopolitical pressures, the health crisis and the uncertainties surrounding investments on the cryptocurrency market, at the expense of historical cost, could be a solution for the increasingly high information demand of investors, interested in the yield of the investments placed.

Analyzing the content of the notes to the annual financial statements, we also noticed that the fair value was mainly used for measuring financial instruments, real estate investments and certain classes of tangible assets (especially land and buildings), the purpose of future research is to investigate why these assets are chosen and what valuation techniques/data types are used to determine fair value.

Table 2. The measurement methods used by economic entities listed on the BVB

Year	Basis of measurement				Total
	Only historical cost	Predominantly historical cost	Historical cost/fair value balance	Predominantly fair value	
2012	9	40	5	0	54
2013	9	38	6	1	54
2014	8	38	7	1	54
2015	6	41	6	1	54
2016	6	41	6	1	54
2017	6	41	6	1	54
2018	6	38	6	1	51
2019	6	38	6	1	51
2020	6	38	6	1	51
Total	62	353	54	8	477

Source: Own processing.

Given the arguments for and against the two measurement methods, their characteristics, and the presented examples, we can assert that obtaining a true and fair view at the moment is the result of a successful combination, a balance between the two-measurement basis and more. The emphasis in this case is on obtaining a true and fair view, as we dare to conclude that there may several true and fair views, resulting from various combinations of the measurement techniques.

➔ Conclusions

The accounting literature indicates the existence of more or less conflicting states between some accounting principles and the true and fair view objective, among which the controversies regarding the effect of measuring items in the financial statements based on the historical cost at the expense of current values and those regarding the effect produced by the pessimism associated with the conservatism principle. By means of this paper, the controversies regarding the effect of the measurement based on the historical cost and the fair value were analyzed, the paper identifies which basis among those two is the most relevant in relation to true and fair view, what are the consequences of the use of historical cost/fair value on the quality of financial information and on the true and fair view objective and which evaluation methods are preferred by Romanian listed companies.

Regarding the relevance of the measurement methods in relation to true and fair view and the consequences of using historical cost/fair value on the quality of financial information and on true and fair view, referring to the results obtained and the accounting literature, we conclude that the choice between historical cost and fair value can be seen as a trade-off between relevance and faithful representation, in the sense that the information that is most reliable tends to be irrelevant and the relevant information is often the least reliable. The historical cost is seen as an objective measurement method that is based on data resulting from objective transactions that occurred at different times of the life cycle of an entity, a fact that leads to obtaining reliable information, but which presents a low degree of relevance in the decision-making process, compared to the fair value, which, under conditions of objectivity, leads to obtaining some current, relevant information, but which is the result of some estimates.

Since there is no obligation to use fair value because there is no belief that it will lead in all cases to a faithful and relevant presentation, historical cost, which was otherwise considered for a long time the safest measurement

basis, remains a favorite option. In response to the criticisms brought to the historical cost, in practice, a tendency to resort to a mixed evaluation model resulting, as a rule, by combining the historical cost with the fair value has emerged over time. Thus, obtaining a true and fair view can be considered the result of a successful combination, a balance between the two measurement bases and not only.

This trend was also observed during the research that sought to identify the types of measurement methods used by Romanian companies listed on the Bucharest Stock Exchange. The results highlighted the fact that, within the analyzed sample, a slight transition can be observed from the exclusive use of historical cost to the predominant use of historical cost along with fair value and in certain cases to a balance between the two analyzed measurement bases, fair value being used more and more often for assessing financial instruments, real estate investments and in some cases for certain classes of fixed assets.

The emphasis in this paper is on obtaining a true and fair view, because following the use of various combinations of measurement bases, several views may result from which it must be determined which one best serves all parties involved in the decision-making process. It can therefore be considered that each measurement recipe comes with its own true and fair view and the fact that there can be several ones does not mean that the economic reality is not represented, but that there is at least another angle from which it could be viewed, without the results being distorted negatively. The problem of the current economy and of the accountants, first, is to select which of these is the most faithful, without favoring various categories of users at the expense of others in this approach. The systematization of the main ideas that deal with the issue of measuring items in financial statements based on historical cost and fair value and the analysis of the methods used by Romanian listed companies, presented through the work, support the accountants and entrepreneurs in the selection process of the measurement bases that best serve the interests of all parties without compromising the faithful representation and relevance of the information.

➤ Future research and limits of the study

The results obtained in this paper are limited to the identification of the measurement methods addressed in the financial reporting in the case of Romanian companies listed on the Bucharest Stock Exchange, an early form of content analysis being used.

In the conditions of the increasingly intense use of the fair value as a measurement basis alongside the historical cost and because IFRS does not indicate a preference for one of the three evaluation techniques, but gives priority to the data used for its determination, we aim that future research should explore in detail the way of determining the fair value and the types of data that were/are used by the Romanian listed companies to reflect it.

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