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Mark-to-market accounting rule loosened

Pittsburgh Business Times - by [Anya Litvak](#)

The **Financial Accounting Standards Board** loosened the recently controversial mark-to-market rule, which some financial experts say exacerbated the financial decline, to give more leeway in assigning a market value to an asset for which no actual market exists.

After months of discussions, Congressional pressure, and an SEC investigation that concluded mark-to-market assessments didn't cause the financial meltdown, FASB nevertheless voted yesterday to allow companies more discretion in how they account for "distressed assets."

Mark-to-market became a hot topic when the market for mortgage-backed securities and other exotic derivatives dried up. Until then, it was relatively easy to tell what an asset would fetch in real time by looking at what similar assets were fetching. When the market deflated, companies were forced to slash the value of their assets to reflect that no one was willing to buy, even if the companies themselves had no intention of selling. With less capital on the balance sheet, banks' and other companies' reserve requirements were in danger. Banks couldn't lend as much, and companies couldn't borrow as much, which many believed took the economic decline on a downward slide to the current recession.

"That's a bit of a stretch," said Ken McCrory, of **McCrory & McDowell LLC**. Greed and poor decisions drove the slide, not the valuation techniques that suited everyone when the markets were doing well, he said.

But FASB's announcement should make it easier for companies, such as those with a portfolio of start-up ventures, to give a more long-range perspective to the value of their assets.

At the very least, it may quiet debate, McCrory said.

Barry Melancon, president and CEO of the **American Institute of Certified Public Accountants**, today urged that: "All participants in the financial reporting system have an obligation to move forward and provide the most transparent and reliable information on hard-to-value assets so that our capital markets can use that information to allocate capital efficiently."

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