

Towards Relevancy in Financial Reporting: Mark-to-Market Accounting

Eunsup 'Daniel' Shim, (shime@sacredheart.edu), Sacred Heart University
Joseph M. Larkin, (jlarkin@sju.edu), Saint Joseph's University

Abstract

The objectives of this paper are to: discuss the relevancy vs. reliability of current financial reporting practices, survey the literature that describes the impact of mark-to-market accounting, critically examine current GAAP financial statements by comparing them to market value financial statements. With theoretical discussions and a case study, this paper shows that the mark-to-market accounting could present better about the economic reality of transactions and, therefore, tends to provide more useful and relevant information than does historical cost financial reporting. This study suggests that if the objective of financial reporting is to provide "useful" information to the users, existing GAAP financial reporting requirements need to be substantially changed in the direction of market value financial reporting.

Introduction

The "Savings and Loan Crisis," among other things, renewed interest in a re-examination of disclosures and reporting requirements of financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP financial statements are prepared according to an historical cost basis. The historical cost basis requires that most assets and liabilities should be measured and reported at their acquisition price (historical cost).

Evidencing its concern over the issue, the Securities and Exchange Commission (SEC) held a "Market Value Conference" to examine the relevance of GAAP financial reporting. In 1990, the then SEC chairman, Richard C. Bree-

den, stated in a letter that, "the Commission has encouraged accounting standard-setting bodies to pursue the resolution of issues related to market value accounting expeditiously." Former US. Comptroller General, Charles A. Bowsher, Jr., suggested that a mix of historical cost and market value models could produce statements reflecting the current value of assets and liabilities. He noted that \$7 billion in assets were "melted right off balance sheet" in 39 banks that failed over a two-year period. He argued that the market value accounting standards seemed to offer improvement on the quality of financial reporting.

The objectives of this paper are to: discuss the relevancy vs. reliability of current financial reporting practices, survey the literature that describes the impact of mark-to-market accounting, critically examine GAAP financial state-

Readers with comments or questions are encouraged to contact the authors via e-mail.

ments by comparing them to market value financial statements and, provide suggestions for future research.

According to the Financial Accounting Standard Board (FASB), the financial reports should provide information¹: (1) that is useful to present and potential investors and creditors and other users in making rational investment, credit, and similar decisions; (2) to help present and potential investors and creditors and other users in assessing the amounts, timing, and uncertainty of prospective cash receipts from dividend or interest and the proceeds from sale, redemption, or maturity of securities or loans; and (3) about the economic resources of an enterprise, the claim to those resources (obligations of the enterprise to transfer resources to other entities and owner's equity), and the effects of transactions, events and circumstances that change its resources and claims to those resources.

Statement of Financial Accounting Concepts No. 1 also emphasizes that the main objective of financial reporting is to provide useful decision-making information for investors, creditors, and other users. These "Decision Usefulness" criteria should possess two primary qualities: Relevance and Reliability². The FASB defines relevance of information as the information capability of making a difference in decisions to predict, confirms or correct prior expectations. Reliability is defined as the ability to be reasonably free of error and bias and to be represented faithfully. GAAP financial reporting requirements tend to overemphasize reliability over relevance. The overemphasis on reliability resulted in ignorance of market value in financial reporting and neglect to current economic reality of a firm. It is this relative emphasis that has caused so much of the concern.

On the other hand, mark-to-market accounting places the relevance of financial information over the reliability dimension. The debate continues as to whether current financial reporting requirements of GAAP achieve its objectives.

In May 1993, The FASB issued Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity." This statement instructs holders how to account for their investments in debt and equity securities. The new standard became effective for fiscal years beginning after December 15, 1993. SFAS No. 115 provides guidelines for investments in equity securities that have readily determinable fair values. It requires that all investments in debt securities be classified into one of three categories for presentation on the statement of financial position. The categories are: (1) held to maturity, (2) trading securities, or (3) securities available for sale. "Held to maturity" debt securities are reported at amortized cost, which is the same method commonly used in practice. "Trading" or "available for sale" securities are reported at fair value. The statement also addresses the measurement and reporting of unrealized holding gains and losses. Unrealized gains and losses from changes in fair value are to be included in earnings for those securities in the trading account and shown as a separate component of shareholders' equity for those classified as "available for sale." SFAS 115 is a step towards making market value accounting a reality for the preparation of financial reports. The new standard has both supporters and critics. The next section reviews some of the relevant literature on mark-to-market accounting. The third section describes GAAP valuation disclosure requirements and the related GAAP pronouncements. The fourth section provides a comparison between GAAP and market-value balance sheet, and market value impact of their selected financial ratios. The final section suggests future research directions for the mark-to-market approach in financial reporting.

Literature Review

The crusade towards mark-to-market reporting has been on-going. White (1991a) argues that the existing measurement framework -- GAAP -- is seriously deficient, because it is backward-looking rather than focused on current market values. He advocates the use of market value accounting even at the expense of some

estimation errors. White recognizes that market value accounting is not "perfect" but its use will permit the balance sheet to come closer to the most important concept of "market value of net worth.(1991b)" He also argues that the purpose of an accounting system is to present the current economic reality of a corporation so those private and public decisions have a proper basis. The current accounting standards, which employ GAAP, therefore, should be replaced with systems of market value accounting that specifically attempt to capture current economic reality.

Bernard et al. (1991) examined the possibility of employing "Mark-to-market Accounting" for US banks and thrifts through an investigation of Danish banking practices. They provide some evidence on empirical questions of the merits of mark-to-market accounting. First, the question of "noise in reported accounting numbers, by using mark-to-market accounting," was examined. They calculated market-to-book ratios of US banks and Danish banks. The evidence suggests that the mark-to-market accounting numbers in Denmark are "less noisier" than the historical accounting numbers in the US. Second, the effect of management discretion in generating accounting estimates was analyzed by examining: (1) the existence of a general influence of management discretion on mark-to-market accounting numbers, (2) earnings' manipulation for income smoothing, and (3) earnings' manipulation to meet capital requirements. In order to examine the existence of a general influence of management discretion on mark-to-market accounting numbers, they tested the predictability of price adjustments and loan loss provisions. They found no evidence of gradual recognition of price adjustments and, for loan loss, there were indications of gradual recognition of industry-wide and abnormal (bank and year-specific) losses.

For an income smoothing hypothesis, they found evidence consistent with smoothing but subject to alternative interpretations. No consistent evidence of earnings' manipulation was found in attempts to meet capital requirements or to avoid regulatory intervention. They

concluded that their evidence supports employing mark-to-market accounting for financial institutions and identifies the following lessons from a US and Danish comparison. (1) First, the concern expressed in the US about the vulnerability of mark-to-market accounting systems to manipulation and estimation error may, as an empirical matter, be excessive. (2) Second, a combination of a mark-to-market system and rigid regulatory intervention policies can lead to low costs of resolving bank failures. (3) Third, even though the research shows that "the mark-to-market accounting system induces substantial volatility in reported profitability, existing shareholders can mitigate the costs of capital deficiencies by participation of new equity issues and by holding the position until the under valuation is corrected."

Levites (1990) examined the market-to-market information for the Freddie Mac's (Federal Home Loan Mortgage Corporation) financial statements, in particular, the balance sheet. He stated that "Freddie Mac's fourth financial statement (i.e., the balance sheet) should emphasize relevance over reliability" and should attempt to show Freddie Mac's economic condition at a specific time. With certain assumptions and limitations, Levites showed comparison between the "GAAP financial position and market-to-market balance sheets." Given the nature of Freddie Mac's business operation, the market value information was readily available and relatively inexpensive. However the treatment of deferred income taxes and underlying market valuation assumption (i.e., using market prices for interest-only securities) may severely limit applicability of this approach in other types of business operations.

Searfoss and Weiss (1990) raised current value reporting issues for the real estate industry and provided arguments supporting the economic benefits of the assets in terms of cash flows that might be generated through their future use or sale.

Not all of the literature supports mark-to-market accounting. The opposing arguments on

mark-to-market accounting are lack of reliability (e.g., subjectivity in arriving fair market value), increased volatility in income, and high costs of preparing financial statements. Wyatt (1991) asserted that:

While managers tend to desire smoothness rather than volatility, the role of accounting is to approximate the real world as closely as possible. Too many existing standards artificially smooth real world volatility.

He concluded that the research avenues to explore as we move toward a more relevant measurement system in accounting are varied and exciting.

Bear (1988) suggests that the use of market value accounting could have prevented the October 1987 stock market crash. The four lessons learned from the crash are: (1) Policy makers should focus not only on the risk of new activities, but also on the risk of control mechanisms; (2) Market value accounting in combination with prompt disclosure of failing institutions is power tools for controlling risk; (3) Until depository institutions are subject to market value accounting and prompt disclosure, they should not be permitted to undertake new activities through subsidiaries; (4) Depository institutions have little financial incentives to honor rules enforcing corporate separateness.

SFAS 115 provides an opportunity to evaluate the market value accounting concept in the US. De Meo (1995) found that banks have begun strategically reducing their portfolios and using the proceeds from maturing securities to fund loan growth. He suggests that Barnett Banks' recent portfolio decisions were influenced by SFAS 115. Their actions included a move towards short-term Treasuries, collateralized mortgage obligations (CMO), and, to a lesser extent, asset-backed and municipal securities. Within the past five years, Barnett increased CMOs and asset-backed security holdings, with the CMOs replacing conventional mortgage-backed securities. This strategy aims to materially reduce the portfolio's duration, lessening the

balance sheet's overall sensitivity. Harrison (1994) cautions that banks and other financial institutions, in particular, should consult with their independent accountants as needed when unusual investment transactions and changes to classifications occur.

In an unsuccessful attempt to gather support to defeat SFAS 115, top executives were surveyed and found to be opposed to the statement (Crosson, 1994). They argued that it applies only to assets, not liabilities. Further, they complained that implementation involved a great deal of time and effort, as investments had to be categorized and computer systems changed to recognize the new categories and calculate market values. Reinstein and Bayou (1994) reported similar implementation issues from healthcare executives. Duett (1994) found that the implementation of No. 115 has had an unfavorable impact on the demand equation for mortgage-backed securities in the real estate industry. Another criticism of the new standard was offered by Daniele (1994). She argues that when interest rates rise and liabilities stay essentially the same or grow, assets fall. This is disadvantageous for stockholders and potential investors. Clark and Li (1994) argue that SFAS No. 115 will likely increase earnings' manipulation by management.

On the other hand, Thompson (1994) argues that SFAS No. 115 does represent an improvement in financial reporting, since it reduces the disparities among industries, the differences in recognizing unrealized gains and unrealized losses, and the lack of even-handedness of the lower of cost or market method. Wampler and Phillips (1994) argue that, despite some implementation problems, the overall impact of the standard is favorable, because the relevance of information outweighs the disadvantages. Means (1994) examined the measurement approach required by SFAS 115 for interest income, noting that the new regulations create a theoretical debate regarding income recognition for debt securities subsequent to revaluation.

Valuation in GAAP Financial Position

Valuation methods in GAAP are a mix of cost, market, or present value. Table 1 presents the valuation methods used in GAAP balance sheets and the related pronouncements. As the table indicated, valuation methods in GAAP financial statements exhibit combination of cost,

market and present value. The basic accounting equation calls for the equality of total assets with liabilities and stockholder's equity. Even though the accounts in the balance sheet show equality with total assets, liabilities and stockholder's equity, the economic interpretation of this equality provides little useful, reliable information for financial decision makers.

Table 1 GAAP Valuation Methods		
Accounts	Valuation Methods (Disclosure Requirement)	Related GAAP Pronouncements
Cash and cash equivalents	Fair market value	ARB 43.
Accounts receivable	Net realizable value	APB No.6: SFAS No.77, 105
Short-term investments	Lower-of-cost-or-market value	SFAS No.12
Inventories	Lower-of-cost-or market value	ARB No.43: APB No.28,29: SFAS No.48,49
Long-term investments	Lower-of-cost-or-market value	APB No.17,18,24: SFAS No. 12,94
Property, plant and equipment	Book value (cost)	ARB No.43,44: APB No. 1,6,29: SFAS No.34,24,58, 62,96
Intangible assets	Book value (cost)	APB No.16,17: SFAS No.2, 68
Current liabilities (A/P, N/P, D/P, INCOME T/P, A/E)	Maturity value	ARB No.43: APB No.6,21: SFAS No.5, 6,11,29,38,43,78
Bonds payable	Present value	APB No. 4,14,26: SFAS No. 4,6,15,47,64,76,84
Notes payable	Present value	APB No.21: SFAS No.105.
Leases	Present value	SFAS No.13,22,23, 27,28,29, 91,98
Pensions	Present value	APB No.12: SFAS No. 35,81, 87,88,106
Stockholder's equity	Book value (cost)	ARB No.43,46: APB No.6,10, 12,15,25,29
NOTE: ARB (Accounting Research Bulletin) ;APB (Accounting Principles Board); SFAS (Statement of Financial Accounting Standard); A/P (Accounts Payable); N/P (Notes Payable); D/P (Dividends Payable); T/P (Taxes Payable); A/E (Accrued Expense)		

To further illustrate the deficiencies of historical cost financial statements, consider a company with inventory appearing on the debit side of the balance sheet at a historical cost of \$10,000. The fair market value (FMV) of this inventory may be more or less than its historical cost. For discussion, let's say the FMV is only \$7,000. On the other hand, a corresponding current account payable of \$10,000 appears as a liability on the credit side of the balance sheet. It is likely that the "FMV" of the liability is at or near \$10,000. From an historical cost perspective, the debit balance (inventory) and the credit balance (accounts payable) are offsetting. However, from a market value perspective, the debit balance of \$7,000 (inventory) is \$3,000 less than the offsetting credit balance (accounts payable) of \$10,000. This simple illustration highlights one of the deficiencies of historical cost financial statements. It highlights the trade-off between relevance and reliability. The question then arises, "Can we still claim that historical cost financial statements are providing useful information?"

Comparison of Mark-to-Market Value and GAAP Financial Position

For a market value determination, many different concepts of valuation can be utilized. Searfoss and Weiss (1990) listed three possible valuation methods that can be presented in financial statements. Entry Value (Replacement Cost Method): value of an asset is measured based on the cost of replacing the asset with a similar new or used asset or with an asset having the same productive capacity or service potential. Exit Value: Based on the amount that would be received in a sale of the asset between a willing buyer and a willing seller in the open market in an orderly disposal. Value in Use: based on assumption that the value of an asset is related to the net cash flow attributable to the use of that asset and measured using Discounted Cash Flows (DCF).

Levites (1990) suggested the following for the valuation of balance sheet accounts: (1) Sales prices for comparable servicing portfolios,

(2) Discounted Cash Flows, and (3) Market Prices for interest-only (IO) securities. The choice of valuation method for determining market values plays an important role on the numbers presented in the financial statements. The DCF approach has become very popular and is theoretically sound. As such, this paper utilizes the discounted cash flow approach.

A balance sheet of a Fortune 500 company is selected for analysis. This company is a manufacturing firm and is publicly traded and listed on New York Stock Exchange (NYSE). The difference between this study and previous studies [e.g., Levites (1990), White (1991,b), and Youngmann (1991)] is that it explicitly incorporates the stock price of the firm at the balance sheet date. Table II presents the comparison between a balance sheet prepared in accordance with GAAP and a market-value balance sheet.

As Table 2 demonstrates, the total assets of GAAP balance sheet are under-represented by \$455 million. The liabilities appearing on the GAAP balance sheet are underestimated by \$113 million. The stockholder's equity of the market-value balance sheet is overestimated by \$82 million before the "Market Value Equity Adjustment," but underestimated by \$342 million after the "Market Value Equity Adjustment." The 'Market Value Equity Adjustment' (\$424 million) represents the difference between the market value of total assets and the market value of liabilities plus stockholders' equity in the market-value balance sheet. It represents the total amount that is undervalued in the GAAP balance sheet.

The selected financial ratios for GAAP and Market-Value balance sheet are presented in Table 3. The current ratio is 14.73 percent higher for GAAP balance sheet and, therefore, indicates better liquidity than if the market value approach was used. The ratio of debt-to-assets is 5.85 percent higher on the GAAP balance sheet indicating higher leverage compared to the market-value balance sheet. The debt-to-equity ratio is 15.45 percent higher for the GAAP balance

TABLE 2			
Market Value Corporation			
Balance Sheet, December 31, 199x (in millions)			
	GAAP	Market	Difference
Assets: Current assets:			
Cash and cash equivalent	274	274	0
Receivables ³	450	413	37
Inventories ⁴	478	478	0
Total current assets:	1,202	1,155	37
Investments ⁵	51	65	-14
Property and equipment ⁶	2,795	3,240	-445
Intangible assets ⁷	330	363	-33
Total assets:	4,378	4,833	-455
Liabilities and stockholder's equity:			
Payable ⁸	682	682	0
Accrued taxes ⁹	74	187	-113
Lease obligations	74	74	0
Total current liabilities:	830	943	-113
Pension liabilities ¹⁰	826	826	0
Lease obligations	174	174	0
Long-term debt	1,056	1,056	0
Total liabilities:	2,886	2,999	-113
Stockholders' equity:			
Preferred stock ¹¹	309	175	134
Common stock ¹²	18	1,062	-1,044
Additional paid-in-capital	992	0	992
Retained earning ¹³	173	173	0
Market value equity adjustment¹⁴	0	424	-424
Total stockholders' equity	1,492	1,834	-342
Total liabilities and stockholders' equity	4,378	4,833	-455

sheet. These selected financial ratios indicate that the GAAP balance sheet tends to show higher indebtedness than a market-value balance sheet. This can have significant effects on new financing or refinancing of debt as well as on equity offerings. Furthermore, most bond covenants prohibit additional financing if debtor company is in technical default by failing to maintain the required financial ratio. This restriction on new financing may be costly to the particular firm.

Conclusions

The market value accounting better presents the economic reality of transactions and, therefore, tends to provide more useful and relevant information than does historical cost financial reporting. Contrast this approach with current GAAP that gives priority to the concepts of objectivity, conservatism and reliability over relevance.

The reporting requirements of SFAS 115 should improve the integrity of the information reported on the statement of financial position since it will be more relevant. However, the

FASB still must deal with income recognition for debt securities subsequent to revaluation. Users need relevant and reliable information that is comparable between entities on both income statements and statements of financial position.

As business environments are changing rapidly and become increasingly volatile, the financial statements of firms should portray the underlying economic reality of the firms rather than the summary of past transactions. The other important weakness of GAAP financial reporting is the lack of predictability of the going concern and the lack of emphasis on future cash flows of the firm. Market value financial reporting may be less reliable due to the subjectivity of certain measurements, but it could provide much more relevant and meaningful information to the users despite the subjectivity involved in measurements. However, a certain amount of subjectivity exists in GAAP financial statements as well (e.g., accounting for estimates and contingencies).

In any event, if the objective of financial reporting is to provide "useful" information to the users, existing GAAP financial reporting re-


TABLE 3
Comparison of Selected Financial Information
(in millions)

	GAAP Value	Market Value	Difference GAAP-MV	Difference % of GAAP
Total assets	4,378	4,833	-455	-10.39%
Total liabilities	2,886	2,999	-113	- 3.93%
Total stockholder's equity	1,492	1,824	-342	-22.92%
Total current assets	1,202	1,165	37	3.07%
Total current liabilities	830	943	-113	-13.61%
Selected Financial Ratios				
Current ratio	1.45	1.23	0.21	14.73%
Debt/Assets ratio	0.66	0.62	0.04	5.85%
Debt/Equity ratio	1.93	1.64	0.29	15.45%

quirements need to be substantially changed in the direction of market value financial reporting. SFAS 115 is a step towards this objective.

Suggestions For Future Research

The "basis" of measurement in market value financial reporting should be further researched and investigated to provide more reliable financial information. This basis of measurement will be the single most important hurdle that the market value financial reporting must overcome. The different types of assets or liabilities may be measured on different bases of market value as long as they attempt to approximate fair market values. To employ market value financial reporting, the current classification of assets, liabilities, and stockholder's equity will also need to be carefully re-examined in an effort to identify appropriate measurement bases.

Empirical studies, which examine the reasonableness of net assets presented in GAAP financial statements and the market value of the firm's equity (i.e., current stock price), will demonstrate interesting phenomena in GAAP financial statements. Such studies may highlight the importance of adopting market value financial reporting and illustrate the distance of GAAP financial reporting from economic reality. 

Footnotes

1. "Objectives of Financial Reporting by Business Enterprises," *Statement of Financial Accounting Concept No 1* (Norwalk, Conn.: FASB, November 1978), pars. 5-8.
2. Qualitative Characteristics of Accounting Information," *Statement of Financial Accounting Concepts No 2* (Norwalk, Conn.: FASB, May 1980).
3. For the market value, 450 million dollars (GAAP Value) is discounted for 30 days with discount rate of 9 percent which is internal rate of return for this company.
4. Inventories represent market value according to lower-of-cost-or market rule because the market value was lower than cost.
5. Market value represents the amount disclosed in the footnote of the GAAP balance sheet.
6. Market value is the appraisal value of the property and equipment.
7. Market value is the appraisal value of the intangible assets.
8. Payable are assumed to be same in market value because it is represented at a maturity value.
9. This is the present value of 74 million which will be paid in 3 month period with discount rate of 9 percent.
10. All the Long-term Liabilities are assumed to be reported as present value of future cash flows.
11. Market value of preferred stock is the selling price at close of the December 13, 1990.
12. Market value of Common Stock represents the selling price of stock the close of the December 31, 1990.
13. The retained earning is assumed to be same in both valuation methods.
14. "Market Value Equity Adjustments" is new term introduced to account for the difference in value of Total Assets and Liabilities & Stockholder's Equity of market-value balance sheet.

References

1. Bear, Herbert, "Expanded Powers After the Crash(es)," *American Economic Review*, Vol. 70, pp. 150-160, May 1988.
2. Bernard, Victor L., Robert C. Merton, George F. Baker, and Krishna G. Palepu, "Mark-to-Market Accounting for US Banks and Thrifts: Lessons from the Danish Experience," Paper presented at the Market Value Conference, SEC, Washington DC, 15 Nov., 1991.
3. Breeden, Richard C., From Welcome Letter for the "Market Value Conference," SEC, Washington, DC, 15 Nov., 1991.
4. Clark, M. and Li, J., "SFAS 115: New Accounting Rules for Investments in Debt and Equity Securities," *Ohio CPA Journal*, pp. 29-33, Feb. 1994.

5. Crossen, Cynthia, "Execs Coping with a Flood of New Financial rules," *National Underwriter*, Nov. 14 1994.
6. Daniele, Elizabeth, "FAS 115: Going to Market with Disabilities," *Insurance and Technology*, pp. 10-13, June 1994.
7. De Meo, Joseph C., "Barnet's Response: Portfolio Pressure," *Bank Management*, Jan/Feb 1995.
8. Delaney, P.R., J. Adler, B. Epstein and M. Foran, *GAAP - Interpretation and Application*, 1992 ed., John Wiley and Sons, Inc., 1992.
9. Duett, E.H., "Market Value Accounting for MBS Assets," *Real Estate Review*, pp. 79-80, Summer 1994.
10. FASB, "Qualitative Characteristics of Accounting Information," *Statement of Financial Accounting Concepts No. 2* (Stamford, Conn.: FASB, May 1980).
11. FASB, "Objectives of Financial Reporting by Business Enterprises," *Statement of Financial Accounting Concepts No. 1*, (Stamford, Conn., November 1978), Pars. 5-8.
12. Harrison, John S., "FAS 115 Revisited: Current Issues Facing Texas Banks and Bankers," *Texas Banking*, Dec. 1994.
13. Levites, Jim B., "Market-To-Market: Freddie Mac's Fourth Financial Statement," *Journal of Accountancy*, pp. 78-87, Oct. 1990.
14. Means, Kathryn, "Effective Interest ... On What Basis?" *Accounting Horizons*, pp. 71-79, June 1994.
15. News Report-Washington Update, *Journal of Accountancy*, p.13, January 1992.
16. Reinstein, A. and Bayou, M. E., "FASB Issues New Accounting Rules for Debt and Equity Securities," *Healthcare Financial Management*, pp. 34-41, Oct. 1994,.
17. Searfoss, Gerald D. And Judith F. Weiss, "Current Value Reporting For Real Estate," *Journal of Accountancy*, pp. 69-75 Oct. 1990.
18. Thompson, James, "SFAS 115: A Victory for Fair Value Accounting," *National Public Accountant*, , pp. 21-23, Oct. 1994.
19. Youngmann George, "The Rouse Company, Columbia, Maryland-Current Value Financial Reporting," Paper presented at the Market Value Conference, Washington DC, 15 Nov. 1991.
20. Wampler, B.M., and Phillips, T. J., "A Case for Fair Value Accounting for Debt Securities," *Management Accounting*, pp. 46-49, Mar. 1994.
21. White (1991a), Lawrence J., "On the Measurement of Bank Capital," Paper presented at Market Value Conference, SEC: Washington DC, 15 Nov., 1991.
22. White (1991b), Lawrence J., "The Value of Market Value Accounting for the Deposit Insurance System," *Journal of Accounting Auditing & Finance*, pp. 280-302, Spring 1991.
23. Wyatt, Arthur, "Commentary-The SEC Says: Mark-To-Market," *Accounting Horizons*, American Accounting Association, p. 85, Mar. 1991.