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Financial instruments are a growing presence on company balance sheets, and business executives say more market awareness is needed to prevent another financial crisis, according to a recent survey by the [American Institute of CPAs \(AICPA\)](#).

When asked about their company financial statements, 59 percent of the CPAs surveyed reported having complex financial instruments such as mortgage-backed securities, interest rate swaps or other derivatives on their company balance sheets.

Of those respondents with complex financial instruments on their books:

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concern.

- **56 percent** said it would be easier to determine the value of complex financial instruments if they were measured and reported on a consistent and transparent basis.

Complex financial instruments historically have been difficult to value. That difficulty is seen as a major cause of the financial crisis that led to the recession of 2008. The derivatives market exceeded \$594 trillion in 2018. More than a quarter (28 percent) of respondents said they expect financial instruments to take a larger percentage of their balance sheets over the next one to three years, while only 15 percent see that decreasing.

“With financial instruments growing in complexity and taking up an increasing share of balance sheets, it is imperative that executives and finance teams understand these potentially risky investments,” said Ash Noah, CPA, CGMA, managing director of CGMA learning, education and development for the Association of International Certified Professional Accountants (Association), the global organization that includes the American Institute of CPAs (AICPA) and the Chartered Institute of Management Accountants (CIMA). “A uniform framework to value financial instruments will provide companies the information they need to make better decisions and offer greater transparency to investors and other stakeholders.”

The AICPA created a Financial Instruments Performance Framework to improve the consistency and transparency of fair value measurements for these complex instruments. It establishes documentation requirements and provides guidance on the scope of work supporting an auditable fair value estimate for financial instruments. The framework, along with the Certified in the Valuation of Financial Instruments credential (CVFI), will assure financial statements and disclosures are consistent and clearly supported.

“Creating standard processes for documenting and valuing these instruments will

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