

# [Big banks big bucks](https://assignbuster.com/big-banks-big-bucks/)

[Finance](https://assignbuster.com/essay-subjects/finance/)

Section/# The Continued Metamorphosis of the Financial System From 2006 until the following banks have received the following sums from the US Federal Government:
Bank of America = 336. 1 billion
J. P. Morgan Chase = 25 billion USD
Citigroup = 476. 2 billion USD
Goldman Sachs = 10 billion USD
Morgan Stanley = 135 billion
Wells Fargo = 25 billion USD
2) FVA for financial institutions changed as a result of the financial meltdown that took place in during 2007/8; as a result, stricter measures were implemented as far as reporting requirements that financial institutions were required to provide federal auditors. Furthermore, the rules by which these institutions could measure their own assets and liabilities were further defined so as to leave very little room for interpretation of what the data actually represented and/or the fair market value of these assets/liabilities.
3) If no changes had been made by FASB since 2007 the result would have been that assets would have reflected faulty and prior year information. In other words, the assets of the financial institution would have been counted applying a different rubric than what was in actuality a clear representation of the current value. Additionally, before FAS 157 financial institutions were not required to clarify changes in credit risks, meet the same rigid disclosure requirements, or painstakingly disclose the hierarchies and means of measurement that they employed to measure their assets and liabilities.
Part B
After finishing part A, discuss the pros and cons of forcing big banks to account for the fair value financial instruments as was required in 2007.
Measurement of assets is a tricky business. One of the most troublesome aspects of this is the fact that on any given day the assets and or liabilities of the financial institution are prone to move in either direction. Accordingly, it makes it difficult for leadership as well as the firm’s investors to make informed decisions about the actual net worth of the firm and in what direction it may wish to pursue based on the information. Likewise, in addition to the fluctuation of the daily stock market, the financial institutions now had to be cognizant of the changing nature of their assets with respect to the changes in market activity and financial instruments that help define the true market value of the securities and other mechanisms held by them.