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THE  
INSTITUTE OF  
CHARTERED  
ACCOUNTANTS  
OF SCOTLAND



Ms Françoise Flores  
Chairman  
European Financial Reporting Advisory Group  
35 Square de Meeûs  
B-1000 BRUSSELS

27 August 2010

Dear Ms Flores

**IASB EXPOSURE DRAFT ED/2010/7 MEASUREMENT UNCERTAINTY  
ANALYSIS DISCLOSURE FOR FAIR VALUE MEASUREMENTS, LIMITED RE-  
EXPOSURE OF PROPOSED DISCLOSURE**

The Institute's Accounting Standards Committee has considered the above exposure draft and is pleased to forward a copy of the response letter to be submitted to the IASB – please see attached.

Yours sincerely

KAREN SHAW  
Assistant Director, Accounting and Auditing  
Secretary to the Accounting Standards Committee



KS/ASC-SUB/ks-mb

Sir David Tweedie  
Chairman  
International Accounting Standards Board  
30 Cannon Street  
LONDON  
EC4M 6XH

August 2010

Dear Sir David

**IASB EXPOSURE DRAFT ED/2010/7: MEASUREMENT UNCERTAINTY  
ANALYSIS DISCLOSURE FOR FAIR VALUE MEASUREMENTS, LIMITED RE-  
EXPOSURE OF PROPOSED DISCLOSURE**

The Institute's Accounting Standards Committee has considered the above exposure draft and I am pleased to forward its comments to the IASB.

The Institute is the first incorporated professional accountancy body in the world. The Institute's Charter requires the Accounting Standards Committee to act primarily in the public interest, and our responses to consultations are therefore intended to place the general public interest first. Our Charter also requires us to represent our members' views and protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

The Committee is supportive of the changes to the disclosure requirements in relation to measurement uncertainty and in particular of the principles-based approach adopted by the IASB. Financial instruments falling within Level 3 of the hierarchy are inherently difficult to measure and as such the measurement involves a high degree of judgement. Where accuracy is difficult to attain there should be more disclosure to allow the user to evaluate the judgements made.

Our responses to the specific questions can be found in the annex to this letter.

I hope our comments are useful to you. If you wish to discuss anything further please do not hesitate to contact me.

Yours sincerely

KAREN SHAW  
Assistant Director, Accounting and Auditing  
Secretary to the Accounting Standards Committee

## ANNEX: RESPONSES TO SPECIFIC QUESTIONS

### *Question One*

*Are there circumstances in which taking into account the effect of the correlation between unobservable inputs (a) would not be operational (e.g. for cost-benefit reasons) or (b) would not be appropriate? If so, please describe those circumstances.*

We are not aware of any such circumstances.

### *Question Two*

*If the effect of correlation between unobservable inputs were not required, would the measurement uncertainty analysis provide meaningful information? Why or why not?*

We believe that a sensitivity analysis which includes the correlation between unobservable inputs provides the most meaningful information.

### *Question Three*

*Are there alternative disclosures that you believe might provide users of financial statements with information about the measurement uncertainty inherent in fair value measurements categorised within Level 3 of the fair value hierarchy that the Board should consider instead? If so, please provide a description of those disclosures and the reasons why you think that information would be more useful and more cost-beneficial.*

We would not propose any alternative disclosures.