**IFRS 13 *Fair Value Measurements* – Public consultation *(Users)***

Issued 3 July 2017

Comments should be submitted by 8 September 2017

Please note that this version of the survey may contain more questions than the web-based version as the web-based version does not ask questions that are irrelevant in the context of answers previously supplied.

**Objective of this public consultation**

The IASB has launched the post-implementation review (PIR) of IFRS 13 Fair Value Measurement. The purpose of a PIR is to evaluate if the Standard is working as the IASB intended. In order to prepare a response to the IASB’s Request for Information, EFRAG is calling for evidence from users across Europe.

This questionnaire has been developed to assist users in contributing their views. EFRAG would also like to receive examples of practices that are perceived as particularly noteworthy. EFRAG will not publicise the names of any organisations or individuals who have provided examples, but will attempt to identify common elements and themes to use as underlying evidence for its report to the IASB.

Please note there is a link to a separate survey for constituents other than users in the news item.

The survey will take less than 15 minutes to complete.

## Part 1: General information about respondent

It is easier for us to understand the information you give us if we know what your experience is in relation to measuring fair value.

Please tell us:

|  |  |
| --- | --- |
| Your name: |  |
| If you are responding  for an organisation: |  |
| * Type of organisation: |  |
| * Job title / role: |  |
| * Country |  |
| Contact details, including email address: |  |
| Are you, as an analyst: |  |
| * Equity / fixed income / both |  |
| * Buy-side / sell-side |  |
| * Covering specific sector(s) |  |
| * Other – please explain |  |

|  |  |  |  |
| --- | --- | --- | --- |
| How extensive is your experience in relation to the measurement of the following items at fair value (including where fair value is used in measuring recoverable amount)? | | | |
| Type of item | The extent of your experience with fair value measurements | | |
| Little | Some | Much |
| 1. Property, plant and equipment |  |  |  |
| 1. Intangible assets including goodwill |  |  |  |
| 1. Investment properties |  |  |  |
| 1. Biological assets |  |  |  |
| 1. Investments in subsidiaries, joint ventures or associates |  |  |  |
| * Quoted investments |  |  |  |
| * Unquoted investments |  |  |  |
| 1. Other financial instruments |  |  |  |
| * Quoted investments |  |  |  |
| * Unquoted investments |  |  |  |
| 1. Other assets (please specify) |  |  |  |
| 1. General experience |  |  |  |

## Part 2: Overall views on disclosures about fair value measurement

The rest of the questionnaire will focus on specific areas/issues in IFRS 13.

1. *What is your overall view on the disclosures provided for fair value measurement? Do you have comments or improvements that could be made to the current disclosures?*

## Part 3: Level 3 Fair value measurement disclosure

Level 3 fair value measurements use unobservable inputs because Level 1 (quoted prices in active markets) and Level 2 (observable inputs other than quoted prices in active markets) are not available. The main information disclosed about Level 3 fair value measurements are:

* + - * + quantitative information about the significant unobservable inputs used in the valuation technique(s);
        + reconciliations from opening to closing balances;
        + descriptions of valuation processes used by the entity; and
        + sensitivity to changes in significant unobservable inputs—a narrative description for all fair value measurements and a quantitative analysis for financial instruments measured at fair value.

1. *How useful do you find the main information disclosed for Level 3 fair value measurements?*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Very useful** | **Useful** | **Moderately useful** | **Slightly useful** | **Not useful** | **Don’t know** |
| Quantitative information about the significant unobservable inputs used in the valuation technique(s) |  |  |  |  |  |  |
| Reconciliations from opening to closing balances |  |  |  |  |  |  |
| Descriptions of valuation processes used by the entity; |  |  |  |  |  |  |
| Sensitivity to changes in significant unobservable inputs |  |  |  |  |  |  |
| Description of valuation techniques and inputs |  |  |  |  |  |  |

Constituents have suggested that the following factors impair the usefulness of Level 3 disclosures:

* the aggregation of disclosures for dissimilar underlying assets so that the disclosures are not sufficiently granular; and
* the disclosure of generic information rather than entity-specific information.

1. *In your experience of Level 3 fair value measurements, to what extent do the following affect the usefulness of the information:*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **A lot** | **A little** | **Neutral** | **A little less** | **A lot less** | **Don’t know** |
| Aggregation |  |  |  |  |  |  |
| Disclosure of information that is not entity-specific |  |  |  |  |  |  |
| Other factors: (please explain which factor) |  |  |  |  |  |  |

1. *Is there other information about Level 3 fair value measurements (not currently required) that would be useful? If yes, please explain what that information is and why you think it would be useful, giving examples where practical.*

|  |  |
| --- | --- |
| Type of information | How would you use this in your analysis |
|  |  |

**Part 4:** **The P\*Q issue**

In September 2014 the IASB proposed that the unit of account for:

* + *investments in subsidiaries, joint ventures and associates,* the investment as a whole for classification of the investment.
  + *quoted investments*, the product of the quoted price (P) for the individual financial instruments that make up the entity’s investment and the quantity of financial instruments (Q), or P×Q, must be used for the measurement on the investment.

Many respondents agreed with the first point but disagreed with the second point. Many users of financial statements preferred fair value measurement on the basis of P×Q.

1. *The following example illustrates the two views:*

*Entity A hold 70% of entity B’s share capital Entity B’s shares are publicly traded in an active market and quoted at € 1 per share.*

*Fair value measurement at P\*Q € 70*

*Fair value measurement including control premium € 75*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Very useful** | **Useful** | **Moderately useful** | **Slightly useful** | **Not useful** | **Don’t know** |
| How useful do you find the measurement at P\*Q? |  |  |  |  |  |  |
| How useful do you find the measuremnt including the control premium? |  |  |  |  |  |  |

*Please explain:*

|  |  |
| --- | --- |
| Your reasons for the preference indicated above |  |
| How your answer would change If the fair value of the investment in Entity B included a discount rather than a control premium (i.e. € 65 instead of € 75). |  |

1. *Is there anything else that you think the IASB should consider relating to this area?*

**Part 5: Highest and best use for non-financial assets**

The highest and best use of a non-financial asset (for example a building) is the use by market participants that would maximise the value of the asset.

IFRS 13 requires the highest and best use of a non-financial asset to be considered when measuring its fair value, even if that use is different from the asset’s current use.

For example, consider land with a building that is currently used as a warehouse. There are two possibilities:

* Continue using the building as a warehouse. As a result the land and warehouse have a fair value of € 150 and the land component has a fair value of € 100;or
* Redeveloping the land for housing, where the fair value of the vacant land (including demolishing the building and getting permission to redevelop) is € 250.

1. *Which of the following provides the most relevant fair value information?*

|  |  |  |
| --- | --- | --- |
| (a) | The fair value of the land based on current usage (€ 100) | Plea Please explain why: |
| (b) | The the fair value of the land based on highest and best use (€ 250) . |

1. *How frequent is this issue observed in practice?*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Very frequently | Frequently | Neutral | Rarely | Very rarely | Don’t know |
|  |  |  |  |  |  |

**Part 6: Effects and convergence**

The IASB issued IFRS 13 in 2011 to improve the comparability of financial statements, reduce diversity in practice and simplify financial reporting. The requirements are largely converged with US generally accepted accounting principles (US GAAP). The IASB thought that enhanced consistency of fair value measurements under US GAAP and IFRS Standards, and consistent disclosures about fair value measurements, would increase the usefulness of information for users of financial statements.

1. How much did IFRS 13 improve your ability to assess future cash flows?

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| A lot | A little | Neutral | A little less | A lot less | Don’t know |
|  |  |  |  |  |  |

1. *Please provide us with examples of how you use information provided by entities about their fair value measurements. Please include the detail of any adjustments you make to the measurements.*
2. *How much did IFRS 13 improve users’ ability to compare fair value measurements between:*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | A lot | A little | Neutral | A little less | A lot less | Don’t know |
| different reproting periods for the same entity? |  |  |  |  |  |  |
| different entities? |  |  |  |  |  |  |

1. *The convergence of IFRS 13 with US GAAP has been helpful?*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Very helpful | Helpful | Neatral | Slightly helpful | Not helpful | N/A | Reason |
|  |  |  |  |  |  |  |

1. *The convergence of IFRS 13 with US GAAP is important?*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Very important | Important | Fairly important | Slightly important | Not important | N/A | Reason |
|  |  |  |  |  |  |  |

**Part 7: Other matters**

1. *Are there other matters that you think the IASB should be aware of as it performs the PIR of IFRS 13? If so, please explain why and provide examples to illustrate your response*