

STAFF PAPER

July 2017

ASAF Meeting

| | | | |
|--------------------|--|--|----------------------|
| Project | Post-implementation Review of IFRS 13 <i>Fair Value Measurement</i> | | |
| Paper topic | Questions from the Request for Information | | |
| CONTACT(S) | Aida Vatreňjak | avatrenjak@ifrs.org | +44 (0) 20 7246 6456 |
| | Ashley Carboni | acarboni@ifrs.org | +44 (0) 20 7246 6905 |

This paper has been prepared for discussion at a public meeting of the Accounting Standards Advisory Forum. The views expressed in this paper do not represent the views of the International Accounting Standards Board (the Board) or any individual member of the Board. Comments on the application of IFRS® Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB® *Update*.

Questions from the Request for Information

1. This paper lists questions included in the Request for Information (RFI) for the Post-implementation review (PIR) of IFRS 13 *Fair Value Measurement* (IFRS 13). We will not specifically discuss this paper during the ASAF meeting, it is provided for reference only.
2. The RFI includes questions on the focus areas in the PIR:
 - (a) the effectiveness of disclosures about fair value measurements;
 - (b) the unit of account and fair value measurement of quoted investments;
 - (c) the application of judgement in specific areas; and
 - (d) the application of highest and best use when measuring the fair value of non-financial assets.

In addition, the RFI includes questions regarding the extent and type of education material that might be needed on measuring the fair value of biological assets and unquoted equity instruments.

3. The RFI also includes other questions as follows:
 - (a) the background of the respondent;

- (b) other matters the respondents wish to raise in in regards to IFRS 13; and
 - (c) assessment of the effects of the Standard and the importance of convergence with US GAAP.
4. The following sections replicate the questions included in the RFI. For simplicity, this paper does not include questions on the background of respondent and other matters.

Fair value measurement disclosures

5. How useful do you find the information provided about Level 3 fair value measurements? Please comment on what specific information is useful, and why.
6. In your experience of Level 3 fair value measurements:
- (a) how do aggregation and generic disclosure affect the usefulness of the resulting information? Please provide examples to illustrate your response.
 - (b) are you aware of any other factors (either within or outside IFRS requirements) affecting the usefulness of the information? Please provide examples to illustrate your response.
 - (c) do you have suggestions on how to prevent such factors from reducing the usefulness of the information provided?
7. Which Level 3 fair value measurement disclosures are the most costly to prepare? Please explain.
8. Is there information about fair value measurements that you think would be useful and that IFRS 13 does not require entities to disclose? If yes, please explain what that information is and why you think it would be useful. Please provide any examples of disclosure of such information.

Prioritising Level 1 inputs or the unit of account

9. Please share your experience to help us assess:
- (a) how common it is for quoted investments in subsidiaries, joint ventures and associates, and quoted cash-generating units to be measured at fair value (please support your comments with examples.
 - (b) whether there are material differences between fair value amounts measured on the basis of $P \times Q$ alone (when P is the quoted price for an individual instrument and Q is the quantity of financial instruments held) and fair value amounts measured using other valuation techniques. Please provide any examples, including quantitative information about the differences and reasons for the differences.
 - (c) there are material differences between different measurements, which techniques are used in practice and why.

Please note whether your experience is specific to a jurisdiction, a region or a type of investment.

10. The Board has undertaken work on this area in the past (see Appendix 3). Is there anything else relating to this area that you think the Board should consider?

Application of the concept of highest and best use for non-financial assets

11. Please share your experience to help us assess:
- (a) whether the assessment of an asset's highest and best use is challenging, and why. Please provide examples to illustrate your response.
 - (b) whether the current uses of many assets are different from their highest and best use, and in which specific circumstances the two uses vary.
 - (c) whether when applying highest and best use to a group of assets and using the residual valuation method, the resulting measurement of individual assets in the group may be counter-intuitive. If so, please explain how this happens, and in which circumstances.

- (d) whether there is diversity in practice relating to the application of the concept of highest and best use, and when and why this arises.

Please note whether your experience is specific to a jurisdiction, a region or a type of asset.

Applying judgements required for fair value measurements

12. Please share your experience to help us assess the challenges in applying judgements when measuring fair value:

- (a) is it challenging to assess whether a market for an asset or liability is active? Why, or why not?
- (b) is it challenging to assess whether an input is unobservable and significant to the entire measurement? Why, or why not?

Please provide specific examples to illustrate your response and note whether your experience is specific to a jurisdiction or a region or a type of asset or liability.

Education on measuring biological assets at fair value

13. Please describe your experience of measuring the fair value of biological assets:

- (a) are any aspects of the measurement challenging? Why, or why not?
Please provide examples to illustrate your response.
- (b) what, if any, additional help would be useful in applying IFRS 13? In which areas?

Education on measuring unquoted equity instruments at fair value

14. Please describe your experience of measuring the fair value of unquoted equity instruments:

- (a) in 2012, the IFRS Foundation Education Initiative published *Unquoted equity instruments within the scope of IFRS 9 Financial Instruments*.

Have you used this educational material? If so, how did this material help you to measure the fair value of unquoted equity instruments?

- (b) do you have questions not covered in *Unquoted equity instruments within the scope of IFRS 9 Financial Instruments*? Do you think that additional help would be useful in applying the requirements? Why, or why not? Please provide examples to illustrate your response.

Effects and convergence

15. Please share your experience of the overall effect of IFRS 13:
- (a) what effect did IFRS 13 have on users' ability to assess future cash flows? If you are a user of financial statements, please provide us with examples of how you use information provided by entities about their fair value measurements and any adjustments you make to the measurements.
 - (b) what effect did IFRS 13 have on comparability of fair value measurements between different reporting periods for an individual entity and between different entities in the same reporting period?
 - (c) what effect did IFRS 13 have on compliance costs; specifically, has the application of any area of IFRS 13 caused considerable costs to stakeholders and why?
16. Please comment on how you are affected by the fact that the requirements for fair value measurement in IFRS 13 are converged with US GAAP; and please comment on how important it is to maintain that convergence.