

This paper provides the technical advice from EFRAG TEG to the EFRAG Board, following EFRAG TEG's public discussion. The paper does not represent the official views of EFRAG or any individual member of the EFRAG Board. This paper is made available to enable the public to follow the EFRAG's due process. Tentative decisions are reported in EFRAG Update. EFRAG positions as approved by the EFRAG Board are published as comment letters, discussion or position papers or in any other form considered appropriate in the circumstances.

Post-implementation Review of IFRS 13 *Fair Value Measurement* Issues Paper

Objective

- 1 The objective of this session is to discuss the proposed approach to the forthcoming post-implementation review of IFRS 13 *Fair Value Measurement* prior to seeking feedback from constituents on the forthcoming IASB Request for Information.

The post-implementation review process

The IASB's due process

- 2 The IASB's due process requires a review of new standards after they have been applied internationally for two years. The process focuses on issues that were important or contentious either during the development of IFRS 13 or after IFRS 13 was published.
- 3 The post-implementation review process involves:
 - (a) an initial identification and assessment of the matters to be examined; and
 - (b) a public consultation by the IASB in the form of a Request for Information, along with a review of academic literature and other evidence gathering as appropriate.
- 4 The post-implementation review concludes with a Feedback Statement that presents the IASB's findings and sets out the steps it plans to take, if any, as a result of the review.

Post-implementation review of IFRS 13

- 5 IFRS 13 was issued by IASB in May 2011, effective for annual periods beginning on or after 1 January 2013. It was developed to provide:
 - (a) A consistent definition of fair value across most IFRS Standards;
 - (b) A single source of measurement guidance; and
 - (c) Consistent and transparent disclosures about fair value measurement.
- 6 IFRS 13 does not determine when fair value measurement is to be used; it applies when another IFRS Standard requires or permits the use of fair value measurement. IFRS 13 does not attempt to remove the judgement that is involved in estimating fair value, rather, it provides a framework that is intended to reduce inconsistency and increase comparability in the fair value measurements used in financial reporting.
- 7 The Request for Information on IFRS 13 is expected to be issued in May 2017.

EFRAG's approach

- 8 For previous post-implementation reviews, EFRAG has collected the views of constituents, separately for users and all other constituents, and shared the views that it hears with the IASB. EFRAG has not taken a position in respect of these views.

Question for the EFRAG Board

- 9 Does the EFRAG Board agree to follow the previous approach for the post-implementation review of IFRS 13?

Issues to be addressed in the PIR of IFRS 13

- 10 In January 2017, the IASB confirmed the scope of the PIR as being four topics identified by many stakeholders during the preliminary outreach by IASB Staff:
- (a) *effectiveness of disclosures on fair value measurements*, in order to gain a deeper understanding of user and preparer perspectives on effectiveness of fair value measurement disclosures and how their different views reconcile;
 - (b) *unit of account and fair value measurement of investments that are quoted in an active market*, in order to further assess current practice and pervasiveness of the fair value measurement of quoted investments, together with any circumstances in which current practice does not seem to provide relevant information to investors;
 - (c) *applying judgements in specific areas when measuring fair value*, in order to assess why there are difficulties in applying specific judgements in IFRS 13 and identify support that may be required; and
 - (d) *applying highest and best use when measuring the fair value of non-financial assets*, in order to better understand the issues with applying the highest and best use concept and their pervasiveness.
- 11 Subsequent to discussions with EFRAG TEG, EFRAG CFSS and EFRAG User Panel, EFRAG TEG proposed that the outreach associated with the post-implementation review of IFRS 13 should consider:
- (a) Whether there are opportunities to simplify IFRS 13; and
 - (b) Whether Levels 1, 2 and 3 disclosures were practical and fit for purpose (which may be more detailed than the issue expected to be raised by the IASB).

Question for the EFRAG Board

- 12 Are there any other issues that the EFRAG Board considers should be included in the outreach for the post-implementation review of IFRS 13?