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

Objective

- 1 The objective of this session is to discuss the issues that are likely to be raised in the forthcoming Request for Views relating to the Post-implementation Review (PIR) of IFRS 13 *Fair Value Measurement* and to consider whether EFRAG should add any specific questions to its outreach activities.

Background

- 2 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 IASB Standards;
 - (b) A single source of measurement guidance; and
 - (c) Consistent and transparent disclosures about fair value measurement.
- 3 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.
- 4 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 (i) during the development of IFRS 13; and (ii) after IFRS 13 was published. The PIR will also consider the work carried out in the project on Fair Value Measurement: Unit of Account (P*Q).

Previous EFRAG discussions

- 5 The forthcoming PIR of IFRS 13 was discussed at the EFRAG TEG meeting in September 2016 as input into the discussion planned for the September IFASS meeting. Other than the concern that the borderline between Levels 2 and 3 can be unclear, the issues raised by EFRAG TEG at that meeting are among the issues listed in paragraph 8 below.
- 6 Subsequently, the forthcoming PIR was discussed at the EFRAG User Panel meeting in October 2016. The EFRAG User Panel specifically noted the need for more disclosure, including distinguishing between market risk and credit risk. The EFRAG User Panel also questioned whether "highest and best use" provides relevant information, but this is more an issue of when fair value information is relevant, rather than whether "highest and best use" represents fair value as defined in IFRS 13.

- 7 Finally, the forthcoming PIR was discussed at the November 2016 meeting of EFRAG CFSS and EFRAG TEG. At that meeting, it was suggested that the outreach associated with the PIR 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).

Scope of the PIR

- 8 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.
- 9 The IASB staff noted that some of those contacted during the preliminary outreach had recommended a fifth topic relating to measuring fair value when markets are inactive or when there are no markets, especially for biological assets. The IASB decided not to consider this issue in the PIR because it is principally about the application of IFRS 13 to specific assets, which is not within the scope of IFRS 13.

Next steps

- 10 As with previous PIR, EFRAG Secretariat recommends that :
- (a) In addition to the issues in the Request for Views, EFRAG seek views on the issues identified in paragraph 7 above;
 - (b) National Standard Setters be invited to participate in joint outreaches to preparers, users and other interested parties; and
 - (c) Outreaches be directed through the EFRAG User Panel and specifically to those entities that commented on the IASB's 2014 Exposure Draft *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value: Proposed amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13*.

Questions for EFRAG TEG

- 11 Does EFRAG TEG consider that any issues other than those in the IASB's Request for Views and those identified in paragraph 7 should be considered during the outreach?
- 12 Does EFRAG TEG have any other comments on the proposed next steps?