



PRESS RELEASE

Accounting meets valuation

EFRAG conference brings together leading preparers, valuation experts, users, regulators and academics to discuss the merits, limitations and challenges of fair value in financial reporting.

Brussels, 5 December 2017, 14h00: The European Financial Reporting Advisory Group (EFRAG), is hosting a conference in Brussels this afternoon bringing together valuation and financial reporting perspectives on fair value.

Opening the event, EFRAG Board President Jean-Paul Gauzès noted that, “EFRAG’s mission is to serve the European public interest by developing and promoting European views in the field of financial reporting. We are hosting this event to take stock of the latest views on fair value, a topic that encourages much debate. Six years after IFRS 13 *Fair Value Measurement* was issued, we will ask how practice has developed and what challenges remain.”

Fair value involves reporting an asset or liability based at its current market price. Some argue that fair value enhances the transparency, comparability and relevance of financial statements. However, there can be challenges in applying fair value, such as when market conditions fluctuate significantly or prices are not observable. Fair value accounting can result in volatility in earnings and on the balance sheet of companies that apply International Financial Reporting Standards (IFRS). The EFRAG conference is examining the merits and limitations of fair value in financial reporting from an accounting and a valuation perspective. It is asking whether fair value volatility can be problematic and what lessons have been learned since the global financial crisis.

In his keynote speech to the EFRAG event, Sir David Tweedie, Chairman of the International Valuation Standards Council (IVSC) emphasised that, “valuation is an integral part of the risk management process applied by financial institutions and other businesses. It is crucial for economic stability and for financial reporting under IFRS. Poor valuation practice was a significant contributor to the 2008 financial crisis. The remedy is valuations undertaken in accordance with generally accepted principles.”

The EFRAG event has now begun to discussing the theory and practice of fair value. The [event programme](#) details the full list of expert contributors to the debate.



The questions under consideration include:

- What we have learned about fair value in theory and in practice - since the global financial crisis?
- Is fair value pro-cyclical? Does it encourage short-termism?
- Is the market always right – i.e. how can users of financial statements assess a potential pricing bubble?
- How can one ascertain fair value in the absence of markets?
- How should potential fair value volatility be considered in EFRAG's European public good assessment?
- Who should set valuation principles for financial reporting?

As with all its outreach events, EFRAG will issue a report summarising the feedback received. For more details about the event including [speaker presentations](#) are available from the EFRAG website.

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Notes for editor:

1. For more information about the EFRAG conference on fair value: <http://www.efrag.org/Meetings/1709270748423458/EFrag-conference-on-Fair-Value-5-December-2017>
2. Contact details:
 - a. For more information about EFRAG or the event please contact: Lara Canto e Castro, Communication Manager, EFRAG, 35 Square de Meeûs, B-1000 Brussels. Tel: +32 (0)2 210 44 00; info@efrag.org
3. About EFRAG (www.efrag.org)
 - a. The European Financial Reporting Advisory Group's (EFRAG) mission is to serve the European public interest by developing and promoting European views in the field of financial reporting and ensuring these views are properly

considered in the IASB standard-setting process and in related international debates. EFRAG ultimately provides advice to the European Commission on whether newly issued or revised IFRS meet the criteria in the IAS Regulation for endorsement for use in the EU, including whether endorsement would be conducive to the European public good.

- b. EFRAG seeks input from all stakeholders, and obtains evidence about specific European circumstances, throughout the standard-setting process and in providing our endorsement advice. Our legitimacy is built on transparency, governance, due process (which may include field tests, impact analyses and outreaches), public accountability and thought leadership. This enables EFRAG to speak convincingly, clearly and consistently, and be recognised as the European Voice in financial reporting.

