

User questionnaire on exposure draft *Fair Value Option for Financial Liabilities*

The IASB has published the exposure draft *Fair Value Option for Financial Liabilities* (the ED).¹ The ED proposes a limited change to the accounting for financial liabilities to deal specifically with the issue of ‘own credit’.²

A questionnaire has been designed for financial statement users (eg analysts) to provide feedback on the ED. This document contains several diagrams that should be reviewed before completing the questionnaire. It is also recommended that you review the questionnaire prior to completion (separate pdf document), and then use the URL below to input your responses.

<http://www.surveymonkey.com/s/iasbfairvalueoptioned>

Table 1 – proposed two-step approach

Current requirement:

Income Statement (P&L)	
Liabilities at FV (except derivatives and liabilities HFT)	
Total change in fair value	100
Profit for the year	100

Proposed two-step approach:

Income Statement (P&L)		
Liabilities at FV (except derivatives and liabilities HFT)		
Step 1	Total change in fair value	100
Step 2	Change in fair value from own credit	(10)
	Profit for the year	90
Statement of Comprehensive Income		
Liabilities at FV (except derivatives and liabilities HFT)		
Step 2	Change in fair value from own credit	10

¹ In January 2010 the IASB published a user questionnaire about the volatility in the income statement (P&L) caused by changes in the credit risk of a financial liability (own credit). The ED is a result of feedback from that questionnaire and meetings with users in conjunction with the outreach conducted with preparers, audit firms and regulators.

² The effect of changes in fair value resulting from changes in the market spread for an issuer over a benchmark rate (such as LIBOR) is referred to in this questionnaire as ‘own credit’.

Table 2 – one-step alternative approach

Current requirement:

Income Statement (P&L) Liabilities at FV (except derivatives and liabilities HFT)	
Total change in fair value	100
Profit for the year	100

Alternative one-step approach:

Income Statement (P&L) Liabilities at FV (except derivatives and liabilities HFT)	
Change in fair value less own credit	90
Statement of Comprehensive Income Liabilities at FV (except derivatives and liabilities HFT)	
Change in fair value from own credit	10