Minor content changes for *Illustrative examples to accompany IFRS 13 Fair Value Measurement Unquoted equity instruments within the scope of IFRS 9* Financial Instruments

The following are minor changes to the content of the *Illustrative examples to accompany IFRS 13 Fair Value Measurement Unquoted equity instruments within the scope of IFRS 9* Financial Instruments.

New text is underlined and deleted text is struck through.

If you have any queries please contact editorial@ifrs.org.

Page 2 Copyright page
This ~~chapter~~ educational material has been prepared…
Page 3 Table of Contents
Transaction price paid for an identical instrument ~~in~~ of an investee
Transaction price paid for a similar instrument ~~in~~ of an investee
Page 5 Paragraph 8
… Nevertheless, it is expected that, ~~that~~ such personnel ~~understand~~ will have an understanding of basic valuation concepts, even if they are not valuation specialists.
Page 6 Paragraph 12
IFRS 13 states that, when measuring …
Pages 6–7 Paragraph 13
… (see paragraphs 65 ~~and~~ –66 of IFRS 13).
Page 7 Paragraph 14
... that any of the techniques ~~is~~ are incorrect. …
Page 7 Paragraph 16(c)
(c)   the reasons for the differences in value ~~under~~ arising from applying different techniques.
Page 8 Paragraph 17
… as mentioned ~~above~~ before, …
Page 8 Paragraph 18
• the nature of an investee's business (for example, the volatile or cyclical nature of an investee's business might be better captured by some valuation techniques than by others); and
Page 9 Figure 1; market approach
• Transaction price paid for an identical or a similar instrument ~~in~~ of an investee (see paragraphs 28–33)

Page 10 Example 1

	CU	
Indicated fair value of the five per cent non-controlling equity interest based on EV/EBITDA of 9.0x	6,024.10	
Non-controlling interest discount	(662.65)	~~13.3%~~
Discount for the lack of liquidity	(361.45)	~~7.2%~~
Fair value of five per cent non-controlling equity interest on 31 December 20X6	**5,000.00**	~~**100.0%**~~

Page 11 Paragraph 27
• transaction price paid for an identical or a similar instrument ~~in~~ of an investee (see paragraphs 28–33); and

Page 11 Heading above paragraph 28 **Transaction price paid for an identical instrument ~~in~~ of an investee**
Page 13 Paragraph 31 The existence of any of the factors mentioned ~~above~~ before (see … However, the analysis of the factors mentioned ~~above~~ before (see …
Page 13 Heading above paragraph 32 and paragraph 32 **Transaction price paid for a similar instrument ~~in~~ of an investee** … in an equity instrument ~~in~~ of an investee … equity instrument ~~in~~ of the same investee …
Page 14 Example 4 … period it has raised ~~significant further~~ additional equity capital …
Page 16 Paragraph 38; **Step 3** … fair value of the investee's *equity value* or the investee's *enterprise value (EV)*.
Page 18 Paragraph 42 … based on its quoted share price, (P)) to the net income …
Page 19 Table below paragraph 42; headings below **Valuation basis** **~~e~~Enterprise value** *[4 occurrences]* … **~~e~~Equity value** *[2 occurrences]*
Page 23 Example 5 (B) Entity ~~Ps~~ F's net earnings (adjusted) … … … Entity F's equity~~,~~ (C)~~,~~ by applying an average …
Page 25 Example 6 … The investor selects the average P/Tangible book ~~valuation~~ value multiple because it believes …
Page 26 Example 7 … multiples is narrower (5.9x–6.9x)~~,~~ than the range …
Page 28 Footnote 8 The assessment of control premiums ~~in valuation~~ for financial reporting is a topic …
Page 30 Paragraph 65 … be used as a starting point ~~in~~ for assessing the discount …
Page 32 Paragraph 69 ~~The examples below~~ Examples 10–12 illustrate situations in which, … ~~Examples 10, 11 and 12~~ These examples are descriptive with few, …
Page 34 Example 12 Entity O operates in the auto-ancillary segment … … … and considered the whole auto-ancillary segment, rather …

Page 25 Footnote 9
… within the income approach is the ~~R~~residual ~~I~~income ~~S~~stock ~~P~~price ~~V~~valuation ~~M~~model. That model expresses …
Page 35 Paragraph 71
… (such as the Gordon ~~G~~growth ~~M~~model; see …)
Page 37 Footnote 12
Paragraph BCZ85 of IAS 36 *Impairment of Assets* includes an example that illustrates how ~~can~~ a pre-tax discount rate can be determined. …
Page 39 Figure 6
<u>**Figure 6—Removing the effect of non-operating items**</u>
…
~~**Figure 6—Non-operating assets and liabilities**~~
Page 39 Paragraph 79
WACC = D/(D + E) × (1 − t) × k_d + E/(D + E) × k_e~~, where:~~
<u>In the expression above, D, E, k_d, k_e and t have the following meaning:</u>
D = fair value of debt capital;
Page 40 Paragraph 82
… using the ~~C~~capital ~~A~~asset ~~P~~pricing ~~M~~model (*CAPM*; …
Page 40 Footnote 16
… Fama-French ~~T~~three-~~F~~factor ~~M~~model, in which …
Page 40 Paragraph 83
k_e = r_f + (r_m − r_f) x ß~~; where:~~
<u>In the expression above, k_e, r_f, r_m and ß have the following meaning:</u>
k_e = cost of equity capital (ie the expected rate of return investors require on an equity investment);
Page 41 Heading above paragraph 85
<u>The</u> ß <u>estimate</u>
Page 42 Paragraph 89
In the expression above, W_d and W_e have the following ~~measuring~~ <u>meaning</u>:
Page 43 Example 13 [the '÷' signs are removed and the '/' signs are added]
$ß_L$ = $ß_u$ x [1 + (1 − t) x (W_d ~~÷~~ <u>/</u> W_e)] = 0.90 x [1 + (1 − 0.3) x (0.60 ~~÷~~ <u>/</u> 0.40)] = 1.85
Page 43 Paragraph 91
… between the market return and the risk<u>-</u>free return, …
Page 43 Paragraph 92
Equity βs increase ~~with the~~ <u>as both</u> operating risk ~~of the business~~ and ~~with the increase of~~ financial risk <u>increase</u>. ...
Page 44 Paragraph 95
… This method is known as 'country bond default spread' or 'sovereign spread'<u>'</u> model~~'~~. …
Page 45 Example 14
Example 14—'Country bond default spread' or 'sovereign spread'<u>'</u> model~~'~~

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Page 46 Example 15 [the 'C' in the first instance of 'Country C' is added] $(r_m - r_f)_{\text{Country } \underline{C}1} = (r_m - r_f)_{\text{Country C2}} + CERP_{\text{Country C1}}$
Page 48 Example 17 *The* ß *estimate*
Page 54 Paragraph 114 ~~The examples~~ Examples 23 and 24 below illustrate the use … ~~Examples 23 and 24~~ These examples are descriptive, with few, …
Page 56 Paragraph 115 [the final '+' sign after the ellipsis is removed] $P_0 = \dfrac{D_1}{(1 + k_e)} + \dfrac{D_2}{(1 + k_e)^2} + \dfrac{D_3}{(1 + k_e)^3} + \ldots ~\text{+}$
Page 57 Heading above paragraph 117 *Constant-growth DDM (Gordon ~~G~~growth ~~M~~model)*
Page 57 Paragraph 118 [the final '+' signs after each ellipsis are removed] $P_0 = \dfrac{D_0\,(1 + g)}{(1 + k_e)} + \dfrac{D_0\,(1 + g)^2}{(1 + k_e)^2} + \dfrac{D_0\,(1 + g)^3}{(1 + k_e)^3} + \ldots +$ … $P_0 = \dfrac{D_0\,(1 + g)}{(k_e - g)} = \dfrac{D_1}{(k_e - g)} + \ldots +$
Page 61 Example 25 … (CU405 – (CU40 – ~~CU85~~ <u>CU80</u> = CU285).[a]
Page 65 Paragraph 133; capitalisation rate ... economic income <u>in</u>to an estimate...
Page 67 Paragraph 133; trading multiple **trading multiple<u>s</u>**
Page 67 Paragraph 133; transaction multiple **transaction multiple<u>s</u>**

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