IFRS

STAFF PAPER

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IASB® Meeting

Project	**Comprehensive Review of the *IFRS for SMEs*® Standard**
Paper topic	New IFRS Standards—IFRS 13 *Fair Value Measurement*

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Purpose

1. At this meeting we are asking Board members if the Request for Information, that will be issued as part of the 2019 Comprehensive Review of the *IFRS for SMEs* Standard, should seek views on whether and, if so, how the requirements of the *IFRS for SMEs* Standard should be aligned with IFRS 13 *Fair Value Measurement*.

2. The objective of the Request for Information is to obtain evidence that will assist the Board in deciding whether and how to develop an Exposure Draft of amendments to the *IFRS for SMEs* Standard.

Summary of staff recommendations

3. The staff recommends the Board seek views in the Request for Information, on whether and, if so, how the *IFRS for SMEs* Standard could be aligned with IFRS 13 *Fair Value* measurement, namely:

   (a) aligning the definition of fair value in the *IFRS for SMEs* Standard with IFRS 13;

   (b) aligning the guidance on fair value measurement in the *IFRS for SMEs* Standard with IFRS 13 so the fair value hierarchy in the *IFRS of SMEs* incorporates the principles of the IFRS 13 fair value hierarchy, and also includes examples that illustrate application of the hierarchy;

(c) moving the general disclosure requirements to a single location, alongside the guidance for fair value measurement;

(d) requiring the level in the hierarchy at which fair value measurements are made to be disclosed; and

(e) moving the guidance for fair value measurement in the *IFRS for SMEs* Standard to Section 2 *Concepts and Pervasive Principles*.

Structure of this paper

4. This paper is structured as follows:

   (a) Background (paragraphs 5—34);

      (i) overview of IFRS 13 (paragraphs 5—11);

      (ii) findings from the Post-implementation Review (PIR) of IFRS 13 (paragraph 12);

      (iii) overview of the *IFRS for SMEs* Standard—fair value measurement (paragraphs 13—17);

      (iv) IFRS 13 and the 2012 Comprehensive Review of the *IFRS for SMEs* Standard (paragraphs 18—24);

      (v) staff analysis of differences between IFRS 13 and the *IFRS for SMEs* Standard (paragraphs 25—34);

   (b) applying the alignment principles (paragraphs 35—57);

      (i) principle 1—relevance (paragraphs 37—46);

      (ii) principle 2—simplicity (paragraphs 47—55);

      (iii) principle 3—faithful representation (paragraphs 56—57);

   (c) stakeholder views (paragraphs 58—64);

   (d) questions for the Board;

(e) Appendix A—Summary of SMEIG feedback

(f) Appendix B—Sections of the *IFRS for SMEs* Standard that permit or require fair value measurement; and

(g) Appendix C—Comparison of fair value requirements.

Background to the *IFRS for SMEs* Standard and fair value measurement

Overview of IFRS 13 Fair Value Measurement

5. The Board issued IFRS 13 in May 2011. The objective of IFRS 13 is to:

   (a) define fair value;

   (b) set out in a single IFRS Standard the framework for measuring fair value; and

   (c) require disclosures about fair value measurements.

6. IFRS 13 applies when another IFRS Standard requires or permits fair value measurement or disclosures about fair value measurements. There are some exceptions, which are noted in paragraphs 5–6 of IFRS 13.

7. IFRS 13 was expected to reduce complexity and improve consistency in the application of fair value measurement, thereby enhancing the comparability of information reported in financial statements.[1]

8. IFRS 13 defines fair value as:

> the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

[1] IFRS 13 BC6(a)

9. The IFRS 13 definition was expected to communicate the fair value measurement objective by incorporating the concepts of exit price and focussing on market participants, therefore reducing the likelihood of inconsistent application.[2]

10. IFRS 13 establishes a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

    (a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities the entity can access at the measurement date.

    (b) Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

    (c) Level 3 inputs are unobservable inputs for the asset or liability (including the entity’s own data, which are adjusted, if necessary, to reflect the assumptions market participants would use in the circumstances).

11. The objective of the disclosures required by IFRS 13 is to provide users of financial statements with information about the valuation techniques and inputs used to develop fair value measurements and how fair value measurements using significant unobservable inputs affected profit or loss or other comprehensive income for the period.[3]

Findings from the Post-implementation Review (PIR) of IFRS 13

12. The Board completed its PIR of IFRS 13 and published the Project Report and Feedback Statement in December 2018. The Board concluded that IFRS 13 is working as intended and in particular, that:

    (a) the information required by IFRS 13 is useful to users of financial statements;

[2] IFRS 13 *Fair Value Measurement* Project Summary and Feedback Statement (May 2011).

[3] IFRS 13 paragraph BC184.

(b) practice is evolving to resolve the challenges of implementation in areas requiring judgement; and

(c) no unexpected costs arose from the application of IFRS 13.

Overview of the IFRS for SMEs Standard—fair value measurement

13. A number of sections of the *IFRS for SMEs* Standard require fair value measurement. A list of these sections is provided in Appendix B.

14. Guidance for measuring fair value is set out in paragraphs 11.27–11.32 (*Basic Financial Instruments*), paragraph 26.10 (*Share-based Payment*) and paragraphs 34.4–34.7 (*Specialised Activities*) of the *IFRS for SMEs* Standard. Except for Sections 26 and 34, all other sections of the *IFRS for SMEs* Standard that require fair value measurement specify that an entity applies the guidance for measuring fair value in paragraphs 11.27–11.32.

15. The Glossary of the *IFRS for SMEs* Standard includes a definition of fair value that was also included in IAS 39 *Financial Instruments: Recognition and Measurement* prior to the issue of IFRS 13. The definition of fair value in the *IFRS for SMEs* Standard is:

> the amount for which an asset could be exchanged, a liability settled or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's length transaction.

16. The fair value guidance in paragraphs 11.27—11.32 is also based on IAS 39.

17. Section 11 establishes a hierarchy for measuring the fair value of an asset. A comparison of the fair value requirements in IFRS 13 and those in the *IFRS for SMEs* Standard is set out in Appendix C.

IFRS 13 and the 2012 Comprehensive Review of the IFRS for SMEs *Standard*

18. The Board had already issued IFRS 13 when the 2012 Comprehensive Review of the *IFRS for SMEs* Standard (2012 Review) was undertaken. The 2012 Request for Information asked two questions about aligning the *IFRS for SMEs* Standard with IFRS 13:

    Question 1

    Should the fair value guidance in Section 11 be expanded to reflect the principles in IFRS 13, modified as appropriate to reflect the needs of users of SME financial statements and the specific circumstances of SMEs?

    Question 2:

    Should the fair value guidance be moved into a separate section?

19. With regard to question 1, the 2012 Request for Information stated that for straightforward cases, applying the IFRS 13 guidance on fair value would not impact the way fair value measurements are made under the *IFRS for SMEs* Standard. However, entities applying the *IFRS for SMEs* Standard would need to re-evaluate their methods for determining fair value amounts to confirm this (particularly for non-financial assets) and use greater judgement in assessing what data market participants would use when pricing an asset or liability.

20. Forty-four per cent of respondents to the 2012 Request for Information supported aligning the *IFRS for SMEs* Standard with IFRS 13. Those that supported aligning the *IFRS for SMEs* Standard did so because fair value is a common measurement basis[4] in IFRS Standards and took the view that the revised definition should be incorporated into the *IFRS for SMEs* Standard.

21. In contrast, those who did not support aligning the *IFRS for SMEs* Standard stated IFRS 13 should be implemented in full IFRS Standards first so entities could gain

[4] *IFRS for SMEs* Standard, paragraph 2.34

application experience. These respondents proposed reconsidering aligning the *IFRS for SMEs* with IFRS 13 as part of the next (2019) review.[5]

22. The Board decided not to align the *IFRS for SMEs* Standard and made the following observations:[6]

> …IFRS 13 only recently became effective and introduced complex changes that were expected to result in, and benefit from significant implementation guidance in practice. Furthermore, [IFRS 13] would be expected to have a limited practical impact on the majority of SMEs, because the new requirements are unlikely to affect many common fair value measurements…

23. With regard to question 2, the 2012 Request for Information stated that the benefit of moving the fair value guidance into a separate section of the *IFRS for SMEs* Standard would be to clarify that the guidance applies to all references to fair value in the *IFRS for SMEs* Standard, not just financial instruments.

24. Seventy-three per cent of respondents to the 2012 Request for Information supported moving the guidance for fair value measurement from Section 11 regardless of their views on alignment with IFRS 13.

Staff analysis of differences between IFRS 13 and the IFRS for SMEs *Standard*

25. Based on the feedback to the 2012 Request for Information, staff believes it is appropriate to revisit issues relating to whether to align the *IFRS for SMEs* Standard with IFRS 13, including:

    (a) aligning the definition of fair value with IFRS 13;

    (b) aligning the guidance for measuring fair value with IFRS 13; and

[5] March 2013 Board Meeting, Agenda Paper 6B.

[6] The *IFRS for SMEs* Standard, Paragraph BC198(a).

(c) moving the guidance for measuring fair value.

26. The staff also believes there is an opportunity to enhance the disclosure for fair value measurement in the *IFRS for SMEs* Standard as part of the 2019 Review.

Fair value definition

27. The IFRS 13 definition of fair value differs from the *IFRS for SMEs* Standard in three ways:

(a) The definition in IFRS 13 refers explicitly to an exit (selling) price. In the *IFRS for SMEs* Standard, the definition does not explicitly refer to an exit price or an entry (buying) price.

(b) The definition in IFRS 13 refers explicitly to market participants. The *IFRS for SMEs* Standard refers to knowledgeable, willing parties in an arm's length transaction.

(c) For liabilities, the definition of fair value in IFRS 13 rests on the notion that the liability is transferred (the liability to the counterparty continues). The *IFRS for SMEs* Standard refers to the liability being settled.

Guidance for measuring fair value

28. As noted above, the guidance in the *IFRS for SMEs* Standard for measuring fair value is based on IAS 39 paragraph 48A. The guidance establishes a fair value hierarchy that is based on examples, and does not provide principles based on the nature of the inputs into the valuation model as does IFRS 13.

29. The differences in wording between the IFRS 13 fair value hierarchy and that included in paragraph 11.27 could result in inconsistencies in the levels at which assets and liabilities are measured in the hierarchies. That is, some assets, where an active market or binding sales agreement does not exist, are measured at level 3 of the hierarchy in accordance with Section 11 paragraph 11.27(c). These items could qualify as level 2 measurements applying IFRS 13 as there could be a valuation technique based on observable inputs to estimate fair value.

30. The fair value hierarchy in the *IFRS for SMEs* Standard refers only to assets.

31. The fair value hierarchy in Section 34 was consistent with that in IAS 41 *Agriculture,* prior to the issue of IFRS 13. However, the IAS 41 guidance was removed when IFRS 13 was issued.

32. The *IFRS for SMEs* Standard and IFRS 13 both emphasise the importance of maximising market inputs and reflecting market expectations in the valuation technique(s) used to estimate fair value.

Disclosure

33. The *IFRS for SMEs* Standard includes disclosure requirements in each Section that require the use of fair value, or directs an entity to the disclosure requirements in Section 11, specifically paragraphs 11.43–11.44.

34. IFRS 13 provides general requirements to make certain disclosures for all fair value measurements, with a number of the requirements linked to the level in the hierarchy at which a fair value measurement is made. Other IFRS Standards retain some specific disclosure requirements related to fair value, IAS 40 paragraph 75(e), for example, requires specific disclosures about the extent to which the fair value of investment property is based on the valuation of a qualified independent valuer.

Applying the alignment principles

35. At its May 2019 meeting (Agenda Paper 30A), the Board decided that to determine whether and how to align the *IFRS for SMEs* Standard with new and amended IFRS Standards, the Board would apply three principles:

    (a) relevance;

    (b) simplicity; and

    (c) faithful representation.

36. The following paragraphs apply the alignment principles to assist the Board in determining whether and how to align the *IFRS for SMEs* Standard with IFRS 13.

Principle 1—Relevance

37. The *IFRS for SMEs* Standard already requires the use of fair value measurement. As noted above, the staff is asking if the Board would like to seek views on whether the definition of fair value, guidance for measuring fair value and disclosure requirements contained in the *IFRS for SMEs* Standard are aligned with IFRS 13.

Fair value definition

38. As discussed above the IFRS 13 definition makes it clear that fair value is an exit price, based on market expectations, and applies to both assets and liabilities. Aligning the definition of fair value in the *IFRS for SMEs* Standard with IFRS 13 will improve the clarity of the definition. Greater clarity will assist preparers in measuring fair value and increase consistency across all sections of the *IFRS for SMEs* Standard that require fair value measurement.

Guidance for measuring fair value

39. The fair value hierarchy in IFRS 13 provides principles to measure fair value, these principles give priority to market data. Introducing these principles into the *IFRS for SMEs* Standard will assist entities in measuring fair value and improve the quality of fair value measurement.

40. Aligning the fair value hierarchies will clarify that the fair value measurement requirements in the *IFRS for SMEs* Standard are relevant to both assets and liabilities, which is currently not the case.

Disclosure

41. The staff does not recommend aligning the disclosure requirements of the *IFRS for SMEs* Standard with IFRS 13. The sections in the *IFRS for SMEs* Standard that require fair value measurement require disclosure of the valuation technique and significant inputs into the valuation.

42. The staff does recommend adding a requirement for an entity to disclose the level in the hierarchy which was used to measure fair value. The staff believes this disclosure

will be useful to users of financial statements as it provides information about the nature of the inputs to the fair value measurement.

43. By disclosing the level in the hierarchy at which fair value measurements are made users will have enhanced information that will allow them to draw better conclusions about the fair value information being provided. This will support comparison with other entities.

44. The PIR of IFRS 13 identified that users find these disclosures (level of fair value hierarchy, valuation techniques and inputs used) particularly useful.[7]

45. The staff would also recommend moving the disclosure requirements into the same Section as the guidance on fair value measurement.

46. By moving the disclosure requirements into the Section on fair value measurement it will increase the consistency of disclosures, therefore providing clear information for users of financial statements prepared in accordance with the *IFRS for SMEs* Standard.

Principle 2—Simplicity

Fair value definition

47. As discussed above, the IFRS 13 definition of fair value is clearer than the *IFRS for SMEs* Standard definition of fair value, and therefore simpler to implement. Staff are recommending that the definition not be simplified further.

Guidance for measuring fair value

48. Introducing the IFRS 13 fair value hierarchy into the *IFRS for SMEs* Standard's will provide guidance that is clearer for entities applying the *IFRS for SMEs* Standard than the current approach which is based on examples.

[7] Post-implementation Review of IFRS 13 *Fair Value Measurement* pg 6.

49. To help entities applying the *IFRS for SMEs* Standard, the staff recommend that the existing examples are carried forward (and updated) to illustrate the relationship between inputs used and the levels in the hierarchy. This will help entities applying the *IFRS for SMEs* Standard to implement a principle based hierarchy.

50. The examples would also include the specific guidance in paragraph 34.6 (which would be relocated) so there is a single source for guidance on fair value measurement (other than for share-based payments) in the *IFRS for SMEs* Standard.

Disclosure

51. Moving the main disclosure requirements for fair value measurement into the same Section as the guidance on fair value measurement will remove slight variations in wording in different Sections, supporting implementing of the requirements.

Moving the guidance for measuring fair value

52. The staff recommends that the Board seeks views on moving the guidance for measuring fair value included in Section 11 into Section 2 *Concepts and Pervasive Principles*.

53. As noted above, the 2012 Request for Information asked if the fair value guidance should be moved into a separate Section, and the majority of respondents agreed. A small minority of respondents agreed but specifically identified Section 2 as the appropriate place for the guidance.

54. On balance the staff recommends that the guidance be moved to Section 2. This Section already identifies fair value as one of the ‘two common measurement bases’[8] and includes the definition of fair value. Moving it to this Section puts the guidance on fair value measurement alongside the pervasive principles and emphasises its relevance to a number of Sections in the *IFRS for SMEs* Standard.

55. Moving the guidance to its own Section would require a new section (Section 36 *Fair Value Measurement*) to be added to the *IFRS for SMEs* Standard. This would

[8] *IFRS for SMEs* Standard, paragraph 2.34

align with full IFRS Standards where fair value measurement is a separate Standard. However, the staff believes creating a small section at the end of the *IFRS for SMEs* Standard may not provide the fair value measurement guidance the same prominence as placing it in Section 2.

Principle 3—Faithful representation

56. The staff believes that aligning both the definition of fair value and the fair value hierarchy in the *IFRS for SMEs* Standard with IFRS 13 while enhancing the disclosure requirements of the *IFRS for SMEs* Standard with information on the level at which a fair value measurement is made will lead to greater consistency and better application of the fair value hierarchy which will improve the information provided to users of financial statements.

57. The requirement to disclose the level in the hierarchy at which fair value measurements have been made will allow users of financial statements prepared by entities using the *IFRS for SMEs* Standard to assess the inputs into a valuation model. This will allow them to better understand the nature of these inputs and the level of uncertainty inherent in them.

Stakeholder views

58. In February 2019 the staff asked members of the SMEIG for their views on whether to align the *IFRS for SMEs* Standard with IFRS 13.

59. A summary of their responses is set out in Appendix A. SMEIG members were not asked whether they support or object to aligning the *IFRS for SMEs* Standard with IFRS 13.

60. The main objection raised by SMEIG members against incorporating IFRS 13 into the *IFRS for SMEs* Standard relates to the complexity of IFRS 13.

61. The Asian-Oceanian Standards-setting Group (AOSSG) report[9] on the AOSSG survey on the *IFRS for SMEs* Standard indicated a preference to wait for the PIR of IFRS 13 to be completed before deciding whether or not to incorporate IFRS 13 in to the *IFRS for SMEs* Standard. As noted, the PIR of IFRS 13 was completed December 2018.

62. The FRC proposed amending FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland,[10] to create greater consistency with IFRS 13 in terms of both the requirements and the definition. The majority of respondents who addressed the question agreed with the proposal. Most opponents of the proposal were concerned about the risk of introducing unnecessary complexity.[11]

63. From the evidence above it appears that the main concern with aligning the *IFRS for SMEs* Standard with IFRS 13 relates to the risk of increasing complexity and lack of implementation experience.

64. The PIR of IFRS 13 has identified that practice has evolved to address areas of judgement[12]. The staff believes that aligning the guidance in the *IFRS for SMEs* Standard to reflect IFRS 13, supplemented with examples does not introduce undue complexity and will improve the application of the guidance and the quality of information to users.

[9] AOSSG, *Report of AOSSG Survey on the IFRS for SMEs Standard*, 2018.

[10] FRS 102 is a Standard based on the *IFRS for SMEs* Standard.

[11] FRC, *Feedback Statement: Consultation Document—Triennial review of UK and Ireland accounting standards—Approach to changes in IFRS*, June 2017.

[12] Post-implementation Review of IFRS 13 *Fair Value Measurement* pg 6.

Questions for the Board

Board members are asked if they agree with the recommendations to seek views, in the Request for Information, on:

(a) aligning the definition of fair value in the *IFRS for SMEs* Standard with IFRS 13;

(b) aligning the guidance on fair value measurement in the *IFRS for SMEs* Standard with IFRS 13 so the fair value hierarchy incorporates the principles of the IFRS 13 fair value hierarchy, and also includes examples that illustrate application of the hierarchy;

(c) moving the general disclosure requirements to a single location, alongside the guidance for fair value measurement;

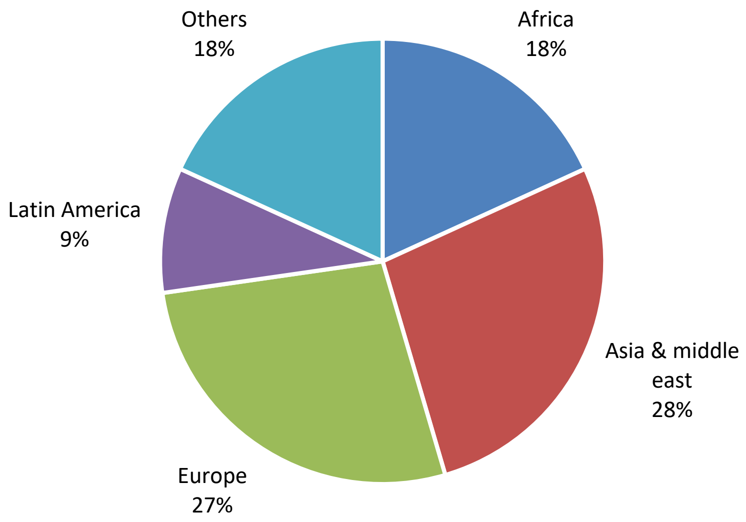
(d) requiring the level in the hierarchy at which fair value measurements are made to be disclosed; and

(e) moving the guidance for fair value measurement in the *IFRS for SMEs* Standard to Section 2 *Concepts and Pervasive Principles*.

Appendix A—Summary of SMEIG feedback

A1. On 29 January 2019 a questionnaire was sent to SME Implementation Group (SMEIG) members to seek their views on whether to align the *IFRS for SMEs* Standard with IFRS 13 *Fair Value Measurement*.

A2. Eleven SMEIG members (42%) responded to the survey. The geographical distribution of the responses received is shown in the chart below.



A3. The reasons given by SMEIG members for not aligning the *IFRS for SMEs* Standard with IFRS 13 are:

(a) The standard is irrelevant to SMEs as they generally do not have complex transactions. (4 respondents)

(b) Requirements introduced by IFRS 13, including disclosure requirements, for entities whose securities are traded on public and capital markets are too onerous. (1 respondent)

(c) There have been no new developments in the IFRS 13 since 2013. (1 respondent)

(d) The main concept of the three levels of inputs are already included in Section 11. (1 respondent)

A4. The reasons given by SMEIG members for aligning the *IFRS for SMEs* Standard with IFRS 13 are:

(a) The reasons for exclusion in the last review are no longer relevant. (1 respondent)

(b) The definition of fair value in the *IFRS for SMEs* Standard should be updated for that of IFRS 13. The other main requirements of IFRS 13 should also be considered. (1 respondent)

(c) IFRS 13 provides greater guidance on the different fair value measurements. (1 respondent)

(d) The introduction of IFRS 13 had a positive impact on fair value measurements in practice. The cost/benefit factor must, however, be considered carefully if IFRS 13 is introduced. (1 respondent)

Appendix B—Sections of the *IFRS for SMEs* Standard that permit or require fair value measurement

B1. The *IFRS for SMEs* Standard permits or requires fair value measurement in the following sections:

(a) Section 11 *Basic Financial Instruments*;

(b) Section 12 *Other Financial Instruments*;

(c) Section 14 *Investment in Associates*;

(d) Section 15 *Investment in Joint Ventures*;

(e) Section 16 *Investment Property*;

(f) Section 17 *Property, Plant and Equipment*;

(g) Section 26 *Share-based Payment*;

(h) Section 27 *Impairment of Assets*;

(i) Section 28 *Employee Benefits*; and

(j) Section 34 *Specialised Activities (including agriculture).*

Appendix C—Comparison of fair value requirements

C1. The following table provides a comparison of the IFRS 13 fair value requirements and the *IFRS for SMEs* Standard requirements.

	IFRS 13 ***Fair Value Measurement***	**Section 11** ***Basic Financial Instruments***
Definition of Fair Value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.	The amount for which an asset could be exchanged, a liability settled or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's length transaction.
Fair Value Hierarchy	IFRS establishes a fair value hierarchy that categorises into three levels (see paragraphs 76–90) the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (*Level 3 inputs*).	An entity shall use the following hierarchy to estimate the fair value of an asset:
Level 1	Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	The best evidence of fair value is a quoted price for an identical asset (or similar asset) in an active market. This is usually the current bid price.

	IFRS 13 *Fair Value Measurement*	Section 11 *Basic Financial Instruments*
Level 2	Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.	When quoted prices are unavailable, the price in a binding sale agreement or a recent transaction for an identical asset (or similar asset) in an arm's length transaction between knowledgeable, willing parties provides evidence of fair value. However this price may not be a good estimate of fair value if there has been a significant change in economic circumstances or a significant period of time between the date of the binding sale agreement, or the transaction, and the measurement date. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (for example, because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), then that price is adjusted.
Level 3	Level 3 inputs are unobservable inputs for the asset or liability.	If the market for the asset is not active and any binding sale agreements or recent transactions of an identical asset (or similar asset) on their own are not a good estimate of fair value, an entity estimates the fair value by using another valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.
Valuation Technique	An entity shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.	If there is a valuation technique commonly used by market participants to price the asset and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. Fair value is estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible on entity-determined inputs.

	Section 26 *Share-based Payment*	Section 34 *Specialised Activities*
Fair Value Hierarchy	An entity shall measure the fair value of shares (and the related goods or services received) using the following three-tier measurement hierarchy:	In determining fair value, an entity shall consider the following:
Level 1	if an observable market price is available for the equity instruments granted, use that price.	an active market exists for a biological asset or agricultural produce in its present location and condition, the quoted price in that market is the appropriate basis for determining the fair value of that asset. If an entity has access to different active markets, the entity shall use the price existing in the market that it expects to use.
Level 2	if an observable market price is not available, measure the fair value of equity instruments granted using entity-specific observable market data such as: (i) a recent transaction in the entity's shares; or (ii) a recent independent fair valuation of the entity or its principal assets.	if an active market does not exist, an entity uses one or more of the following, when available, in determining fair value: (i) the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the date of that transaction and the end of the reporting period; (ii) market prices for similar assets with adjustment to reflect differences; and (iii) sector benchmarks such as the value of an orchard expressed per export tray, bushel or hectare and the value of cattle expressed per kilogram of meat.

	Section 26 *Share-based Payment*	**Section 34 *Specialised Activities***
Level 3	if an observable market price is not available and obtaining a reliable measurement of fair value under (b) is impracticable, indirectly measure the fair value of the shares using a valuation method that uses market data to the greatest extent practicable to estimate what the price of those equity instruments would be on the grant date in an arm's length transaction between knowledgeable, willing parties.	in some circumstances, fair value may be readily determinable without undue cost or effort even though market determined prices or values are not available for a biological asset in its present condition. An entity shall consider whether the present value of expected net cash flows from the asset discounted at a current market determined rate results in a reliable measure of fair value.
Valuation Technique	The entity's directors should use their judgement to apply the most appropriate valuation method to determine fair value. Any valuation method used shall be consistent with generally accepted valuation methodologies for valuing equity instruments.	