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**International
Accounting Standards
Board**

This document is provided as a convenience to observers at IASB meetings, to assist them in following the Board's discussion. It does not represent an official position of the IASB. Board positions are set out in Standards.

These notes are based on the staff papers prepared for the IASB. Paragraph numbers correspond to paragraph numbers used in the IASB papers. However, because these notes are less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

Board meeting: 22 June 2006, London

Project: Fair Value Measurements

Subject: Project Plan and Due Process (Agenda Paper 9B)

Introduction

- 1 This paper discusses due process concerns on the Fair Value Measurements (FVM) project and identifies alternatives to address these concerns.

Background

- 2 The Board added the FVM project to their agenda in September 2005. At that time the Board decided to expose the FASB's final FVM statement as an IASB Exposure Draft. The Board indicated they would not modify the final FASB FVM statement, other than to change US GAAP references to the appropriate IFRS references. However, the Board indicated they will highlight in the invitation to comment any items where they disagree with the FASB's conclusions. The invitation to comment will then state the Board's position and ask for respondents to comment on the matter.
- 3 The Staff confirmed this plan with the Board in December 2005. The Staff also confirmed with the Board that additional implementation guidance would not be added to the FASB's final FVM statement for purposes of the IASB exposure draft. Instead, the Staff would use the comment period of the Exposure Draft to develop implementation guidance to address additional

issues specific to IFRS constituents (such as emerging markets, PP&E revaluations, biological assets, investment properties, etc.). This would result in the inclusion of additional implementation guidance in the final IFRS standard that was not included in the exposure draft.

- 4 In February 2006, the Board released the Memorandum of Understanding (MOU). The MOU indicates the IASB and FASB expect “to have issued converged guidance aimed at providing consistency in the application of existing fair value requirements” by 2008.

Concerns

- 5 The Staff has become aware of the following concerns regarding the due process of the FVM project. Some IASB constituents have said:
 - a. Fair value is an emotive issue and the FVM project may significantly change how fair value is measured in some circumstances. Proceeding directly to an IASB exposure draft of the FASB’s final FVM statement potentially short-cuts the IASB’s due process requirements.
 - b. The FASB’s draft FVM statement applies a definition and concept of fair value that is significantly different to the concepts understood for older international standards. Constituents do not understand the conceptual reasons for changing to an ‘exit price objective’ of fair value, particularly in circumstances where an entity has no expectation to sell an asset.
 - c. Fair value is being increasingly required by IFRS. Fundamental questions of the relevance and reliability / representational faithfulness need to be debated prior to the completion of the FVM project.

Possible solutions

- 6 The Staff has identified the following possible solutions to the concerns noted above:
 - a. Hold additional meetings with working groups, including the ARG and the FIWG;
 - b. Modify the project plan to first issue a discussion paper;

- c. Hold field visits in key markets during the ED comment period;
- d. Hold round-table discussions after the ED comment period; and
- e. Modify the project plan to expose an IASB exposure draft (as opposed to the unmodified FASB final statement).

7-19 [Paragraphs 7 to 19 omitted from observer notes]

Comparison of time-lines

20 For comparison purposes, the Staff has prepared the following estimated time-lines:

21 Current project plan:

- a. Issue IASB ED during the second half of 2006
- b. Redeliberations of the FVM standard begin in the second quarter of 2007
- c. Final IFRS issued in the second half of 2007

22 *Alternative #1* - Modified project plan to include field visits and round-table discussions (still issuing the final FASB FVM statement as an IASB ED):

- a. Issue IASB ED during the second half of 2006
- b. Due to longer exposure period, redeliberations of the FVM standard begin late in the second quarter of 2007
- c. Round table discussions in the third quarter of 2007
- d. Final IFRS issued in early 2008

23 *Alternative #2* - Modified plan to issue the final FASB FVM statement as a discussion paper:

- a. Issue IASB DP during the second half of 2006

- b. Deliberations of the FVM exposure draft begin in the second quarter of 2007
- c. IASB ED on FVM issued in late 2007
- d. Redeliberations of the FVM project begin in mid 2008
- e. Final IFRS issued in late 2008 or early 2009
- f. [Paragraph omitted from observer notes]

Questions to the Board

- 24 Based on this information and the discussions on the FVM project to date, does the Board wish to modify the current project plan?