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**International
Accounting Standards
Board**

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

Note: These notes are based on the staff paper prepared for the Financial Instruments Working Group Meetings. Paragraph numbers correspond to paragraph numbers used in the Financial Instruments paper. However, because these notes are less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

IASB Meeting: **Financial Instruments Working Group**
Paper: **Agenda Paper 8**

Financial Instruments

Due Process document – overview of papers relating to the fair value model

BACKGROUND TO PAPERS

1. This set of papers discusses issues relating to the fair value model. As noted in agenda paper 5, that model will form the first part of the Financial Instruments Due Process Document (DPD).
2. This set of papers is based on board papers that have been discussed by one or both boards. As you are aware, the staff has distributed to FIWG members the Observer Notes to each of those board papers before each board meeting.
3. The staff also requested any comments from FIWG members on each of the papers distributed. This set of papers incorporates, to the extent possible, comments received from FIWG members.

OVERVIEW OF PAPERS

4. Papers 8A and 8B discuss how the initial scope of a fair value model might be set. Paper 8A discusses the approach we currently use – using a definition of *financial instruments* – and considers changes that might be made to existing IFRS and US GAAP definitions. Paper 8B discusses an alternative approach to setting the initial scope; a principle-based approach that focuses on certain characteristics of contracts to deliver or exchange an item.
5. Paper 8C discusses the possible unit of account and unit of measurement for the fair value model.
6. Paper 8D discusses the fair value measurement of certain contracts.
7. Paper 8E discusses whether any exception from normal accounting principles (in the form of hedge accounting) is justified in the fair value model.