



30 Cannon Street, London EC4M 6XH, United Kingdom
Tel: +44 (0)20 7246 6410 Fax: +44 (0)20 7246 6411
Email: iasb@iasb.org Website: www.iasb.org

**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: 11 December 2007, London

Project: Fair Value Measurement

Subject: Cover Note (Agenda Paper 2A)

INTRODUCTION

- 1 At this session we continue to deliberate the issues in the Fair Value Measurements discussion paper.
- 2 Agenda paper 2A:
 - a summarises the tentative decisions made by the Board to-date on the fair value measurement project and
 - b lists the issues to be deliberated in the development of an exposure draft of an IFRS on fair value measurement.
- 3 Agenda paper 2B analyses the market participant view in FASB Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157), and compares it to the concept of 'knowledgeable, willing parties in an arm's length transaction' in IFRSs.

TENTATIVE DECISIONS TO-DATE

- 4 **October 2007:** The Board tentatively confirmed the project objective to develop principles and measurement guidance for fair value measurements in IFRSs. The Board confirmed its plan to complete a standard-by-standard review of fair value measurements currently required or permitted in IFRSs to assess whether each standard's measurement basis was intended to be an exit price. For situations in which the measurement basis was not intended to be an exit price, the Board plans to assess whether it should develop additional measurement guidance. The Board had expected to publish an exposure draft in early 2008. Because of the extension of the comment letter deadline and the volume and nature of the comments received, the Board now expects to publish an exposure draft in the second half of 2009.

- 5 **November 2007:** The Board tentatively decided that for the standard-by-standard review the preliminary definition of current entry price would be the price that would be paid to buy an asset or received to incur a liability in an orderly transaction between market participants at the measurement date. An entity can incur a liability by originating it or by assuming it from a third party. The preliminary definition of current exit price would be the price that would be received to sell an asset or paid to transfer or settle a liability in an orderly transaction between market participants at the measurement date. If a liability is transferred, it is assumed to exist beyond the measurement date; if a liability is settled, it is assumed to cease to exist at the measurement date. These preliminary definitions are subject to change in the light of the results of the standard-by-standard review and the decisions that will be made during the forthcoming deliberations on the fair value measurement project.

ISSUES TO BE DELIBERATED

- 6 The following table lists the issues to be deliberated in the fair value measurement project (in no particular order). This list is subject to change depending on the Board decisions made in the deliberations. TBD means ‘to be determined’.

Issue in discussion paper	Topic to be discussed	IASB meeting (✓=completed)
Issue 2A	Preliminary definitions of current entry price and current exit price	✓ November 2007 (AP 2)
Issue 2B	Market participant view	December 2007 (AP 2B)
Issue 4	Reference market (principal market and most advantageous market)	TBD
Issue 2C	Difference between settlement and transfer of liabilities	TBD
Issue 2A	Difference between transaction price, current entry price and current exit price	TBD
Issue 2A	Difference between ‘price’ and ‘value’	TBD
Issue 2A	Results of the standard-by-standard review	TBD
Issue 7	Valuation premise (highest and best use, including defensive value)	TBD
Issue 9	Blocks (large positions of financial instruments)	TBD
Issue 6	Non-performance risk (valuation of liabilities)	TBD
Issue 5	Attributes of assets and liabilities	TBD
Issue 5	Transaction costs	TBD
Issue 8	Fair value hierarchy	TBD
Issue 3	Day one gains and losses (transaction price at initial recognition)	TBD
Issue 10	Fair value within the bid-ask spread	TBD
Issue 12	Application guidance	TBD
Issue 11	Disclosures	TBD