April 2009

International Financial Reporting Standards

Fair Value Measurement

The views expressed in this presentation are those of the presenter,
not necessarily those of the IASC Foundation or the IASB

Why is the Board doing this project?

IFRS	Refers to …
IAS 39	the 'most advantageous' market
IAS 41	the 'most relevant' market
IAS 38	the amount an entity would have paid for the asset but states that the most appropriate market price is the current bid price
IAS 40	tax benefits or burdens that are not specific to the current owner
IAS 41	pre-tax amounts
IAS 19	fair value, but does not provide detailed guidance on how to measure it

Why is the Board doing this project?

- ✓ guidance on measuring fair value has been added to IFRSs piecemeal over many years
- ✓ guidance on measuring fair value is dispersed across many IFRSs and it is not always consistent
- ✓ the current guidance is complicated, in that it provides neither a clear measurement objective nor a robust measurement framework

Project objectives

- ✓ Clarifies the measurement objective
- ✓ Creates a single source of guidance
- ✓ Improves and harmonises disclosures

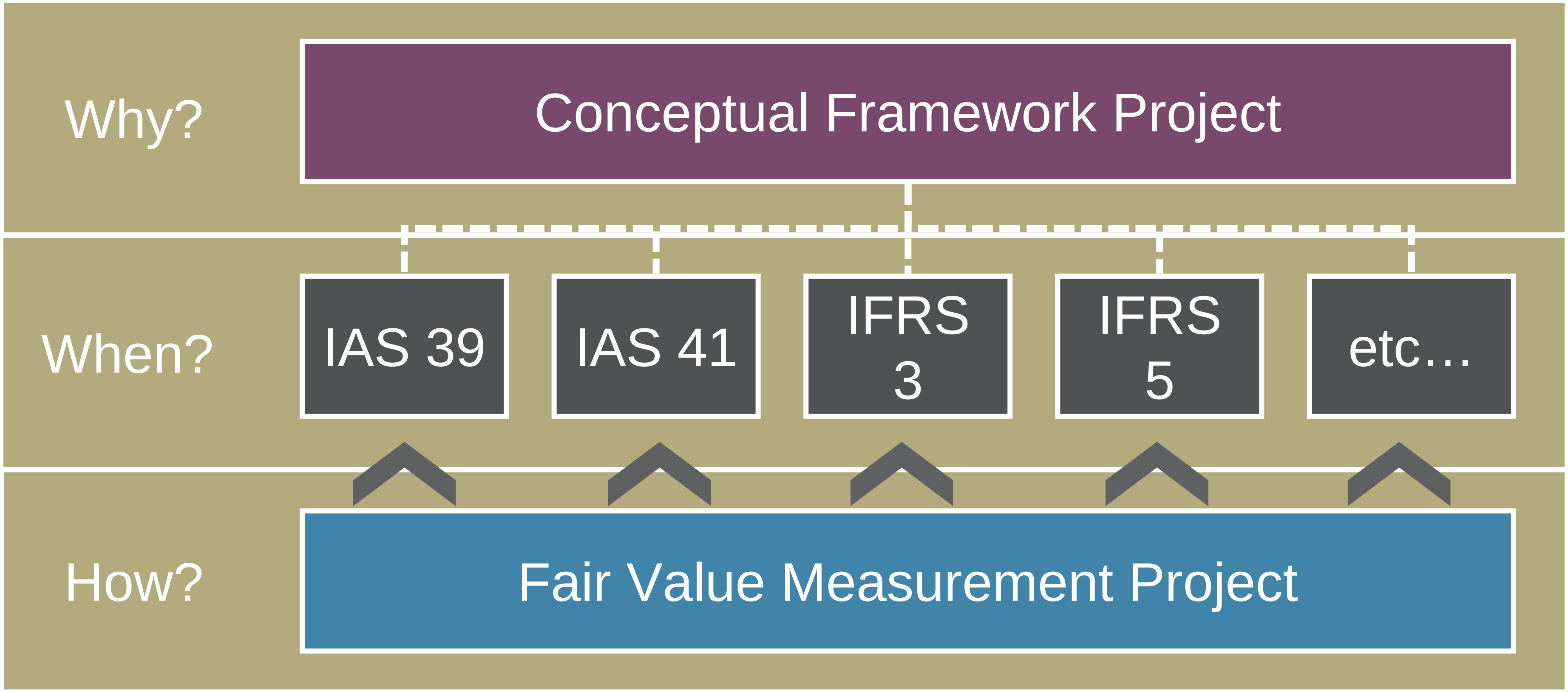
This project…

- Does not introduce new fair values
- Does not change the measurement basis (fair value, historic cost, amortised cost) in an existing IFRS

Note:

Conforming adjustments will need to be made to existing guidance dispersed throughout IFRSs to be able to establish a single standard that provides uniform fair value measurement guidance for all fair value measurements required or permitted by IFRSs. These adjustments might change how fair value is measured in some IFRSs and how the requirements are interpreted and applied.

How does this project fit with others?



Project stage

- The **discussion paper** was published in November 2006

- Expect to publish an **exposure draft** at the beginning of the second quarter of 2009

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Goal: Publish an IFRS on fair value measurement in 2010

Next steps

- Publish an exposure draft that consolidates (and replaces) existing guidance
- Hold round-table discussions
- Re-deliberate proposals
- Hold convergence discussion with FASB (if necessary)
- Publish IFRS on fair value measurement

Main proposals in the exposure draft

(this presentation deals with the proposed disclosures and not with the proposed measurement guidance)

Definition of fair value

Fair value is 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

Proposed ideas in the exposure draft

- Three level fair value hierarchy:

  – ***Level 1*** *inputs* are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

  – ***Level 2*** *inputs* are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

  – ***Level 3*** *inputs* are inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Disclosures

- See Agenda paper 6

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Questions?

The views expressed in this presentation are those of the presenter. Official positions of the IASB on accounting matters are determined only after extensive due process and deliberation.