



Project	Fair value measurement
Topic	Disclosures about fair values with modifications (such as fair value less costs to sell)

Purpose of this paper

1. This paper addresses the question of whether the disclosures about fair value measurements are required for fair values with modifications (eg fair value less costs to sell¹).²

Staff analysis

2. Topic 820 *Fair Value Measurements and Disclosures* and the IASB's exposure draft *Fair Value Measurement* state that the fair value measurement requirements apply to other standards that require or permit fair value measurements or disclosures about fair value measurements. The disclosure sections of Topic 820 and the IASB's exposure draft state that an entity shall disclose information that helps users of its financial statements to assess fair value measurements.

¹ Fair value less costs to sell is 'the price that would be received to sell an asset or cash-generating unit in an orderly transaction between market participants at the measurement date, less the costs of disposal'.

² IASB—this paper does not address disclosures about impaired assets with a recoverable amount based on fair value less costs to sell in IAS 36 *Impairment of Assets* (see Agenda Paper 9 for the December 2010 IASB meeting).

This paper has been prepared by the technical staff of the IFRS Foundation and the FASB for discussion at a public meeting of the FASB or the IASB.

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3. Some have asked whether the scope of the fair value disclosures also relates to fair value less costs to sell. For example, some have asked whether the disclosures in Topic 820 apply to disposal groups accounted for in Topic 360 *Property, Plant, and Equipment* (see paragraph 360-10-35-43). Similarly, some have asked whether the disclosure requirements in the forthcoming IFRS on fair value measurement will be required for disposal groups measured at fair value less costs to sell in IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* or biological assets and agricultural produce measured at fair value less costs to sell in IAS 41 *Agriculture*. They think that the fact that the IASB did not propose removing any of the disclosures in IFRS 5 or IAS 41 is evidence that the fair value measurement disclosures would not be required for such assets and liabilities.
4. The boards did not explicitly discuss this when developing Topic 820 or the IASB's exposure draft. The staff thinks that is because the boards intended the proposed disclosures to be required for assets and liabilities measured at fair value, regardless of whether that fair value were adjusted (eg for costs to sell or other transaction costs). The staff thinks that this should be made explicit in the fair value measurement standard.

Staff recommendation

5. The staff recommends that the fair value measurement standards should make it explicit that the disclosures about fair value measurements are required even when fair value is modified (eg for costs to sell or other transaction costs).

Question 1

Do the boards agree with the staff recommendations in paragraph 5?

If not, what do you propose and why?