



Project **Fair Value Measurement**
Topic **Cover note**

Objective of this meeting

1. The agenda papers for this session are as follows:

Agenda paper	Title
2	Cover note
2A	Definition of fair value
2B	Market participant view
2C	Reference market
2D	Measuring fair value when markets become less active
2E	Fair value at initial recognition
2F	Recognition of day 1 gains or losses
2G	Measuring liabilities at fair value
2H	Non-performance risk
2I	Restrictions on the transfer of a liability
2J	Measuring own equity instruments at fair value

2. The agenda papers to be discussed for this session are consistent with the project plan presented to the boards in December 2009. At that meeting, the boards agreed to work toward publishing converged fair value measurement guidance in September 2010.
3. The timetable assumes that decisions are made at this meeting on the following topics:
 - (a) confirm the definition of fair value as an exit price (subject to a scope assessment to be completed for a future meeting) and discuss whether to retain the term 'fair value'

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Staff paper

- (b) confirm that fair value is a market-based measurement, not an entity-specific measurement, and clarify some aspects of the market participant view
 - (c) decide whether to use the principal (or most advantageous) market notion in FASB Accounting Standards Codification Topic 820 (Fair Value Measurements and Disclosures) or the most advantageous market notion in the IASB's exposure draft *Fair Value Measurements*, and clarify some aspects of the reference market guidance
 - (d) clarify the focus of the guidance for measuring fair value in markets that have become less active
 - (e) confirm the list of situations indicating when a transaction price might differ from fair value is sufficient and clarify it is not exhaustive
 - (f) [IASB only] decide whether to address the recognition of day 1 gains or losses in the fair value measurement project, and if so, whether to allow their recognition when a valuation technique uses unobservable inputs
 - (g) describe the application of the transfer notion when measuring the fair value of a liability, including when the fair value of a liability equals the fair value of the counterparty's corresponding asset
 - (h) decide whether the fair value of a liability includes the effect of non-performance risk
 - (i) decide whether the fair value of a liability should be adjusted for the effect of a restriction on its transfer
 - (j) decide whether to include guidance for measuring the fair value of an entity's own equity instruments.
4. The boards have already had detailed technical discussions on the principles in the IASB's exposure draft and FASB Statement of Financial Accounting Standards No. 157 *Fair Value Measurements* (SFAS 157).¹ As a result, the

¹ FASB Accounting Standards Codification Topic 820 codified SFAS 157.

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deliberations will focus on analysing the differences between those two documents, the comments received on the IASB's proposals and feedback received about the implementation of Topic 820. The papers presented will not replicate the analyses already discussed by the boards in developing the IASB's exposure draft and SFAS 157/Topic 820. Board members should contact the staff for the relevant background materials if needed.

Next steps

5. Consistent with the project plan presented to the boards in December 2009, the boards will discuss the following topics at a future meeting:
 - (a) incremental value (when the highest and best use of an asset differs from its current use)
 - (b) the interaction between the unit of valuation and the unit of account
 - (c) investments in investment company entities
 - (d) valuation of unquoted equity instruments
 - (e) blockage factors
 - (f) the valuation premise for financial assets (including portfolio adjustments)
 - (g) disclosures
 - (h) scope
 - (i) effective date and transition
 - (j) issues pertaining to emerging and transition economies