



Staff Paper

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Project **Fair value measurement**

Topic **Project plan**

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### Purpose of this paper

1. This paper outlines the proposed project plan for developing common fair value measurement and disclosure requirements in IFRSs and US GAAP.
2. In June 2010, the FASB and the IASB published the following documents:
  - (a) The FASB published an exposure draft of a proposed Accounting Standards Update (ASU) *Amendments for Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, which proposes amendments to Topic 820 *Fair Value Measurements and Disclosures* in the FASB Accounting Standards Codification<sup>TM</sup> (which codified FASB Statement of Financial Accounting Standards No. 157 *Fair Value Measurements* [SFAS 157]).
  - (b) The IASB published an exposure draft *Measurement Uncertainty Analysis Disclosure for Fair Value Measurements*. That exposure draft is a limited re-exposure of a proposed disclosure in the May 2009 exposure draft *Fair Value Measurement*.
3. Those exposure drafts were the result of the discussions held by the IASB and the FASB to develop common requirements for measuring fair value and disclosing information about fair value measurements. Although those exposure drafts were published separately by the FASB and the IASB, the boards will

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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.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the FASB or the IASB.

Comments made in relation to the application of U.S. GAAP or IFRSs do not purport to be acceptable or unacceptable application of U.S. GAAP or IFRSs.

The tentative decisions made by the FASB or the IASB at public meetings are reported in FASB *Action Alert* or in IASB *Update*. Official pronouncements of the FASB or the IASB are published only after each board has completed its full due process, including appropriate public consultation and formal voting procedures.

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jointly consider the comments received, with the objective of issuing common fair value measurement standards in early 2011.

**Project timeline**

4. The boards have already had detailed technical discussions on each of the topics. In the redeliberations, the staff will ask the boards to focus on particular topics identified by respondents *and for which there is new information*. The following table summarises those topics:

Topics for discussion
<p><b>Topic 1: Highest and best use and valuation premise</b></p> <ul style="list-style-type: none"> <li>• Application to non-financial assets</li> <li>• Meaning of ‘complementary liabilities’</li> <li>• Unit of account</li> </ul>
<p><b>Topic 2: Fair value of an entity’s own equity instruments</b></p> <ul style="list-style-type: none"> <li>• Relationship with guidance for measuring liabilities</li> </ul>
<p><b>Topic 3: Fair value of net open position of financial instruments</b></p> <ul style="list-style-type: none"> <li>• Scope</li> <li>• Unit of account</li> </ul>
<p><b>Topic 4: Premiums and discounts in a fair value measurement</b></p> <ul style="list-style-type: none"> <li>• Unit of account</li> <li>• Relationship between and comparison of various premiums and discounts</li> <li>• Implications for day 1 gains or losses</li> </ul>
<p><b>Topic 5: Disclosure</b></p> <ul style="list-style-type: none"> <li>• Measurement uncertainty analysis</li> <li>• Transfers between Level 1 and Level 2 of the fair value hierarchy</li> <li>• Information about fair value hierarchy levels for fair value measurements disclosed but not recognised</li> <li>• Scope (for variations of fair value such as fair value less costs to sell)</li> </ul>

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Topics for discussion
<p><b>Topic 6: Other</b></p> <ul style="list-style-type: none"> <li>• Measuring the fair value of third-party credit enhancements (IASB)</li> <li>• Effective date</li> <li>• Transition requirements</li> <li>• Application to non-public entities (FASB)</li> <li>• Sweep issues</li> </ul>

5. The preliminary project timeline is as follows:

Item	Preliminary timing
Comment letter summary and project plan	September 2010
Deliberate Topics 1 – 6 and finalise proposals on other topics	October 2010 – December 2010
Drafting and balloting	January 2011 – February 2011
Publication of IFRS and amended Topic 820	Q1 2011
IFRS Foundation educational material	Q2 2011

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**Question 1 – Topics to be deliberated as identified by the staff**

Do you agree that the boards should deliberate the topics identified by the staff?

If not, which topics do you think do not need to be deliberated, and why?  
Are there any additional topics that you think should be deliberated? If so, why?

**Question 2 – Proposed timeline**

Do you agree with the estimated timeline below paragraph 4 (subject to any modifications from Question 1)?