

## STAFF PAPER

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## REG IASB Meeting

Project	Conceptual Framework		
Paper topic	Measurement – Cover paper		
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**Background**

1. This paper provides background information on AP 10F(a) *Draft discussion paper: Measurement* and AP 10F(b) *Draft discussion paper Appendix: Measurements in existing and proposed IFRSs*.
2. AP 10F(a) is a draft of the measurement section of the Conceptual Framework discussion paper (DP). It is a combined redraft (with changes in response to comments by IASB members) of the following agenda papers:
  - (a) AP 3F *Draft discussion paper: Measurement principles* and AP 3G *Draft discussion paper: Initial and subsequent measurement* from the February 2013 IASB meeting; and
  - (b) AP 5D *Draft discussion paper: Measurements other than cost and fair value* from the March 2013 IASB meeting.
3. AP 10F(b) is a redraft of AP 5D(a) *Draft discussion paper Appendix: Measurements in existing and proposed IFRSs* from the March 2013 meeting. No significant changes have been made to this paper.
4. This paper:
  - (a) Summarises the main changes made to the first drafts of the different portions of the measurement chapter; and

- (b) Sets out questions for the IASB.

## Main changes

5. The main changes made to the measurement chapter drafts in response to IASB member comments are as follows:

- (a) The topics in Paper AP10F(a) are in a different order than was anticipated in drafting papers AP 3F, AP 3G and AP 5D. Some key differences are:
  - (i) The section on observations about measurement has been deleted. One observation is now a principle. (See (b)(ii) below.) The others are mentioned briefly in other sections of the paper.
  - (ii) Initial measurement now comes before subsequent measurement. (It has been retitled to initial measurement at cost or fair value.)
  - (iii) Subsequent measurement of assets has been separated from subsequent measurement of liabilities with specified settlement terms (liabilities without settlement terms are discussed in the section on other cash-flow-based measurements).
  - (iv) The section on other cash-flow-based measurements is now at the end of the paper.
- (b) The three principles of measurement (paragraph 6) have been changed as follows:
  - (i) The first of the three principles originally in AP 33F has been moved from a principle to a statement of the objective of measurement (paragraph 5).
  - (ii) A new principle (now principle 3) has been added. It was originally one of the observations about measurement that several IASB members thought should be a principle.
  - (iii) In principle 1 (formerly principle 2) the statement that measurement starts with the statement of financial position has been deleted. A new paragraph has been added to

acknowledge that measurement is not an issue in many situations because profit and loss is determined by cash transactions.

- (c) The section (originally in paper AP 3F) on observations about measurement has been deleted. The key observation is now principle 3 as discussed in (a)(i) above.
- (d) The placeholder for measurements other than fair value and cost (which was at the end of paper AP 3F) has been replaced with a general discussion of other cash-flow-based measurements (paragraphs 34 – 37) that is a revised version of a portion of paper AP 5D. The rest of paper AP 5D appears at the end of this paper (paragraphs 108 – 142).
- (e) The section on subsequent measurement has been divided into three parts as follows:
  - (i) One is a discussion of subsequent measurements of assets (paragraphs 61 – 94), which has not changed significantly except that (i) a paragraph on hedge accounting has been added (paragraph 89) and (ii) the discussion of charge for use assets has been updated somewhat (paragraphs 90 – 94). Impairment issues are now addressed in the section on other cash-flow-based measurements (paragraph 110).
  - (ii) The second is a discussion of liabilities with specified settlement terms. It includes three of the four types of liabilities that were discussed in paper AP 3G and has been modified slightly based on IASB member comments.
  - (iii) The third is a discussion of liabilities with no specified terms. It is now part of the discussion of other-cash-flow-based measurements (paragraphs 108 – 142).
- (f) The section on subsequent measurement of assets now includes a discussion of the advantages and disadvantages of measuring all assets on the same basis (paragraphs 61 – 64).
- (g) The discussion of measurements other than fair value and cost (which was paper AP 5D for the March meeting) has changed as follows:

- (i) It has been significantly shortened. All key points were retained, but in shorter form.
- (ii) The discussion of other cash-flow-based measurements is now in the final section of this paper (paragraphs 108 – 142). It is less theoretical in that it focuses on measurement of specific types of assets and liabilities. As a consequence, it significantly narrows the range of possible measurement methods as compared to paper AP 3D (which gave the impression that there were too many choices).
- (iii) The portion on current measurements other than fair value now follows the fair value definition (paragraphs 32 – 33).

## Questions

### Questions

1 Do you agree that the discussion paper should state that the IASB believe that the most relevant measurement method will depend upon

- (a) The way in which an asset contributes to future cash flows
- (b) How the entity will fulfil or settle the liability?

2 Do the changes made to this section of the discussion paper, address the comments made at the February and March 2013 IASB meetings?

3 Do you have any comments on any other aspects of this section?

4 Do you have any comments on the proposed questions for respondents to the DP (paragraphs 143 - 144)?