

STAFF PAPER

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IASB Meeting

| Project | Conceptual Framework | | |
|-------------|--|-------------------|---------------|
| Paper topic | Draft discussion paper appendix Measurements in existing and proposed IFRSs | | |
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This paper has been prepared by staff of the IFRS Foundation. The views expressed in this paper reflect the individual views of the author[s] and not those of the IASB or the IFRS Foundation. Comments on the application of IFRSs do not purport to set out acceptable or unacceptable application of IFRSs.

This paper is a very early draft of part of the Conceptual Framework discussion paper. It has been prepared by the staff for discussion by the IASB. Issues discussed and conclusions reached will be subject to change.

Purpose of this appendix

1. The table in this appendix summarises at a high level whether present value computations used in existing and proposed IFRSs include the following inputs:
 - (a) Current or original estimates of cash flows.
 - (b) Current or original discount rates.
 - (c) a risk premium for bearing risk, and if so, whether it is updated, or locked in at inception.
 - (d) For liabilities, a reflection of the possibility that the entity may not be able to settle its liabilities when they are due (the entity's 'own credit') and, if so, whether that input is updated, or is locked in at inception.
2. The table also shows whether the inputs are from an entity-specific perspective or a market perspective. Unless otherwise indicated, discount rates are always market rates.

Present value computations in existing and proposed IFRSs

| Approach | Cash flows | Discount rate | Risk | Own credit | Perspective | Comments |
|--|------------|---------------------------------------|--------------------------------------|-------------------------------------|--|---|
| 1. Amortised cost of financial assets and financial liabilities | Current | Original (except variable rate items) | Original, implicit in discount rates | Original, implicit in discount rate | Entity | Broadly similar approach used for lease receivables (lessor) and lease liabilities (lessee) |
| 2. Value in use (used in impairment testing under IAS 36 <i>Impairment of Assets</i>) | Current | Current | Current | N/A | Cash flows: entity Discount rate and risk: market | |
| 3. Net realisable value (used in impairment testing of inventories) | Current | None | No | N/A | Entity | |
| 4. Post-employment benefits | Current | Current | No | No | Entity | Discount rate: high quality corporate bond (government bond in some cases) |

| Approach | Cash flows | Discount rate | Risk | Own credit | Perspective | Comments |
|---|-------------------|----------------------|----------------------------|-------------------|--------------------|--|
| 5. Provisions (liabilities of uncertain amount or timing) | Current | Current | Current (in discount rate) | Unclear | Entity? | No specific reference to own credit. Some wording implies market perspective, other wording suggests entity-specific |
| 6. Deferred tax liabilities and deferred tax assets | Current | None | No | No | Entity | Objective is to show the tax the entity will pay or recover if it recovers or settles the carrying amount of its assets and liabilities. |
| 7. Insurance contracts (forthcoming exposure draft) | Current | Current | Current | No | Entity | Original discount rate for profit or loss, difference to OCI. Measure also includes a contractual service margin. |
| 8. Fair value: assets | Current | Current | Current | N/A | Market | |
| 9. Fair value: liabilities | Current | Current | Current | Current | Market | |