

STAFF PAPER

July 2014

REG IASB Meeting

Project	Conceptual Framework		
Paper topic	Measurement – Cash-flow-based measurements		
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Purpose of paper

1. The Discussion Paper grouped measurements into three categories:
 - (a) cost-based measurements;
 - (b) current market prices including fair value; and
 - (c) other cash-flow-based measurements.
2. AP 10K *Measurement – Measurement categories* discusses the staff's recommended approach to describing measurement bases other than cash-flow-based measurements. This paper discusses:
 - (a) The purpose of cash-flow-based measurements – are cash-flow-based measurements simply a technique to estimate the measurement bases described in AP 10K *Measurement – Measurement categories* or can such a measurement be described as a measurement basis in its own right?
 - (b) Possible changes to the description in the Discussion Paper of the factors to be considered when developing a cash-flow-based measurement.

Summary of staff recommendations

3. The staff recommend that the IASB should **not** restrict its use of cash-flow-based measurements to situations when they are being used as a technique to estimate the result of applying other measurement bases.
4. The staff also recommend including in the Exposure Draft:
 - (a) An expanded discussion of the different approaches to dealing with uncertain cash flows (paragraphs 23 - 25);
 - (b) Additional guidance on the use of discount rates (paragraphs 26 - 27). This guidance would state, amongst other things, that if an entity measures an item using a cash-flow-based measurement and the effect of the time value of money is significant for the cash flows associated with that item, then the entity should discount those cash flows to reflect the time value of money;
 - (c) Additional guidance on when the effect of changes in an entity's own credit standing should be included in the measurement of a liability (paragraphs 28 - 29).

Structure of paper

5. This paper is structured as follows:
 - (a) Background (paragraphs 6 - 9);
 - (b) Feedback (paragraphs 10 - 15);
 - (c) Staff analysis (paragraphs 16 - 29).

Background

6. The Discussion Paper noted that cash-flow-based measurements, other than estimates of current prices, are used when:
 - (a) cost or a current market price does not provide sufficiently relevant information;

- (b) there is no cost or proceeds for the item being measured (for example, liabilities without stated terms); or
 - (c) a current market price is too difficult or costly to obtain.
7. It was also noted that cash-flow-based measurements can be custom-designed to fit a particular asset or liability and, consequently, it might be possible to create new measurements in each new Standard. However, the Discussion Paper stated that when deciding whether to use a custom-designed measurement, the IASB would need to consider whether it will be understandable for users of financial statements. In addition, it noted the IASB's preliminary view that the number of different measurement bases used should be the smallest number necessary to provide relevant information¹.
8. The Discussion Paper identified the following factors that should be considered when developing a cash-flow-based measurement:
- (a) estimates of the amounts of cash flows;
 - (b) expectations about possible variations in the amounts and timing of the cash flows resulting from the uncertainty inherent in those cash flows;
 - (c) the time value of money;
 - (d) the price for bearing the uncertainty inherent in the cash flows (ie a risk premium);
 - (e) other factors, such as illiquidity, that market participants would take into account; and
 - (f) for a liability, the non-performance risk relating to that liability, including the entity's (ie the obligor's) own credit risk.
9. The Discussion Paper noted that not all of the factors listed in paragraph 8 are considered in every cash-flow-based measurement and discussed when including or excluding a particular factor from a measurement might provide useful information to users of financial statements. This discussion is reproduced in the appendix to this paper.

¹ Possible changes to this preliminary view are discussed in AP 10J *Measurement – Objective and the effect of the qualitative characteristics*.

Feedback

10. Respondents were not asked a specific question on the discussion of cash-flow-based measurements within the Discussion Paper. However, a number of respondents provided comments.
11. A few respondents stated that cash-flow-based measurements should not be treated as a separate measurement category or basis. They expressed the view that cash-flow-based measurement should be used only as a measurement technique to arrive at an estimate of either a cost-based measurement or a current measurement. In addition, a few respondents stated that when a cash-flow-based measurement is used, the Standard should clearly state the measurement objective or basis for the item being measured (for example, fair value, value in use, etc).
12. A few respondents interpreted the statement in the Discussion Paper about when cash-flow-based measurements would be used (see paragraph 6) as meaning that cash-flow-based measurement would be treated as the default measurement basis. Some respondents objected to treating cash-flow-based measurements as a default measure, because of the subjective estimates and judgements needed to arrive at a cash-flow-based measurement.
13. A few respondents commented as follows on the discussion of factors to be considered when developing a cash-flow-based measurement:
 - (a) The discussion does not clearly indicate when particular factors should be included or excluded. Consequently, it is unlikely to provide useful guidance to the IASB.
 - (b) To help achieve consistency between Standards, further conceptual guidance is needed on the use and determination of discount rates.
 - (c) With respect to own credit risk:
 - (i) The *Conceptual Framework* should reach a conclusion on whether the effect of own credit risk should be included in a cash-flow-based measurement;
 - (ii) The discussion does not provide sufficient guidance to the IASB on when or why the effect of own credit risk should be included in a cash-flow-based measurement;

- (iii) Including the effect of changes in own credit risk does not provide useful information and these effects should be excluded from cash-flow-based measurements;
 - (iv) Including the effect of changes in own credit might not provide a faithful representation of an entity's performance if those changes are not expected to crystallise.
14. Some respondents commented on the use of expected value (probability-weighted average) techniques:
- (a) Expected value may ultimately differ significantly from the actual outflow. In some cases, for example when there are only two (binary) outcomes, expected value may differ from all possible outcomes. Thus, measurements based on expected values are not useful for making decisions, and are not readily explainable, and users may decide to ignore them.
 - (b) Weighted averages should be considered only in very limited situations, such as to average out a range of outcomes in a population of homogeneous items. They are not suitable for a small population.
 - (c) These techniques would make financial statements more complex and the resulting measurement uncertainty would significantly increase subjectivity in their preparation.
15. A few respondents also suggested that the *Conceptual Framework* should discuss the use of best estimates (most likely outcomes) in measurement.

Staff analysis

16. Based on the responses to the Discussion Paper the staff believe that the following issues need to be addressed:
- (a) Should cash-flow-based measurements be used solely as measurement **techniques** to arrive at an estimate of either a cost-based measurement or a current measurement or can they be measurement **bases** in their own right (paragraphs 17 - 20).

- (b) Should we make any changes to the discussion of factors that should be considered in developing cash-flow-based measurements (paragraphs 21 - 29)?

Are cash-flow-based measurements measurement techniques or measurement bases?

17. As noted in paragraph 11, a few respondents stated that a cash-flow-based measurement is not a measurement basis or category. Instead, cash-flow-based measurement should be viewed only as a measurement technique to arrive at a cost-based or current measurement basis.
18. It is true that in many cases cash-flow-based techniques are used to make estimates when applying other measurement bases. For example, estimates of level three fair values or of value in use often rely on such techniques. When a cash-flow-based measurement technique is used in this way, the staff believe that it is important that the relevant standard clearly state the measurement objective or basis.
19. However, cash-flow-based measurements are not always used as techniques to estimate other measurement bases. Sometimes they are used as a measurement basis in their own right. For example:
- (a) Although the name of the amortised cost basis of measurement for financial assets and financial liabilities might suggest that it is a cost-based measurement, it is more accurately described as a cash-flow-based measurement. Under the amortised cost measurement basis in IFRS 9 *Financial Instruments*:
- (i) Financial liabilities are measured using updated cash flow estimates, discounted at the original effective interest rate (a rate determined at initial recognition).
- (ii) Financial assets are measured using updated cash flow estimates (excluding expected credit losses), discounted at the original effective interest rate and are adjusted for any loss allowance. The calculation of the loss allowance also uses updated cash flow estimates that are discounted at the original effective interest rate.

- (b) The measurement of post-employment benefits under IAS 19 *Employee benefits* uses best estimates of the ultimate cash flows, rather than expected values (reflecting the entity's perspective). The cash flows are discounted using the rate for a high quality corporate or government bond. The measure does not reflect the degree of uncertainty in the contractual cash flows and does not include the entity's own credit risk.
 - (c) The measurement basis proposed in the Insurance Contracts project uses expected values of the cash flows (reflecting the entity's perspective). The cash flows are discounted at rates consistent with the characteristics of the liability. The measure includes an explicit risk adjustment to reflect the degree of uncertainty in the contractual cash flows but does not include the entity's own credit risk. In addition, a contractual service margin is included.
 - (d) When a cash-flow based technique is used to measure an item that is hedged in a fair value hedging relationship, fair value hedge accounting amends the underlying cash-flow based measurement of the hedged item by updating it for the hedged risk.
20. The staff believe that by including or excluding particular factors from a cash-flow-based measurement the IASB may be able to develop measurements for particular assets or particular liabilities that provide more useful information to the users of financial statements than the measurement bases described in AP 10K *Measurement – Measurement categories*. Consequently, the staff do not believe that the IASB should restrict its use of cash-flow-based measurements to situations when they are being used to estimate the result of applying other measurement bases. However, when the IASB decides to use a cash-flow-based measurement as a measurement basis in its own right, it should clearly and concisely describe what that measurement basis is intended to depict.

Question 1

The staff recommend that the IASB should **not** restrict its use of cash-flow-based measurements to situations when they are being used as a technique to estimate the result of applying other measurement bases.

Do you agree?

Factors to be considered in cash-flow-based measurements

21. Paragraphs 6.112-6.130 of the Discussion Paper discussed factors that should be considered in developing cash-flow-based measurements. The staff believe that the following changes should be made to that discussion:
- (a) As noted in paragraph 12, a few respondents interpreted the statement in the Discussion Paper about when cash-flow-based measurements would be used as meaning that they would be treated as the default measurement basis. We do not believe that this was the IASB's intention. The staff believe that cash-flow-based measurements should be used when they provide useful information, but they are not intended to be the default measurement. We propose to clarify this in drafting. In addition, we will discuss selection of a measurement basis at a future meeting.
 - (b) The discussion of whether to use an entity perspective or market perspective (Discussion Paper paragraphs 6.125 – 6.127) is relevant to the selection of any measurement basis (not just a cash-flow-based measurement). We propose to make this clearer in drafting. AP 10K *Measurement – Measurement categories* includes an updated discussion of the perspective of measurement.
 - (c) The description of the use of cash-flow based measurements in existing Standards (Discussion Paper paragraphs 6.122 – 6.123) provided useful context for the Discussion Paper. However, because a discussion of this type is likely to become outdated as Standards change, we propose not to include it in the Exposure Draft.

22. In addition, the staff believe that a number of improvements could be made to the discussion of factors to consider in developing cash-flow-based measurements.

These are discussed in the following paragraphs:

- (a) Uncertain cash flows (paragraphs 23 - 25);
- (b) Discount rates (paragraph 26 - 27);
- (c) Own credit (paragraphs 28 - 29).

Uncertain cash flows

23. The staff believe that a detailed discussion of how to deal with uncertainty about the amount or timing of cash flows is beyond the scope of the *Conceptual Framework*². However, we believe that a discussion of the different approaches to dealing with uncertain cash flows would help the IASB when setting Standards and help others to understand the different information provided by the different approaches to dealing with uncertain cash flows.

24. Consequently, we believe that the Exposure Draft should state that:

- (a) When measuring an asset or liability by reference to uncertain future cash flows, it is necessary to represent the range of possible cash flows by selecting a single amount. The most relevant amount is usually one from the centre of the range (a central estimate).
- (b) Different central estimates provide different information³. For example:
 - (i) Expected values (probability-weighted averages or mean values) are used in estimating the value of an asset or liability at the measurement date. They are not intended to predict the ultimate inflow or outflow arising from that asset or liability.
 - (ii) Measurements based on the maximum amount that is more likely than not to occur (similar to the statistical median) indicate that the probability of a subsequent loss is no more

² A more detailed discussion about how to deal with uncertainty about the amount or timing of future cash flows can be found in [AP2A Cross cutting issues - Measuring uncertain cash flows: Comparison of different measures](#) discussed at the February 2011 IASB meeting.

³ However, as noted in paragraph 6.115 of the Discussion Paper, none of these central estimates include the price for bearing the uncertainties in the cash flows (ie a risk adjustment).

than 50 per cent and that the probability of a subsequent gain is no more than 50 per cent.

(iii) Measurements based on the most likely outcome (the statistical mode) attempt to predict the ultimate inflow or outflow arising from an asset or liability rather than the value of that asset or liability at the measurement date.

- (c) Expected values are additive. In other words, the expected value of a portfolio equals the sum of the expected values of the items within the portfolio. However, medians and modes are not usually additive.
- (d) For a large portfolio of items whose outcomes are independent of each other, the expected value for the portfolio is likely to be close to the most likely outcome for the portfolio, although it may differ materially from the sum of the most likely outcomes for each individual item.
- (e) For a large portfolio of items whose outcomes are correlated, the expected value for the portfolio may differ materially from the most likely outcome for the portfolio.
- (f) When the probability distribution for the possible outcomes is distributed more or less symmetrically around its centre, the expected value, median and mode are more or less identical.
- (g) No one central estimate gives complete information about the range of possible outcomes. To provide complete information, disclosure may be needed.

25. In addition, the staff believe that it would be useful to include a simple example in the *Conceptual Framework* to illustrate the different central estimates described above:

Example

Probability	Cash flow (CU)
40%	100
30%	200
30%	500

In this example:

- (a) The expected value (the mean) is CU250 (40% X CU100 + 30% X CU200 + 30% X CU500).
- (b) The maximum amount that is more likely than not to occur (the median) is CU200 (The probability that the cash flow will be more than CU200 is less than 50% and the probability that the cash flow will be less than CU200 is less than 50%).
- (c) The most likely outcome (the mode) is CU100. It is the outcome with the highest probability.

Discount rates

- 26. The IASB is currently undertaking research into the use of discount rates. This research may indicate areas where additional guidance on discount rates may be beneficial. Consequently, we do not believe that the *Conceptual Framework* should provide detailed guidance on this area at this time.
- 27. However, the staff believe that a number of points about discounting could usefully be made in the *Conceptual Framework* at this time, namely:
 - (a) A payment of CU100 to be received tomorrow is more valuable than the same payment to be received in 10 years. This difference arises because of the time value of money. Discounting the cash flow to be received in 10 years reflects the time value of money and provides useful information about the different values of these payments. Consequently, if an entity measures an item using a cash-flow-based measurement and the effect of the time value of money is significant for the cash flows associated with that item, then the entity should discount

those cash flows to reflect the time value of money. This reflects the approach used in most recent Standards⁴;

- (b) There is often debate about the rate that should be used for discounting. We believe that the following would help clarify the factors that should be included in a discount rate:
 - (i) If discounting is being used to reflect only the time value of money, then a rate that reflects only the passage of time and excludes other factors (for example, credit risk, liquidity, etc) should be used.
 - (ii) In practice, an entity may adjust the discount rate used to address other factors (for example, credit risk, liquidity, etc) associated with the cash flows. If the rate used to discount the cash flows is adjusted to reflect these other factors, then, to avoid double counting, the cash flows should exclude the effect of these factors.

Own credit

- 28. As noted in paragraph 13(c), a few respondents to the Discussion Paper requested additional guidance on including the effect of changes in own credit in a cash-flow-based measurement.
- 29. The staff believe that the following points about including the effect of changes in own credit in the measurement of a liability could be made in the *Conceptual Framework*:
 - (a) Uncertainty about the ability of an entity to settle its liabilities when they are due is included in the market price of liabilities. Consequently, if a cash-flow-based measurement is used to estimate a market price for a liability of the reporting entity (for example, a level 3 estimate of fair value), that estimate should reflect the entity’s own credit standing.
 - (b) However, including the effect of changes in own credit on the measurement of a liability may not always provide useful information to users of financial statements because:

⁴ Although, it is inconsistent with the treatment of deferred tax assets and deferred tax liabilities which are undiscounted amounts.

- (i) Unless the entity defaults on the liability or re-negotiates it, the effect of changes in own credit are likely to reverse over time;
 - (ii) The recognition of gains or losses arising on changes in own credit can have a counter-intuitive effect on the financial performance of an entity (gains are recognised when the financial position of the entity has deteriorated and losses are recognised when its financial position has improved).
- (c) Consequently:
- (i) If a cash-flow-based technique is being used to estimate a market price (for example, a level 3 estimate of fair value), the IASB should consider how best to reflect changes in own credit in the financial statements (for example, it might sometimes require separate presentation of the gains and losses attributable to changes in own credit).
 - (ii) If a cash-flow-based technique is not being used to estimate a market price, the IASB should consider selecting a measurement basis that excludes the effect of changes in own credit.

Question for the IASB

Question 2

The staff recommend including in the Exposure Draft:

- (a) An expanded discussion of the different approaches to dealing with uncertain cash flows (paragraphs 23 - 25);
- (b) Additional guidance on the use of discount rates (paragraphs 26 - 27).
This guidance would state, amongst other things, that if an entity measures an item using a cash-flow-based measurement and the effect of the time value of money is significant for the cash flows associated with that item, then the entity should discount those cash flows to reflect the time value of money; and

(c) Additional guidance on when the effect of changes in an entity's own credit standing should be included in the measurement of a liability (paragraphs 28 - 29).

Do you agree?

Appendix - Factors considered in other cash-flow-based measurements

A1. The following paragraphs reproduce the discussion of the factors considered in other cash-flow-based measurements from the Discussion Paper.

Factors considered in other cash-flow-based measurements

- 6.112 By definition, all cash-flow-based measurements start with estimates of the amounts of cash flows. Other factors that may be considered are:
- (a) expectations about possible variations in the amount and timing of the cash flows resulting from the uncertainty inherent in those cash flows (see paragraph 6.113);
 - (b) the time value of money (see paragraph 6.114);
 - (c) the price for bearing the uncertainty inherent in the cash flows (ie a risk premium) (see paragraph 6.115);
 - (d) other factors, such as illiquidity, that market participants would take into account (see paragraphs 6.116 – 6.117); and
 - (e) for a liability, the non-performance risk relating to that liability, including the entity's (ie the obligor's) own credit risk (see paragraph 6.128 – 6.130).
- 6.113 Uncertainties about the amount of any cash flows are important characteristics of assets and liabilities. Consider, for example, a liability for which there are three possible amounts (CU10, CU50 and CU80).⁵ If there is a 10 per cent chance that the outcome will be CU10, a 60 per cent chance that the outcome will be CU50, and a 30 per cent chance that the outcome will be CU80, the most likely outcome is CU50. However, there are two other possibilities and, as a result, the expected value of the cash flows is CU55.⁶ A user of financial statements would probably

⁵ In this Discussion Paper, currency amounts are denominated in 'currency units' (CU).

⁶ The expected value of the cash flow is the sum of the products of each of the possible outcomes multiplied by the probability of occurrence of each outcome. In this case the expected cash flow is CU55 (CU10 X 10% + CU50 X 60% + CU80 X 30%).

not view the most likely cash flow of CU50 to be the same as a certain cash flow of CU50.

- 6.114 Timing of cash flows and the time value of money affect many measures because a payment of CU1,000 to be received tomorrow is more valuable than the same payment to be received in 10 years.
- 6.115 The price for bearing the uncertainty that is inherent in the cash flows depends on the uncertainty, but it is not the same thing. Two assets with expected cash flows of CU100 can have very different ranges of possible outcomes. One might have only two possible outcomes—CU0 or CU200—each with a 50 per cent probability. The other might have two possible outcomes—CU99 and CU101—each with a 50 per cent probability. Most investors would not pay as much for the first asset, because its outcomes are more uncertain. That difference constitutes the price for bearing that additional uncertainty (ie a risk premium).
- 6.116 Not all of the factors in paragraph 6.112 (referred to simply as ‘factors’ from here on) are considered in every cash-flow-based measurement. The factor mentioned in paragraph 6.112(d) (other factors such as illiquidity) is not currently considered in any cash-flow-based measurement except fair value. Illiquidity from a market perspective is considered in the measurement proposed in the Exposure Draft *Insurance Contracts*.
- 6.117 The following discussion of factors to consider does not include illiquidity and similar factors and presumes that they should not be considered in most measurements other than estimates of current market prices. Illiquidity and similar factors may be unidentifiable or difficult to quantify. Consequently, including them in measurement may not provide relevant information.
- 6.118 The important questions to ask about cash-flow-based measurements are:
- (a) which of the factors listed in paragraph 6.112 should be considered?
 - (b) when should these factors reflect the view of market participants and when should they reflect the reporting entity’s perspective?
 - (c) should the asset or the liability be remeasured at the end of every reporting period or remeasured only in response to triggering events?

- (d) when remeasurement occurs, which factors should be updated and which should be held constant?

- 6.119 If the objective of a cash-flow-based measurement is a current market price estimate, all factors would be considered and would reflect a market participant view. Regular remeasurement would be required and all factors should be updated.
- 6.120 If the objective is to estimate what cost would have been in a market transaction as a starting point for a subsequent cost-based measurement, the initial measure would be the same as a current market buying price. It would not be updated in subsequent measurements unless the asset's carrying amount is not recoverable from future cash flows or the liability's carrying amount is not adequate to cover future cash flows.
- 6.121 If the objective of the measurement is to test for impairment of an asset carried at a cost-based amount, consistently with the idea that changes in measurements should be avoided, the measurement might be more relevant if it includes the effects of changes in estimated cash flows and ignores other changes. That could be done by changing the estimates of cash flows and holding other factors (such as changes in interest rates and changes in the price for bearing the risk of changes in the probability of default) constant.
- 6.122 Cash-flow-based measurements required by existing Standards differ:
- (a) in value-in-use asset impairment tests, as used in IAS 36 *Impairment of Assets*, all factors are considered, but the cash flows are estimated from the entity's perspective instead of from a market perspective. The measurement is performed periodically and all factors are updated, but the carrying amount can never be more than what it would have been without an impairment test.
 - (b) the impairment measure for financial assets subject to cost-based measurements uses updated cash flow estimates from the entity's perspective. No other factors are updated.
 - (c) the measure of post-employment benefits under IAS 19 *Employee Benefits* considers most of the factors from the perspective of the entity. The discount rate is the rate for high quality corporate or government

bonds, which does not reflect the degree of uncertainty in the contractual cash outflows and does not include the entity's own credit risk. The measure is updated each period and all factors are updated. Estimates of cash flows are best estimates of the ultimate cost, rather than expected values.

- (d) the measure of a hedged item in a fair value hedging relationship is updated for changes in value arising from the hedged risk only.
- (e) the measures of deferred tax assets and deferred tax liabilities do not include any of the factors. They are undiscounted estimates of the income tax cash flows that would arise if the entity recovered the carrying amount of its assets and settled the carrying amount of its liabilities.

6.123 The measurement proposed in the Exposure Draft *Insurance Contracts* considers all factors except the entity's own credit risk. All factors, except the time value of money and illiquidity, are from the perspective of the entity.

6.124 Two matters deserve further discussion—entity perspective or market perspective (see paragraphs 6.125 – 6.127) and an entity's own credit risk (see paragraphs 6.128 – 6.130).

Entity perspective or market perspective?

6.125 Whether to use an entity perspective or a market perspective depends on two things—the availability of market information and the likely relevance of each perspective for the specific asset or liability.

6.126 If market inputs are observable, estimation is easier and more readily verifiable. The market participant perspective may be particularly relevant for assets that will be sold without significant selling effort.

6.127 The entity-specific perspective may be more relevant for some assets held for use, and for liabilities that will be settled by performing services. Entity-specific inputs would be relevant for unique and highly uncertain cash flows and may better indicate ultimate cash flows if the entity has plans that are different from plans of typical market participants or has more or better information. One concern about

entity-specific estimates is that they may inadvertently reflect synergies with other assets and so may not measure only the item that they purport to measure.

An entity's own credit risk

- 6.128 The possibility exists that an entity will not be able to settle its liabilities when they are due. That uncertainty is reflected in the market prices of loans (the interest rate charged) and in the original issue price of bonds, and is incorporated in some fashion into the pricing of every liability for which there is a transaction price. Consequently, it is automatically included in the initial measures of those liabilities. In those cases, the controversial issue is whether subsequent measurements of liabilities should reflect changes in the expected cash flows due to changes in the probability of non-payment, and whether they should reflect changes in the market price for bearing the risk of changes in the probability of non-payment.
- 6.129 Updating the measure of a liability for changes in credit risk (and market interest rates) adds discriminatory power. In other words, it helps to distinguish between liabilities with similar face values or original proceeds but with different amounts and timings of payments. The concerns generally focus on gains recognised when a liability is discounted at a higher rate because an entity's credit standing is deteriorating or because there has been an increase in the market price for bearing the risk of changes in the probability of default. Recognised gains are normally considered indicators of positive performance, but in that case, a gain indicates that the entity's overall financial position has deteriorated.
- 6.130 For other cash-flow-based measurements, reflecting uncertainty due to an entity's own credit risk is controversial for initial measurement as well. If the uncertainty in a cash flow estimate reflects a market perspective, the estimate would include uncertainty due to the entity's credit standing. However, if the uncertainty is from the entity's own perspective, it may or may not reflect uncertainty due to the entity's credit standing.