



Agenda paper 2

Measuring quoted investments at fair value

CMAC meeting
October 2014

The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.

- **Background**

- Exposure Draft (ED) *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* published in September 2014. Comment period ends 16 January 2015.
- ED clarifies that the measurement of quoted investments in subsidiaries, joint ventures and associates at fair value should be based on the product of the quoted price for the individual financial instruments that make up the investment (P) and the quantity of financial instruments (Q), ie $P \times Q$.

- **Board's rationale**

- The IASB reached this conclusion because it believes that the resulting measurements are more relevant, objective and verifiable when they are based on unadjusted Level 1 inputs.
- The proposed resulting measurements are more closely aligned with the principles in IFRS 13.

- When are investments required or permitted to be measured at fair value?

	Consolidated financial statements	Separate financial statements
Subsidiaries	When held by an investment entity [R]	<ul style="list-style-type: none">When held by an investment entity [R]When not held by an investment entity [O]
Joint Ventures / Associates	When held by a venture capital organisation, mutual fund, unit trust and similar entities [O]	<ul style="list-style-type: none">When held by venture capital organisations, etc, if they have been measured at fair value in the consolidated f/s [R]When not held by venture capital organisations, etc [O]

[R]: required; [O]: optional

Effect of the clarifications

- The clarifications in the ED may have an effect on entities that were measuring quoted investments at fair value by using:
 - ✓ $P \times Q + \text{Adjustments}$ (for control premium, significant influence etc)
 - ✓ a valuation technique (for example, discounted cash flow method)

Which measurement method provides investors with the most useful information for quoted investments? Why?

(a) $P \times Q$; or

(b) $P \times Q + \text{Adjustments}$ / Valuation technique

Appendix—Main disclosure requirements

	Requirements
For all fair value measurements	The level of the fair value hierarchy within which the fair value measurements are categorised
Level 1, Level 2 measurements	The amounts of any transfers between Level 1 and Level 2
Level 2, Level 3	Description of the valuation technique and the inputs used in the fair value measurement
Level 3	<ul style="list-style-type: none">• Quantitative information about the significant unobservable inputs used• Reconciliation from opening balances to closing balances• Description of valuation processes used by the entity• Description of the sensitivity of the fair value measurement to changes in unobservable inputs and description of any interrelationship between unobservable inputs

Thank you

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