



EEG, November 2016  
Agenda Paper 2

# IFRS 13

## *Fair Value Measurement*

Post-implementation Review

The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board (the Board) or IFRS Foundation.

- Purpose of the session
- Post-implementation Review Process
- Background—why was IFRS 13 developed?
- Scope of the Post-implementation Review (PIR) of IFRS 13  
*Fair Value Measurement*
- Main uses of fair value in IFRS Standards
- US GAAP—equivalent requirements
- Role of national standard-setters in the PIR of IFRS 13
- Question for IFASS members

# Purpose of the session

- This session forms part of phase 1 of the PIR of IFRS 13 and aims to help the Board identify any major issues that entities encountered when implementing the IFRS 13.
- The purpose of this session is to:
  - provide information about the PIR of IFRS 13.
  - obtain input and, if possible, discuss issues which have made the implementation of IFRS 13 challenging.
- This session complements feedback received during IFASS meeting in September 2016

# Post-implementation Review Process

- The Board's due process requires it to review of new Standards after they have been applied internationally for two years.
- The PIR involves:
  - an initial identification and assessment of the matters to be examined in the PIR (phase 1);
  - publication of a Request for Information (RFI); and
  - consideration of the evidence and presentation of findings.
- The PIR concludes with a Feedback Statement that presents the Board's findings and sets out the steps it plans to take, if any, as a result of the PIR.

- The Due Process Handbook requires that the PIR considers the issues that were important or contentious during the development of the Standard as well as any issues that have come to the attention of the Board after the Standard was issued.

# Background—why was IFRS 13 developed?

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(\*): Topic 820 codified FASB Statement of Financial Accounting Standards No. 157 *Fair Value Measurements*.

- IFRS 13 applies when another IFRS Standard requires or permits fair value measurements (FVM) or disclosures about FVM.
- The requirements in IFRS 13 set out how to measure fair value and what information to disclose in relation to fair value.
- Only IFRS 13 requirements are under review—ie the *FVM* and *disclosures* about fair value, *not what* assets and liabilities should be measured at fair value and *when* to measure them, both of which are addressed in other Standards.

# Main uses of fair value in IFRS Standards

IFRS Standard	How is fair value used?	IFRS 13 measurement applies	IFRS 13 disclosures apply
<b>IFRS 3</b> <i>Business Combinations</i>	<b>Required</b> , with some exceptions	Yes	No
<b>IFRS 5</b> <i>Non-current Assets Held for Sale and Discontinued Operations</i>	<b>Threshold</b> , required if fair value less costs to sell is lower than the carrying amount	Yes	Yes
<b>IFRS 9</b> <i>Financial Instruments</i>	<b>Required</b> , depending on the business model	Yes	Yes*
<b>IAS 16</b> <i>Property, Plant and Equipment</i>	<b>Optional</b> , accounting policy choice	Yes	Yes
<b>IAS 19</b> <i>Employee Benefits</i>	<b>Required</b> , for pension plan assets only	Yes	No
<b>IAS 36</b> <i>Impairment of Assets</i>	<b>Threshold</b> , required if fair value less costs of disposal is lower than the carrying amount and higher than value in use	Yes	No
<b>IAS 38</b> <i>Intangible Assets</i>	<b>Optional</b> , accounting policy choice	Yes	Yes
<b>IAS 40</b> <i>Investment Property</i>	<b>Optional</b> , accounting policy choice	Yes	Yes*
<b>IAS 41</b> <i>Agriculture</i>	<b>Required</b> , fair value less costs to sell	Yes	Yes

\* FVM disclosures are required even when the measurement basis is amortised cost (IFRS 9) or cost (IAS 40).



# US GAAP—equivalent requirements

- Topic 820 *Fair Value Measurement* is substantially the same as IFRS 13.\*
- The US Financial Accounting Foundation (FAF) completed its PIR of Topic 820 in 2014. Among its findings were:
  - Topic 820 met its objectives and provided decision-useful information to investors;
  - the benefits exceeded the costs; but
  - some stakeholders questioned the adequacy and completeness of disclosures and the Standard’s relevance to certain types of entities.
- The FASB responded that it would address some points identified in the PIR in its disclosure-related projects and in its research on accounting for pensions.

\*: Paragraphs BC237–238 of IFRS 13 describe the differences between IFRS 13 and Topic 820.

- Initial outreach (this session) to identify any major issues which have made the implementation of IFRS 13 challenging.
- Consult ASAF before presenting the Phase 1 outreach findings to the Board.
- After the publication of the RFI, ask national standard-setters to obtain input from their respective jurisdictions.
- Consult with ASAF on the findings of the PIR.

# Question for EEG members

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- Are you aware of any major issues which have made the implementation of IFRS 13 challenging?
- If yes, please describe and categorise any issue you have identified—see next slide

# IFRS 13 Categories for issues identified

- What is the nature of the asset or liability (eg financial instrument related, non-financial instrument)?
- Is the issue measurement or disclosure related?
- Does the issue arise due to:
  - the requirements in IFRS 13, or
  - requirements that are missing from IFRS 13, or
  - the requirements in other IFRS Standards?
- Is the issue unique to a particular industry or economic environment?

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