

STAFF PAPER

February 2017

IASB® Meeting

| Project | Post-implementation Review of IFRS 13 <i>Fair Value Measurement</i> | | |
|-------------|---------------------------------------------------------------------|--------------------------------------------------------------|----------------------|
| Paper topic | Due process steps followed during Phase 1 of the PIR | | |
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (the Board) and does not represent the views of the Board or any individual member of the Board. Comments on the application of IFRS® Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in the IASB Update.

Objective

1. This paper:
 - (a) summarises the Board's decisions on the project;
 - (b) recommends a response period for the Request for Information (RFI);
 - (c) presents a proposed timetable for publication;
 - (d) summarises the due process steps undertaken to date during the first phase of the Post-implementation Review (PIR) of IFRS 13 *Fair Value Measurement* (IFRS 13); and
 - (e) asks the Board:
 - (i) Whether you agree with staff recommendation to allow a minimum of 120 days for responses to the RFI? and
 - (ii) Whether you are satisfied that all the mandatory due process steps required to date have been met in developing the RFI?

Summary of the Board's decisions

2. The Board met on 18 January 2017 to discuss Phase 1 of the PIR of IFRS 13 and next steps. The Board considered the results of outreach conducted in the period from September to December 2016. The results had been obtained from 25 meetings with a broad range of stakeholders, including preparers, auditors, investors, standard-setters, regulators and valuation professionals.

3. The Board tentatively decided to:

- (a) proceed with Phase 2 of the PIR.
- (b) focus the scope of the PIR on:
 - (i) the effectiveness of disclosures about fair value measurements;
 - (ii) the unit of account and fair value measurement of quoted investments;
 - (iii) the application of judgement in specific areas; and
 - (iv) the application of highest and best use when measuring the fair value of non-financial assets.

In addition, the PIR will explore the extent and type of education material that might be needed on measuring the fair value of biological assets and unquoted equity instruments.

- (c) conduct the following activities during Phase 2 of the PIR:
 - (i) issue an RFI with questions on the areas included in 3(b) above;
 - (ii) review academic and non-academic literature;
 - (iii) conduct outreach on the questions included in the RFI, with additional consultations with investors and preparers to assess what information is useful and what information is costly to prepare in respect of disclosures about fair value measurement; and
 - (iv) gather additional evidence to supplement the information received from the above activities.

Recommendation for the response period

4. The Handbook states that the Board normally allows a minimum of 120 days for responses to an RFI for a PIR. The staff recommends that the response period for the IFRS 13 PIR RFI is set at a minimum of 120 days.

Proposed timetable for publication

5. The staff's proposed timeline for the publication includes a draft to be shared with the Board by the end of March and to have the completed RFI ready for publication in May 2017.

Summary of Due Process Steps Taken

6. The Board's due process requirements are set out in the Handbook approved by the Trustees in January 2013, as updated in June 2016.¹
7. Table of due process steps included in the appendix explains how due process was complied with during the Phase 1 of the IFRS 13 PIR.

Questions for the Board

Question 1 – response period

Do you agree with the staff recommendation to allow for a minimum 120 day response period for the RFI on IFRS 13 PIR?

Question 2 – due process

Are you satisfied that all mandatory due process steps required to date have been met?

¹ The Handbook can be found at:

<http://www.ifrs.org/DPOC/Due-Process-Handbook/Documents/Due-Process-Handbook-June-2016.pdf>

Appendix — Table of due process steps completed

| Step | Required/ optional | Metrics | Evidence to DPOC | Staff/Board action | DPOC action |
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| Timetable for PIR is established. | Required | The PIR has been discussed in a public meeting and included in the IASB work programme. | The IASB has reported on progress as part of its quarterly report at Trustee meetings. | The project team started work on IFRS 13 PIR in September 2016. The project was added to the work programme. The staff briefed the Board about the commencement of the PIR, the scope of the first phase and the timetable at the Board's October 2016 meeting. | DPOC were informed in October 2016 that the work on Phase 1 IFRS 13 PIR was starting. |
| Establishment of scope, including identifying the important or contentious issues that came up during the development of the publication. | Required | The initial review should draw on the broad network of IFRS-related bodies and interested parties. Contentious issues are identifiable from the Basis for Conclusions, Project Summary, Feedback Statement and Effect Analysis. Significant issues that have come to the attention of the IASB after the document was published. | The IASB has reported on progress as part of its quarterly report at Trustee meetings, including the extent of the IASB consultation in establishing the scope of the review. | History of the development of IFRS 13 was analysed and contentious issues identified and discussed with stakeholders. This included 25 meetings, including the IFRS consultative groups as well as liaison with FASB staff. The Board established the scope of the PIR at its January 2017 meeting. | DPOC were informed of the progress in the January 2017 report to the DPOC, which included the extent of consultations in Phase 1. |

| Step | Required/ optional | Metrics | Evidence to DPOC | Staff/Board action | DPOC action |
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| <p>After the initial assessment, one of two routes may be taken:</p> <ul style="list-style-type: none"> • RFI published to invite public respond, with appropriate response period; or • on the basis of its initial assessment, the Board may decide that it would be premature to undertake a review at the time. | <p>Required</p> | <p>The RFI explains why the Board is seeking feedback on the specified matters and includes any initial assessment by the Board of the Standard under review. The RFI describes the process that the Board followed to establish the scope of the review. The Board sets a response period, normally a minimum of 120 days. If outside the normal response period, an explanation has been provided from the Board to the DPOC, and the decision has been approved. If the second option is appropriate, the Board has informed the DPOC of its intention to defer the PIR and explain why this conclusion was reached and when it expects to resume the review.</p> | <p>The DPOC has been informed that an RFI is to be released, with a summary of the extent of the Board’s deliberations. The DPOC has been consulted on any unusually short response period. The DPOC has received notice of the Board’s intention to defer a PIR, along with the reasons why the conclusion was reached and when the review is expected to resume. The DPOC must approve any such delay.</p> | <p>The Board decided at its January 2017 meeting to publish an RFI. This paper asks the Board to decide the length of the response period for the RFI (the staff recommend a minimum of 120 days).</p> | <p>The DPOC will be informed of the Board’s decision to publish an RFI. The response period proposed is in line with the Due Process Handbook.</p> |

| Step | Required/ optional | Metrics | Evidence to DPOC | Staff/Board action | DPOC action |
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| The Board considers whether it is necessary to supplement the RFI with other evidence, such as an analysis of financial information, a review of academic or other related research to the implementation of the Standard being reviewed, or consultations with relevant parties. | Optional | Staff paper has been provided to the Board analysing its assessment of academic and other research. | The Board has reported on progress as part of its quarterly report at Trustee meetings. | The Board discussed at its January 2017 meeting staff papers describing possible additional research activities to supplement RFI findings, including a scoping review of academic literature. The Board decided to supplement the RFI with following activities: literature review, targeted consultation on fair value measurement disclosures and financial statement analysis relating to measurement of quoted investments and highest and best use. | The DPOC will be informed of the Board's decision to undertake additional research activities. |