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Project	**Disclosure Initiative: Targeted Standards-level Review of Disclosures**
Paper topic	Feedback summary—IFRS 13 *Fair Value Measurement*

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Purpose of the paper

1. This paper analyses the feedback from comment letters on the proposed amendments to IFRS 13 *Fair Value Measurement* included in the Exposure Draft *Disclosure Requirements in IFRS Standards—A Pilot Approach* (Questions 6–11 of the Invitation to Comment).

2. Nearly half of the stakeholders who submitted comment letters did not comment on the proposed amendments to IFRS 13. A few of them explicitly cited disagreement with the overall approach to drafting disclosure requirements as a reason for not commenting.

3. In responding to questions 6–10, many respondents cross-referred to their responses on questions 1–4 on the overall approach to developing disclosure requirements. Consequently, the feedback summarised in this paper should be read in conjunction with the feedback on questions 1–4 summarised in Agenda Paper 11A *Feedback summary—Guidance for the Board* accompanying this paper.

Key messages

4. For assets and liabilities measured at fair value in the statement of financial position after initial recognition, many respondents agreed with the proposed overall disclosure

objective. However, some respondents questioned whether the objective would result in the provision of more useful information than the current requirements because it is too generic and similar to the current disclosure objective in IFRS 13.

5. The specific disclosure objectives and items of information for assets and liabilities measured at fair value in the statement of financial position after initial recognition received a mixed response. A few respondents explicitly said these disclosure objectives and items of information would result in more relevant information for users about movements and uncertainties in fair value measurements. However, many respondents who commented said these disclosures should be restricted to Level 3 measurements, or Level 2 measurements that are closer to Level 3, to avoid irrelevant disclosures. Respondents were also concerned that extending the scope to measurements outside of Level 3 would require significant process changes—and thus additional costs—to collate this additional information.

6. Some respondents expressed concern about the clarity of the specific disclosure objective for assets and liabilities within each level of the fair value hierarchy.

7. Some respondents disagreed with the proposal to replace sensitivity analyses for changes in significant unobservable inputs with reasonably possible alternative fair value measurements. These respondents said such a disclosure would be difficult and costly to prepare, provide less useful information than a sensitivity analyses, and undermine the credibility of an entity's fair value measurement.

8. For assets and liabilities not measured at fair value but for which fair value is disclosed in the notes, many respondents agreed with the proposed specific disclosure objective and items of information, while other respondents questioned the usefulness of such a disclosure.

Structure of the paper

9. This paper is structured as follows:

   (a) Question 6—Overall disclosure objective for assets and liabilities measured at fair value in the statement of financial position after initial recognition (paragraphs 10–24);

(b) Questions 7–8—Specific disclosure objectives and items of information for assets and liabilities measured at fair value in the statement of financial position after initial recognition (paragraphs 25–65);

(c) Questions 9–10—Specific disclosure objective and items of information for assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes (paragraphs 66–77); and

(d) Question 11—Other comments on the proposed amendments to IFRS 13 (paragraphs 78–83).

Question 6—Overall disclosure objective for assets and liabilities measured at fair value in the statement of financial position after initial recognition

Summary of the proposals in the Exposure Draft

10. In paragraphs 100–101 of the proposed amendments to IFRS 13, the IASB proposes an overall disclosure objective that requires an entity to disclose information that enables users of financial statements to evaluate the entity's exposure to uncertainties associated with fair value measurements of classes of assets and liabilities measured at fair value in the statement of financial position after initial recognition. The information should enable users of financial statements to understand:

(a) the significance of those classes of assets and liabilities for the entity's financial position and performance;

(b) how their fair value measurements have been determined; and

(c) how changes in those measurements could have affected the entity's financial statements at the end of the reporting period.

11. Paragraphs BC62–BC73 of the Basis for Conclusions describe the IASB's reasons for proposing that overall disclosure objective. In particular, paragraphs BC64–BC73 describe the IASB's rationale for removing the distinction in relation to disclosures between Level 2 and Level 3 fair value measurements.

Comment letter feedback

12. The IASB asked stakeholders if they agree that this proposed objective would result in the provision of useful information that meets the overall user information needs about assets and liabilities measured at fair value in the statement of financial position after initial recognition. If stakeholders did not agree, the IASB asked what alternative objective they would suggest and why.

13. The feedback has been summarised as follows:

    (a) general comments about the overall disclosure objective (paragraphs 14–19); and

    (b) proposal to avoid reference to levels of the fair value hierarchy in the proposed disclosures (paragraphs 20–24).

General comments about the overall disclosure objective

14. Many respondents supported the proposed overall disclosure objective for the reasons considered and explained by the IASB in the Basis for Conclusions.

15. A national standard-setter said some users supported the overall disclosure objective's emphasis on the entity's exposure to uncertainties associated with fair value measurements and how the fair value measurements have been determined.

16. Some respondents, mainly preparers and an accountancy body, were concerned that the overall disclosure objective is too generic, and that entities would have to rely on the specific disclosure objectives to determine how user information needs should be met. A few thought the overall disclosure objective is too high-level and not specific enough, rendering it neither operational nor enforceable.

17. A few respondents noted similarities between the proposed overall disclosure objective and the disclosure objective set out in paragraph 91 of IFRS 13. Therefore, they questioned whether the proposed overall disclosure objective would result in entities providing more useful information than they currently provide.

18. A few respondents commented on paragraph 101 which proposes that an entity should consider the level of detail necessary to satisfy the disclosure objectives and ensure that relevant information is not obscured by the inclusion of insignificant detail. A

few accounting firms suggested the IASB provide further guidance in the form of a list of factors to consider in determining the necessary level of detail, and clarification on the factors to be considered in determining the appropriate classes of assets and liabilities. Others suggested the IASB expand the proposed paragraph 101 to include other considerations in paragraph 92 of IFRS 13 that they think may be more helpful to preparers, auditors and regulators in meeting the disclosure objectives. In addition to the level of detail necessary to satisfy the disclosure requirements, paragraph 92 of IFRS 13 also requires an entity to consider how much emphasis to place on each of the various requirements, how much aggregation or disaggregation to undertake, and whether users of financial statements need additional information to evaluate the quantitative information disclosed.

19. A few respondents, including some accounting firms, said the Exposure Draft does not clearly define the phrase 'exposure to uncertainties associated with fair value measurement' proposed in paragraph 100. An accounting firm asked whether the phrase refers to measurement uncertainties, fair value measurement of items significantly affected by uncertainties during the reporting period, or the impact of reasonably possible changes to inputs used in the fair value measurement.

Proposal to avoid reference to levels of the fair value hierarchy in the proposed disclosures

20. A few respondents explicitly commented on the IASB's proposal to avoid reference to levels of the fair value hierarchy in the proposed objectives, thereby removing the distinction between Level 2 and Level 3 disclosures.

21. A consultancy firm said the proposed overall disclosure objective will help entities disclose relevant information about Level 2 fair value measurements that are closer to Level 3.

22. Conversely, a few preparers in the financial services industry said that the proposed overall disclosure objective is broader than that in paragraph 91 of IFRS 13. While agreeing with the IASB's proposal not to restrict the objectives to only Level 3 measurements, these respondents said uncertainties associated with Level 2 measurements are minimal. Therefore, to avoid excessive disclosures, the respondents suggested that any additional disclosure for Level 2 measurements be

proportional to the uncertainty in question, rather than being equal to the requirements for Level 3 measurements.

23. Other respondents disagreed with excluding reference to the fair value hierarchy in the proposals. A national standard-setter reported that preparers have said that levels in the fair value hierarchy have proven, in practice, to be a good proxy for measurement uncertainties inherent in fair value measurements. Those preparers questioned the need for a fair value hierarchy if the IASB were to avoid reference to levels of the fair value hierarchy in the disclosure objectives and require an entity to disclose information based on an entity-specific assessment of the measurement uncertainty inherent in fair value measurements.

24. Furthermore, an accounting firm and an accountancy body said that blurring the distinction between Level 2 and Level 3 of the fair value hierarchy is not an appropriate response to the findings of the Post-implementation Review of IFRS 13 about user needs for more information on Level 2 measurements.

Questions 7–8—Specific disclosure objectives and items of information for assets and liabilities measured at fair value in the statement of financial position after initial recognition

Summary of the proposals in the Exposure Draft

25. For assets and liabilities measured at fair value in the statement of financial position after initial recognition, the IASB proposes specific disclosure objectives and items of information that require an entity to disclose information about the:

    (a) assets and liabilities within each level of the fair value hierarchy (paragraphs 103–106 of the Exposure Draft);

    (b) measurement uncertainties associated with fair value measurements (paragraphs 107–110 of the Exposure Draft);

    (c) reasonably possible alternative fair value measurements (paragraphs 111–113 of the Exposure Draft); and

    (d) reasons for changes in fair value measurements (paragraphs 114–117 of the Exposure Draft).

26. Paragraphs BC74–BC97 of the Basis for Conclusions describe the IASB's reasons for proposing the specific disclosure objectives and items of information to meet the specific disclosure objectives about assets and liabilities measured at fair value in the statement of financial position after initial recognition and discuss information that the IASB considered but decided not to include.

Comment letter feedback

27. The IASB asked stakeholders:

    (a) if they agree that the proposed specific disclosure objectives capture detailed user information needs about assets and liabilities measured at fair value in the statement of financial position after initial recognition, and if not, what changes they would suggest;

    (b) if they agree that the proposed specific disclosure objectives would result in the provision of information about material fair value measurements and the elimination of information about immaterial fair value measurements in the financial statements;

    (c) if they agree that the benefits of the specific disclosure objectives would justify the costs of satisfying them, and if not, how the objectives should be changed so that the benefits justify the costs;

    (d) if they have any other comments on the proposed specific disclosure objectives;

    (e) if they agree that entities should be required to disclose the proposed items of information in paragraphs 105, 109 and 116 of the proposed amendments to IFRS 13, and if not, what changes they would suggest and how they would help an entity to meet the specific disclosure objective; and

    (f) if they agree with the proposed items of information that are not mandatory but may enable entities to meet each specific disclosure objective, and if not, what changes they would suggest and how they would help an entity to meet the specific disclosure objective.

28. Feedback on these questions is summarised as follows:

(a) assets and liabilities within each level of the fair value hierarchy (paragraphs 29–32);

(b) measurement uncertainties associated with their fair value measurements (paragraphs 33–40);

(c) reasonably possible alternative fair value measurements (paragraphs 41–52); and

(d) reasons for changes in their fair value measurements (paragraphs 53–65).

Assets and liabilities within each level of the fair value hierarchy

Specific disclosure objective

29. Only a few respondents explicitly agreed with the proposed specific disclosure objective in paragraph 103 of the Exposure Draft. In particular, a national standard-setter welcomed the fact that an entity would not be required to explain the categorisation of each class of assets and liabilities, and that an entity should rather provide information that enables users to understand the relative subjectivity of the entity's assessment of where the fair value measurements of assets and liabilities are in the fair value hierarchy. However, other respondents who commented did not support the specific disclosure objective because in their view:

(a) it is unclear whether and to what extent disclosure would change in practice.

(b) the specific disclosure objective in the proposed paragraph 103(b)—how the characteristics relate to the categorisation of those classes of assets and liabilities in the fair value hierarchy—is unclear and may not result in information that would allow users to understand the relative subjectivity, in the entity's categorisation of fair value measurements within the fair value hierarchy. A national standard-setter reported that preparers thought the proposed Example 15 does not help illustrate how an entity applies judgement in determining the information to be disclosed.

30. Paragraph BC76 of the Basis for Conclusions describes the IASB's reasons for rejecting a specific disclosure objective requiring entities to disclose information that enables users to understand how an entity determines in which level of the fair value

hierarchy assets and liabilities belong. A preparer suggested the IASB clarify why the proposed Example 15 includes a description of how fair value measurements are classified within the fair value hierarchy as this seems inconsistent with paragraph BC76.

Non-mandatory items of information

31. A few respondents commented on the proposed non-mandatory items of information. Of those who commented, a few accountancy bodies suggested making the non-mandatory item in paragraph 106(a)—a description of the nature, risks and other characteristics of the classes of assets and liabilities in each level of the fair value hierarchy—mandatory. They noted that the PIR of IFRS 13 identified appropriate aggregation of assets and liabilities into classes as one of the most important issues.

32. A preparer-representative body and an accounting firm suggested making the non-mandatory item in paragraph 106(b)—a description of the inseparable third-party credit enhancement for a liability and whether such an enhancement is reflected in the fair value measurement—mandatory, when applicable.

Measurement uncertainties associated with fair value measurements

Specific disclosure objective

33. Of those who commented, a few respondents explicitly agreed with the proposed objective.

34. Other respondents, mainly banks, expressed concern about the proposal to extend the objective to measurements other than Level 3. These respondents said, to meet this disclosure objective, entities may disclose irrelevant information about all Level 2 measurements instead of focusing on Level 2 measurements close to Level 3. In addition, entities may have to make significant process changes to collect large amounts of information needed to meet this disclosure objective. As such, these respondents suggested the IASB:

(a) restrict the disclosure objective to information about Level 3 measurements and expand the population of instruments categorised in Level 3 by providing prescriptive guidance on the level of significance of unobservable inputs; or

(b) provide additional guidance on determining when a Level 2 measurement is ‘close’ to Level 3 and restrict the disclosure objective to information about Level 3 measurements and Level 2 measurements close to Level 3.

35. In making the proposed objective applicable to Level 2 measurements, a few respondents, mainly accounting firms and preparers, suggested that, to avoid duplication of requirements, the IASB consider the information that is already required to be disclosed by other IFRS Standards. For example, paragraphs 40–42 of IFRS 7 *Financial Instruments: Disclosures* require disclosure of information about market risk in a financial instrument to which an entity is exposed.

Non-mandatory items of information

36. Some respondents commented on the items of information. Of those, a few preparers, including banks, agreed with the proposed non-mandatory items of information in paragraph 110, with the caveat that this paragraph be limited to Level 2 and Level 3 fair value measurements only.

37. A few preparers, including banks, said information on valuation techniques currently provided by banks is too lengthy and detailed. These respondents suggested simplifying the non-mandatory items of information in paragraphs 110(a)—a description of the significant valuation techniques—by allowing reference to prior period financial statements or information on the entity’s website if valuation techniques remain unchanged from prior periods.

38. Some respondents suggested making disclosure of items of information in paragraph 110 of the Exposure Draft mandatory. For example, a regulator said that providing only qualitative information about significant inputs to fair value measurements would not meet user information needs on measurement uncertainties.

39. A national standard-setter suggested the IASB exempt an entity from disclosing quantitative information about the significant inputs used in the fair value measurements if quantitative unobservable inputs are not developed by the entity

when measuring fair value (for example, when an entity uses prices from prior transactions or third-party pricing information without adjustment). Paragraph 93(d) of IFRS 13 currently provides a similar exception.

40. A bank suggested the IASB include as a non-mandatory item of information a description of how an entity manages its risk exposures for Level 3 measurements. That respondent said that Level 3 positions are often hedged by Level 2 and Level 1 assets and liabilities, but this relationship is often not visible from the disclosures. The current disclosure requirements focus on Level 3 exposures and—without the information about how an entity manages the risks arising from the exposures—it appears to suggest that the entity is running significant Level 3 risk.

Reasonably possible alternative fair value measurements

Specific disclosure objective

41. Only a few respondents agreed with the proposed objective. A preparer-representative body reported its members agreed with the proposal to replace sensitivity analyses with reasonably possible alternative fair value measurements. Its members said there is diversity in the way entities currently perform sensitivity analyses for changes in significant unobservable inputs, resulting in disclosures that are often not comparable.

42. Supporting the specific disclosure objective, a bank agreed with not restricting the objective only to information about Level 3 measurements. That respondent said many financial assets and financial liabilities are sensitive to a combination of inputs across Levels 1–3. Interdependencies may exist between Levels 1–2 and Level 3 inputs that are not currently captured by the disclosure requirements in IFRS 13.

43. Conversely, some respondents, including preparers and accountancy bodies, disagreed with the proposed specific disclosure objective because:

    (a) such a disclosure would be difficult and costly to prepare, particularly when there are numerous instruments involved. Entities would be required to set up new processes and implement system changes to develop alternative fair value measurements.

(b) disclosing reasonably possible alternative fair value measurements might undermine the credibility of the fair value measurement recognised by the entity and confuse users as to which measurement is more appropriate.

(c) the proposed disclosure may provide less information compared to sensitivity analyses. With sensitivity analyses, users get information about the effects of reasonably possible changes in significant unobservable inputs, which would in turn allow users to determine alternative fair values. However, if an entity were to simply disclose alternative fair value measurements, users would not get information about reasonably possible changes in the inputs.

44. A valuation profession body said that the expression of values within a stated range is not considered a good practice and would not normally be regarded as an acceptable form of disclosure in valuation reports. They said that the proposal is contrary to long established valuation standards in use around the world. If the IASB were to confirm the proposal, they suggested the proposal be restricted to situations where there is abnormal uncertainty.

45. A few respondents disagreed with expanding the requirement to levels other than Level 3. They suggested that such disclosure for Level 2 measurements may be of limited use to users of financial statements because the range of reasonably possible outcomes is usually narrow. As such, these respondents suggested limiting such disclosure to only complex instruments and Level 3 instruments.

46. A few respondents, mainly national standard-setters, said the IASB had considered requiring a similar disclosure for Level 3 fair value measurements in the Exposure Draft *Measurement Uncertainty Analysis Disclosure for Fair Value Measurements* (published in 2010). However, the IASB ultimately decided to require sensitivity analyses because preparers said the benefits of such a disclosure would not justify the costs.

Non-mandatory items of information

47. Some respondents commented on the proposed non-mandatory items of information. Of those respondents, some respondents said an entity would not be able to comply with the specific disclosure objective without disclosing the items of information

listed in the proposed paragraph 113. They questioned why those items have been labelled as non-mandatory.

48. A few respondents, mainly banks, suggested the IASB add to the list of items of information measures of valuation uncertainty computed for regulatory reporting. Those respondents said that users would benefit from comparable information across entities that report the same measure of valuation uncertainty to regulators.

49. A few respondents, mainly banks and accounting firms, suggested the IASB provide additional guidance to help entities determine whether a reasonably possible change in a significant input would have resulted in a 'significantly' higher or lower fair value measurement. They suggested the IASB carry-forward the explanation in paragraph 93(h)(ii) of IFRS 13 that an entity judges significance with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in other comprehensive income, with respect to total equity.

50. An accountancy body and a preparer-representative body questioned the usefulness and reliability of the proposed items of information in paragraphs 113(b)–(c)—the range of alternative fair value measurements using inputs that were reasonably possible at the end of the reporting period, and an explanation of how the range of fair values was calculated. They said, to provide such information, an entity would need to use inputs to fair value measurement that were initially not considered appropriate. If the IASB were to confirm the proposal, they suggested the IASB provide application guidance on how to determine alternative fair values to help entities meet the specific disclosure objective.

51. An accounting firm suggested the IASB clarify whether the proposed item of information in paragraph 113(d) is a quantitative item or a descriptive item of information. Paragraph 113(d) proposes a description of interrelationships between the inputs used and how those interrelationships magnify or mitigate the effect of using inputs that were reasonably possible at the end of the reporting period on the fair value measurements. Paragraph 93(h)(i) of IFRS 13, which has a similar wording, currently requires a narrative description. The respondent said that an entity may have to disclose quantitative information about the effects of interrelationships to

meet the proposed objective, and asked the IASB to clarify the basis for increasing the disclosure requirements.

52. A preparer suggested that proposed Example 19 be updated to include the application of reasonably possible alternative fair value measurements as well as a detailed sensitivity analysis.

Reasons for changes in fair value measurements

Specific disclosure objective

53. Only a few respondents commented on the proposed specific disclosure objective of enabling users to understand significant reasons for changes in fair value measurements, but the comments were mostly on the IASB's proposal to avoid reference to the levels of fair value hierarchy in the objective (see paragraphs 20–24).

54. A national standard-setter agreed with the proposed objective, saying this information would help users assess the quality of any realised and unrealised gains or losses.

55. A preparer-representative body and an audit regulator supported the application of this objective to all levels of the fair value hierarchy. However, citing concerns about the cost of collecting the information, even for a narrative disclosure, and providing irrelevant information:

(a) a preparer suggested the IASB restrict the application of the objective only to Level 2 and Level 3 measurements;

(b) a preparer-representative body suggested the IASB restrict the application of the objective only to Level 3 measurements; and

(c) a bank suggested the IASB restrict the application of the proposed objective to Level 3 measurements and Level 2 measurements that are close to Level 3.

Mandatory item of information (paragraph 116)

56. Many respondents agreed that entities should disclose the proposed items of information in paragraph 116—a tabular reconciliation from opening balances to closing balances of the significant reasons for changes in the fair value

measurements—saying that it will allow users to understand significant movements in Level 3 measurements.

57. A few respondents, mainly banks and entities in the financial services sector, disagreed with mandating only a 'tabular' form when disclosing reasons for changes in fair value measurements because producing a tabular disclosure would be time-consuming to prepare and, in their view, is useful for neither preparers nor users. Instead, these respondents suggested allowing other formats, such as narrative disclosure.

58. Similarly, a few respondents suggested the IASB avoid overly specific requirements, such as referring to the nature of the information (for example, qualitative or quantitative) and the format (for example, whether tabular or narrative). They said entities should be allowed to use judgement in this regard.

59. An accounting firm said that the terms 'realised gains or losses' and 'unrealised gains or losses' are not defined terms in IFRS Accounting Standards, and suggested the IASB define those terms if it were to confirm the proposal.

60. A preparer said that the tabular reconciliation of significant changes may be useful for some but not all Level 3 measurements. That respondent suggested the IASB allow an entity to disclose a reconciliation of changes for those assets and liabilities that in the entity's view provides useful information.

Non-mandatory items of information (paragraph 117)

61. Some respondents commented on the proposed non-mandatory items of information. A bank explicitly agreed with the IASB's proposal to label as non-mandatory the item of information in paragraph 117(a)—an explanation of the significant reasons for changes (see paragraph 116) in recurring fair value measurements other than those categorised in Level 3 of the fair value hierarchy.

62. A national standard-setter, a preparer and a preparer-representative body who supported the proposed item of information in paragraph 117(a) suggested the IASB remove the cross-reference to paragraph 116 or clarify that the cross-reference was to the reasons for changes listed in paragraph 116. In their view, a simple

cross-reference to paragraph 116 could be read as requiring a tabular reconciliation even for Level 1 and Level 2 measurements.

63. A national standard-setter suggested the IASB specify the changes that an entity should disclose for Level 1 and Level 2 measurements. That respondent said that disclosure of changes such as the amount of transfers into and out of the level of the fair value hierarchy would be more useful than changes such as purchases, sales, issues and settlements. A bank expressed concerns about the cost of disclosing the significant changes in Level 1 and Level 2 measurements. In that context, the respondent questioned the usefulness of separating realised and unrealised gains or losses.

64. A few respondents suggested making paragraph 117(b)—the reasons for transfers between levels of the fair value hierarchy during the reporting period—mandatory.

65. A preparer-representative body and an accounting firm said that the proposed non-mandatory item of information in paragraph 117(c)—the entity's policy for determining when transfers between levels are deemed to have occurred—is consistent with paragraph 95 of IFRS 13. However, given the non-mandatory nature of this item of information, an entity may decide not to disclose its policy. Furthermore, users would not know if the policy about the timing of recognising transfers is the same for transfers into the levels as for transfers out of the levels. These respondents suggested the IASB make the proposed item of information a mandatory requirement.

Questions 9–10—Specific disclosure objective and items of information for assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes

Summary of the proposals in the Exposure Draft

66. In paragraphs 118–121 of the proposed amendments to IFRS 13, the IASB proposes a specific disclosure objective and items of information that require an entity to disclose information that enables users of financial statements to understand:

(a) the amount, nature, and other characteristics of each class of assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes; and

(b) how the characteristics relate to the categorisation of those classes of assets and liabilities in the fair value hierarchy.

67. Paragraphs BC98–BC100 of the Basis for Conclusions describe the IASB's reasons for proposing the specific disclosure objective and items of information to meet the specific disclosure objectives for assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes.

Comment letter feedback

68. The IASB asked stakeholders:

(a) if they agree that the proposed specific disclosure objective captures detailed user information needs about assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes, and if not, what changes they would suggest;

(b) if they agree that the proposed specific disclosure objective would result in the provision of useful information about assets and liabilities not measured at fair value but for which fair value is disclosed in the notes;

(c) if they agree that the benefits of the specific disclosure objective would justify the costs of satisfying it, and if not, how the objective should be changed so that the benefits justify the costs;

(d) if they have any other comments on the proposed specific disclosure objective;

(e) if they agree that entities should be required to disclose the proposed items of information, and if not, what changes they would suggest and how they would help an entity to meet the specific disclosure objective; and

(f) if they agree with the proposed items of information that are not mandatory but may enable entities to meet each specific disclosure objective, and if not, what changes they would suggest and how they would help an entity to meet the specific disclosure objective.

Specific disclosure objective

69. Of those respondents who commented, many agreed that the proposed specific disclosure objective captures detailed user needs and would result in the provision of useful information. Many respondents also agreed that the benefits of the specific disclosure objective would justify the costs of satisfying it. A few respondents acknowledged there would be increased costs, especially during the first year, but said such an increase would not outweigh the benefits. A few respondents also said that entities already produce the information needed to meet the proposed specific disclosure objective.

70. While not disagreeing with the proposed specific disclosure objective, a few respondents, mainly an accounting firm, a national standard-setter and a regulator, were concerned that the proposed objective may result in some entities, such as those holding significant investment properties that are measured using the cost model, providing less information than they currently provide. These respondents said information about valuation techniques and inputs used in measuring fair value, reasons for any changes in valuation techniques, and highest and best use of an asset, if different from current use, is considered useful to users of financial statements. The proposed disclosure objective would not capture this information.

71. Some respondents disagreed with the proposed specific disclosure objective, expressing doubts about the usefulness of the information because:

    (a) current disclosures by financial institutions already provide useful information, noting that IFRS 7 already requires information about risks arising from financial instruments; and

    (b) the costs of disclosing this information would not outweigh the benefits due to the complexity of producing such information, particularly for banks.

72. A few respondents, mainly national standard-setters and preparers, questioned the usefulness of requiring disclosure of fair values when the item is measured on a different basis saying that:

    (a) in such cases, the IASB has concluded that another measurement basis provides useful information about the asset or liability; and

(b) fair values disclosed in isolation for individual items not measured at fair value may provide an incomplete picture, and that this information can only be useful when disclosed in conjunction with information about the entity's risk management.

Mandatory item of information (paragraph 120)

73. Of those respondents who commented, many agreed with the IASB's proposal to require entities to disclose the item of information in paragraph 120—the fair value measurement for each class of assets and liabilities by the level of the fair value hierarchy within which those measurements are categorised in their entirety—saying that the item would provide useful information to users. For example, a preparer-representative body said that these disclosures will provide useful information to users about how the market has moved in relation to when those instruments were originated and would provide additional insights into prospects for future cash flows. Furthermore, a few respondents did not view disclosing this item of information as burdensome to preparers because they simply need to categorise items by the level of the fair value hierarchy.

74. While not disagreeing with the proposed mandatory item, a few respondents said the wording used in the proposed mandatory item is less clear than that used in paragraph 93(b) of IFRS 13.

75. A few respondents disagreed with making the item mandatory. For example, respondents said that if the primary purpose of using such an information is to calculate enterprise value, information on the nature and other characteristics of the item, and the difference between fair value and carrying amount should be sufficient. Mandating disclosure by level of the fair value hierarchy could result in the costs exceeding the benefits.

Non-mandatory item of information (paragraph 121)

76. Many respondents agreed with the proposed non-mandatory item of information in paragraph 121—a description of the nature, risks and other characteristics of the

classes of assets and liabilities not measured at fair value but for which fair value is disclosed.

77. However, a few respondents noted that the specific disclosure objective in paragraph 118 is similar to the non-mandatory item of information in paragraph 121. These respondents questioned how an entity could meet the former without disclosing the latter. Therefore, they suggested making paragraph 121 mandatory.

Question 11—Other comments on the proposed amendments to IFRS 13

Transition requirements

78. A few respondents said the proposals, if finalised, would lead entities to significantly change the way they provide disclosures, change their information systems and develop capabilities in applying objectives-based disclosure requirements. Respondents suggested the IASB either permit prospective application or provide a transition period of more than two years.

Interim financial reporting

79. A few respondents expressed concern with the proposed consequential amendment to IAS 34 *Interim Financial Reporting*. The proposed amendment would require entities to disclose fair value information for financial instruments measured at fair value in the statement of financial position in their interim reports. These respondents said that the proposed disclosures would be onerous to prepare on an interim basis, such that the benefits arising from the disclosures would not outweigh the costs. Furthermore, a national standard-setter said fair value disclosures on an interim basis might be useful in the case of financial institutions, but not other entities. Therefore, these respondents said the IASB should either reduce or eliminate disclosure requirements for interim reporting.

Exemptions

80. A bank said the IASB should exempt the following entities from providing IFRS 13 disclosures:

(a) entities that are not listed;

(b) entities that do not have issued debt securities or other regulatory reporting requirements; and

(c) entities that are wholly owned by a parent company that has produced the full IFRS 13 disclosures in its consolidated financial statements.

Convergence with US GAAP

81. A few respondents, mainly an accounting firm and banks, expressed concern that the proposals, if finalised, would create divergence between the disclosure requirements in IFRS 13 and Topic 820 *Fair Value Measurement*. These respondents said the IASB should aim to keep both IFRS 13 and Topic 820 converged.

Selection of IFRS 13 as a test Standard

82. A few respondents, mainly accountancy bodies and preparers, questioned why the IASB selected IFRS 13 to test the proposed approach to drafting disclosure requirements when the IASB's post implementation review concluded that IFRS 13 is working as intended and the information required by IFRS 13 is useful to users of financial statements.

83. An accounting firm questioned why the IASB selected IFRS 13 to test the proposed approach, instead of IFRS 7 which requires the application of judgement in assessing what information should be disclosed. In the respondent's view, the use of judgement in applying the disclosure requirements of IFRS 7 led entities to disclose either too much irrelevant information or not enough relevant information in the financial statements.

Question for the IASB
Does the IASB have any questions or comments on the feedback discussed in this paper? Specifically: a. is there any feedback that is unclear? b. are there any points you think the IASB did not consider in developing the Exposure Draft, but it should consider further? c. are there any points you would like staff to research further?