Minor content changes for *Illustrative examples to accompany IFRS 13 Fair Value Measurement Unquoted equity instruments within the scope of IFRS 9 Financial Instruments*

The following are minor changes to the content of the *Illustrative examples to accompany IFRS 13 Fair Value Measurement Unquoted equity instruments within the scope of IFRS 9 Financial Instruments*.

New text is underlined and deleted text is struck through.

If you have any queries please contact editorial@ifrs.org.

<table>
<thead>
<tr>
<th>Page 2 Copyright page</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>This chapter educational material has been prepared...</em></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Page 3 Table of Contents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transaction price paid for an identical instrument in of an investee</td>
</tr>
<tr>
<td>Transaction price paid for a similar instrument in of an investee</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Page 5 Paragraph 8</th>
</tr>
</thead>
<tbody>
<tr>
<td>... Nevertheless, it is expected that, that such personnel understand will have an understanding of basic valuation concepts, even if they are not valuation specialists.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Page 6 Paragraph 12</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFRS 13 states that, when measuring ...</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pages 6–7 Paragraph 13</th>
</tr>
</thead>
<tbody>
<tr>
<td>... (see paragraphs 65 and –66 of IFRS 13).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Page 7 Paragraph 14</th>
</tr>
</thead>
<tbody>
<tr>
<td>... that any of the techniques is are incorrect. ...</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Page 7 Paragraph 16(c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(c) the reasons for the differences in value under arising from applying different techniques.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Page 8 Paragraph 17</th>
</tr>
</thead>
<tbody>
<tr>
<td>... as mentioned above before, ...</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Page 8 Paragraph 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>• the nature of an investee’s business (for example, the volatile or cyclical nature of an investee’s business might be better captured by some valuation techniques than by others); and</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Page 9 Figure 1; market approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Transaction price paid for an identical or a similar instrument in of an investee (see paragraphs 28–33)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Page 10 Example 1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indicated fair value</strong> of the five per cent non-controlling equity interest based on EV/EBITDA of 9.0x 6,024.10</td>
</tr>
<tr>
<td>Non-controlling interest discount (662.65) 13.3%</td>
</tr>
<tr>
<td>Discount for the lack of liquidity (361.45) 7.2%</td>
</tr>
<tr>
<td><strong>Fair value of five per cent non-controlling equity interest on 31 December 20X6</strong> 5,000.00 100.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Page 11 Paragraph 27</th>
</tr>
</thead>
<tbody>
<tr>
<td>• transaction price paid for an identical or a similar instrument in of an investee (see paragraphs 28–33); and</td>
</tr>
</tbody>
</table>
Transaction price paid for an identical instrument in of an investee

The existence of any of the factors mentioned above before (see ... However, the analysis of the factors mentioned above before (see ...

Transaction price paid for a similar instrument in of an investee

... in an equity instrument in of an investee ... equity instrument in of the same investee ...

Page 14 Example 4
... period it has raised significant further additional equity capital ...

Page 16 Paragraph 38; Step 3
... fair value of the investee’s equity value or the investee’s enterprise value (EV).

Page 18 Paragraph 42
... based on its quoted share price, (P) to the net income ...

Page 19 Table below paragraph 42; headings below Valuation basis

**Enterprise value** [4 occurrences]
...

**Equity value** [2 occurrences]

Page 23 Example 5
(B) Entity Ps F’s net earnings (adjusted) ...
...
Entity F’s equity, (C), by applying an average ...

Page 25 Example 6
... The investor selects the average P/Tangible book valuation value multiple because it believes ...

Page 26 Example 7
... multiples is narrower (5.9x–6.9x), than the range ...

Page 28 Footnote 8
The assessment of control premiums in valuation for financial reporting is a topic ...

Page 30 Paragraph 65
... be used as a starting point in for assessing the discount ...

Page 32 Paragraph 69
The examples below Examples 10–12 illustrate situations in which, ... Examples 10, 11 and 12 These examples are descriptive with few, ...

Page 34 Example 12
Entity O operates in the auto-ancillary segment ...
...
... and considered the whole auto-ancillary segment, rather ...
Page 25 Footnote 9
… within the income approach is the residual income stock price valuation model. That model expresses …

Page 35 Paragraph 71
… (such as the Gordon growth model; see …)

Page 37 Footnote 12
Paragraph BCZ85 of IAS 36 Impairment of Assets includes an example that illustrates how can a pre-tax discount rate can be determined. …

Page 39 Figure 6
**Figure 6—Removing the effect of non-operating items** …
**Figure 6—Non-operating assets and liabilities**

Page 39 Paragraph 79
\[ WACC = \frac{D}{D + E} \times (1 - t) \times k_d + \frac{E}{D + E} \times k_e, \]
where:
- **D** = fair value of debt capital;
- **E** = fair value of equity capital;
- **WACC** = weighted average cost of capital;
- **k_d** = cost of debt capital;
- **k_e** = cost of equity capital (i.e., the expected rate of return investors require on an equity investment);
- **t** = tax rate.

Page 40 Paragraph 82
… using the Capital Asset Pricing Model (CAPM; …)

Page 40 Footnote 16
… Fama-French three-factor model, in which …

Page 40 Paragraph 83
\[ k_e = r_f + (r_m - r_f) \times \beta; \]
where:
- **k_e** = cost of equity capital (i.e., the expected rate of return investors require on an equity investment);
- **r_f** = risk-free rate;
- **r_m** = market return;
- **\beta** = beta.

Page 41 Heading above paragraph 85
The **β estimate**

Page 42 Paragraph 89
In the expression above, \( W_d \) and \( W_e \) have the following measuring meaning:

Page 43 Example 13 [the ‘+’ signs are removed and the ‘/’ signs are added]
\[ \beta_L = \beta_0 \times [1 + (1 - t) \times (W_d + \hat{W}_d)] = 0.90 \times [1 + (1 - 0.3) \times (0.60 + \hat{0.40})] = 1.85 \]

Page 43 Paragraph 91
… between the market return and the risk-free return, …

Page 43 Paragraph 92
Equity βs increase with the as both operating risk of the business and with the increase of financial risk increase. …

Page 44 Paragraph 95
… This method is known as ‘country bond default spread’ or ‘sovereign spread’, model. …

Page 45 Example 14
**Example 14—‘Country bond default spread’ or ‘sovereign spread’, model**:
### Page 46 Example 15 [the ‘C’ in the first instance of ‘Country C’ is added]

\[(r_m - r_f)_{\text{Country } C1} = (r_m - r_f)_{\text{Country } C2} + \text{CERP}_{\text{Country } C1}\]

### Page 48 Example 17

**The β estimate**

### Page 54 Paragraph 114

The examples Examples 23 and 24 below illustrate the use Examples 23 and 24. These examples are descriptive, with few, ...

### Page 56 Paragraph 115 [the final ‘+’ sign after the ellipsis is removed]

\[P_0 = \frac{D_1}{(1 + k_e)} + \frac{D_2}{(1 + k_e)^2} + \frac{D_3}{(1 + k_e)^3} + \ldots + \]

### Page 57 Heading above paragraph 117

**Constant-growth DDM (Gordon Growth Model)**

### Page 57 Paragraph 118 [the final ‘+’ signs after each ellipsis are removed]

\[P_0 = \frac{D_0 (1 + g)}{(1 + k_e)} + \frac{D_0 (1 + g)^2}{(1 + k_e)^2} + \frac{D_0 (1 + g)^3}{(1 + k_e)^3} + \ldots + (1 + k_e)\]

\[\ldots \]

\[P_0 = \frac{D_0 (1 + g)}{(k_e - g)} = \frac{D_1}{(k_e - g)} + \ldots + \]

### Page 61 Example 25

\[\ldots \text{(CU405} - \text{(CU40} - \text{CU85} \text{CU80} = \text{CU285})\text{.}^{(a)}\]

### Page 65 Paragraph 133; capitalisation rate

... economic income into an estimate...

### Page 67 Paragraph 133; trading multiple

**trading multiples**

### Page 67 Paragraph 133; transaction multiple

**transaction multiples**