IFRS Accounting

IFRS for SMEs®

Accounting Standard

New Section 12 *Fair Value Measurement*

Contents

1 Overview of the new Section 12 *Fair Value Measurement*

Reflects improvements from IFRS 13 *Fair Value Measurement* and brings fair value measurement and disclosure requirements into a new Section 12

Definition	Fair value hierarchy	Disclosure requirements

The requirements in the Standard for when to use fair value remain unchanged

2 New definition of fair value

New definition taken from IFRS 13 *Fair Value Measurement*

What?	**Price** that would be received to sell an asset, or paid to transfer a liability …
How?	… in an **orderly transaction** between market participants …
When?	… at the **measurement date**.

Fair value is market-based, not entity-specific

2 New definition of fair value—Measurement principles

Market-based approach

- Principal / most advantageous market
- Market participant consideration
- Ignore transaction costs
- Consider location of the asset

Highest and best use for non-financial assets

- Physically possible
- Legally allowed
- Financially feasible

2 New definition—Valuation techniques

Market approach	Cost approach	Income approach
Use information from market transactions involving identical or similar assets	Current replacement cost	Present value techniques Option pricing models Multi-period excess earnings method

Maximise observable inputs. Minimise unobservable inputs.

3 The fair value hierarchy

Level 1

Unadjusted quoted prices in active markets

Level 2

Directly or indirectly unobservable inputs not included in Level 1

- Quoted prices for similar items
- Quoted prices in inactive markets
- Observable inputs other than quoted prices
- Market-corroborated inputs

Level 3

Unobservable inputs

Mixed inputs—treat as the lowest level

3 Examples of using the hierarchy

Level 1	Level 2	Level 3
A small investment in quoted shares	An investment property	A field of sunflowers
Use quoted prices	Use price per square metre from observed transactions in similar properties	Use previous prices adjusted for estimates of factors that will affect this year’s price

4 Disclosure requirements

For each class of assets and liabilities measured at fair value

- Carrying amounts at the end of the period
- Level of fair value hierarchy
- Description of valuation techniques for levels 2 and 3

For recurring measurements in Level 3

Total gains or losses for the period recognised in:

- profit or loss
- other comprehensive income

5 Transition to new Section 12

Apply the new Section 12 from the date of initial application of the third edition of the Standard

No restatement of comparative amounts

No comparatives for new disclosure requirements

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Supporting materials

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Resources available on the IFRS Foundation's website

https://www.ifrs.org/supporting-implementation/2025-ifrs-for-smes-supporting-materials/

- Project summary
- Feedback statement
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