

IFRS for SMEs[®]

Accounting Standard

New Section 12 *Fair Value Measurement*

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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 approachPrincipal / most
advantageous marketMarket participant
considerationIgnore transaction
costsConsider 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

Use information from market transactions involving identical or similar assets

Cost approach

Current replacement cost

Income approach

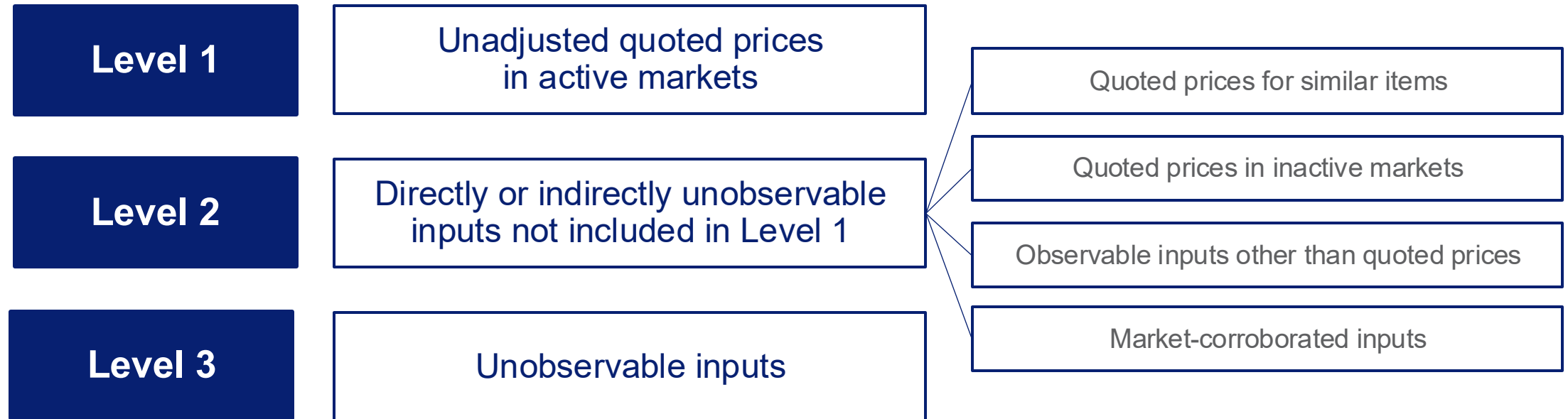
Present value techniques

Option pricing models

Multi-period excess earnings method

Maximise observable inputs. Minimise unobservable inputs.

3 The fair value hierarchy



Mixed inputs—treat as the lowest level

3 Examples of using the hierarchy

Level 1

A small investment in
quoted shares

Use quoted prices

Level 2

An investment property

Use price per square metre
from observed transactions in
similar properties

Level 3

A field of sunflowers

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**

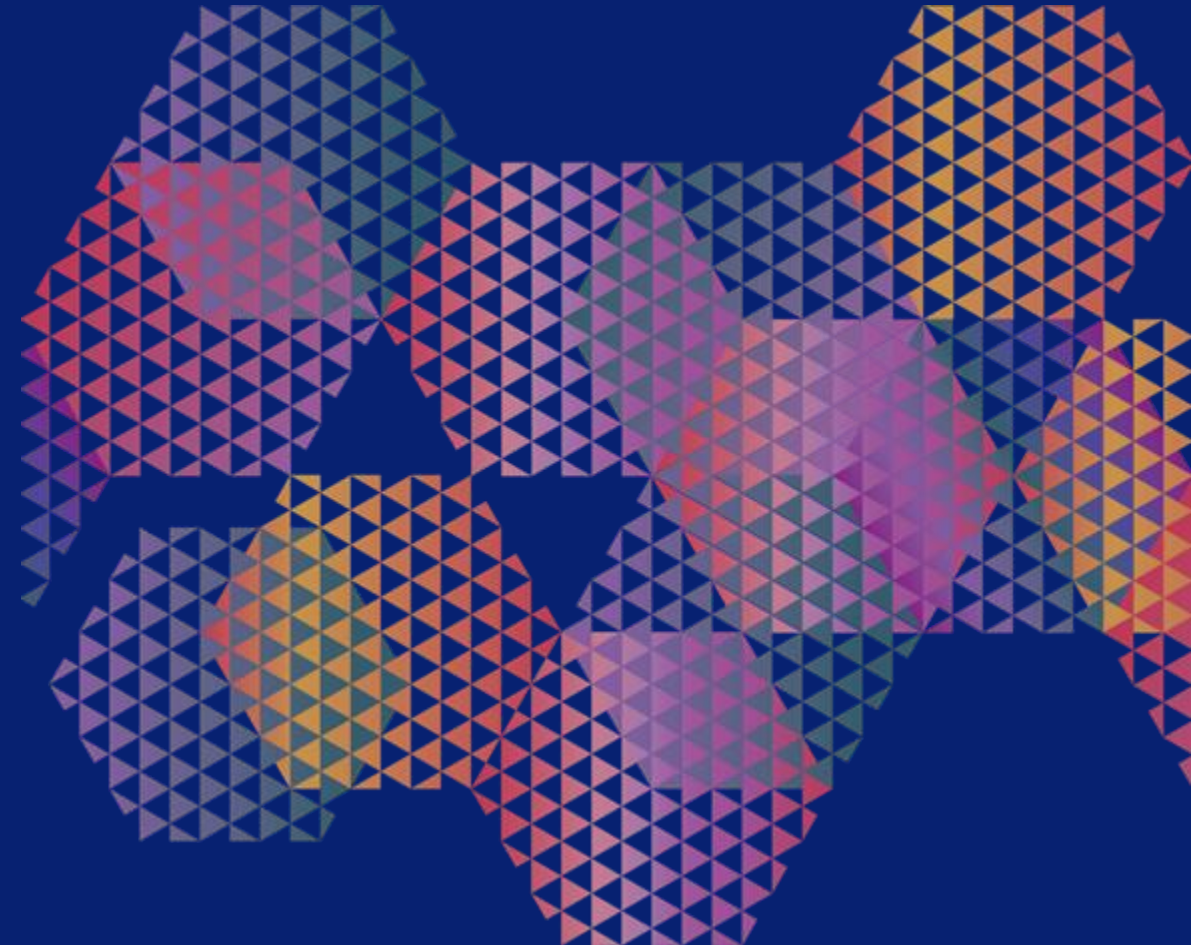
No restatement of
comparative amounts

No comparatives for new disclosure
requirements

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Supporting materials



Resources available on the IFRS Foundation's website



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



Project
summary



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