



Australian Government
Australian Accounting Standards Board

Memorandum

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| To: | AASB members | Date: | 7 October 2014 |
| From: | Nikole Gyles & Evelyn Ling | Agenda Item: | 10.1 (M141) |
| Subject: | Fair Value Measurement: Unit of Account – IASB Exposure Draft ED/2014/4 | File: | |

Action

Form tentative views on IASB proposals in IASB Exposure Draft ED/2014/4 *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value*, and consider key comments to be raised in the AASB submission to the IASB, subject to any comments received from constituents.

Attachments

Agenda Paper 10.2 Issues Paper: Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value

Agenda Paper 10.3 ED 254 *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* (incorporating IASB ED/2014/4 of the same name)

Background

In September 2014, the IASB issued IASB Exposure Draft ED/2014/4 as part of its Fair Value Measurement: Unit of Account project. The IASB ED addresses questions regarding the unit of account for financial assets that are investments in subsidiaries, joint ventures and associates measured at fair value, and clarify the fair value measurement of such investments and of qualifying portfolios that comprise only Level 1 financial instruments. The IASB ED is open for comment until 16 January 2015.

AASB ED 254 *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* was issued 18 September 2014 and incorporates IASB ED/2014/4. The AASB ED is open for comment until 12 December 2014. Staff intend to communicate feedback from submissions received to the Board at the Board's meeting in December 2014.

At this meeting, staff intend to raise for Board discussion the IASB ED's key proposals on measurement. Staff will bring the ED back for further Board discussion in December 2014 for discussion of other proposals, including transitional provisions and drafting concerns.

Overview

Staff last communicated the decisions expected to be reflected in the IASB ED at the AASB's May 2014 meeting¹. The IASB last discussed the project in February 2014, and there are no significant differences between the IASB decisions made up to that IASB meeting and the issue of the Exposure Draft.

IASB Exposure Draft ED/2014/4 proposes amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 *Separate Financial Statements*, IAS 28 *Investments in Associates and Joint Ventures* and IAS 36 *Impairment of Assets* (incorporated into AASB 10, AASB 12, AASB 127, AASB 128 and AASB 136 of the same names) to address:

- (a) the unit of account for investments in subsidiaries, joint ventures and associates and on their fair value measurement when those investments are quoted in an active market (quoted investments); and
- (b) the measurement of the recoverable amount of cash-generating units (CGUs) on the basis of fair value less costs of disposal when they correspond to entities that are quoted in an active market (quoted CGUs).

The proposed amendments clarify that an entity should measure the fair value of quoted investments and quoted CGUs as the product of the quoted price for the individual financial instruments that make up the investments held by the entity and the quantity of financial instruments ($P \times Q$).

Amendments are also proposed to the Illustrative Examples to IFRS 13 *Fair Value Measurement* to illustrate the application of paragraph 48 of that Standard (the 'portfolio exception') in relation to the fair value measurement of an entity's net exposure to market risks arising from a group of financial assets and financial liabilities whose market risks are substantially the same and whose fair value measurement is categorised within Level 1 of the fair value hierarchy. The Illustrative Examples to IFRS 13 are not incorporated into AASB 13 *Fair Value Measurement*, but are made available on the AASB's website.

Dissenting Opinion

One IASB Board member dissented from issue of the IASB ED as he disagrees with the IASB's conclusion that the fair value of quoted investments and quoted CGUs should be measured as $P \times Q$ after concluding that the unit of account is the investment as a whole. His dissenting opinion is included in the Exposure Draft (refer Agenda Paper 10.3).

¹ See [Agenda Paper 12.1 of the AASB meeting 28-29 May 2014](#).