

AASB Staff Issues Paper

Other Concerns Raised during the Targeted Staff Outreach

Purpose

- 1 Decide how to address other constituent concerns relating to AASB 13 *Fair Value Measurement* identified during the targeted staff outreach activity.

Measurement Concerns

- 2 In Agenda Paper 9.2¹ from the AASB Meeting 17-18 December 2014, staff noted that the following feedback relating to AASB 13 had also been received:
 - (a) Various respondents expressed concern about the lack of guidance on how the requirement to fair value an asset is applied when there is no market for the asset or where the asset cannot be sold, who “market participants” are, or how “highest and best use” applies to assets whose future economic benefits are not regarded to be primarily dependent on the asset’s ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits, or where the asset’s use is dictated by another entity. Some respondents questioned whether AASB 13 provides an appropriate basis for measuring the fair value of assets that have community value rather than commercial value;²
 - (b) Some respondents expressed concern that there was a lack of guidance on identifying whether restrictions were entity-specific rather than asset-specific; and
 - (c) Some respondents expressed a view that there is a lack of understanding/ consistency about the appropriateness of inputs in valuation models, especially a depreciated replacement cost model, and whether those inputs are observable or unobservable. For example, whether it is appropriate to apply the entity’s estimate of an asset’s useful life when estimating the asset’s fair value by reference to its depreciated replacement cost, or whether to apply a market participant’s estimate of the asset’s useful life.

Staff recommendation

- 3 Staff recommend that the Board direct staff to consider alternatives for addressing the concerns noted above and to bring recommendations back to a future meeting.

Question for Board members

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| <ol style="list-style-type: none">Q1 Do Board members agree with the staff recommendation to consider alternatives for addressing the concerns noted and to bring recommendations back to a future meeting? |
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1 Link to Agenda Paper:
http://www.aasb.gov.au/admin/file/content102/c3/M142_9.2_Staff_Paper_Staff_Outreach_and_Alternatives_for_Progressing_the_Project.pdf

2 Similar concerns were expressed to AASB staff by South Australian Local Government Financial Management Group members at their March 2015 meeting.