



Memorandum

To:	AASB and FRSB members	Date:	2 March 2011
From:	Joanne Scott and Raymond Yu	Agenda Item:	J4.1
Subject:	Fair Value Measurement	File:	

Action

Consider:

- (a) whether the current PBE/NFP exemptions in AASB 123/NZ IAS 23 *Borrowing Costs* should be retained once the domestic Standards incorporating IFRS 13 are issued;
- (b) assuming the exemptions are retained, whether there should be a PBE/NFP-specific modification in AASB 123/NZ IAS 23 to specify the treatment of borrowing costs within a DRC valuation used for subsequent measurement; and
- (c) whether to make a submission to the IVSC and, if so, the broad content of such a submission.

Attachments

- Agenda Paper J4.2 Staff Paper on Borrowing Costs and Depreciated Replacement Cost in Fair Value Measurements
- Agenda Paper J4.3 Staff Paper on IVSC ED Technical Information Paper 2 *Depreciated Replacement Cost*
- Agenda Paper J4.4 Copy of IVSC ED Technical Information Paper 2 *Depreciated Replacement Cost*
- Agenda Paper J4.5 **Confidential copy** of IASB pre-ballot draft of IFRS 13 *Fair Value Measurement*

Background

The IASB is expected to issue IFRS 13 in April 2011. Other than this agenda item, the Boards are considering some domestic issues in their separate meetings.

- (a) The FRSB will consider a recommendation that all the PBE-specific DRC guidance currently in NZ IAS 16 be deleted; and
- (b) The AASB will consider issues relating to the application of the forthcoming IFRS 13 to the not-for-profit (NFP) sector and decide whether an NFP modification should be made to the Australian Standard that is expected to incorporate IFRS 13 and, if so, how to progress the work.

Summary of staff views

- (a) The current exemptions for NFPs/PBEs in AASB 123/NZ IAS 23 should be retained, at least for now.
- (b) Staff have mixed views on whether the domestic versions of IFRS 13 should include a modification to address what some perceive as consistency issues relating to the treatment of borrowing costs in the measurement of DRC on initial recognition compared with subsequent measurement.
- (c) A generally supportive submission should be made to the IVSC on its ED TIP 2.