



To:	AASB members	Date:	1 March 2011
From:	Raymond Yu	Agenda Item:	9.1
Subject:	Fair Value Measurements by Not-for-Profit Entities	File:	P121; P/IASC24

Action

Consider issues relating to the application of the forthcoming IFRS 13 *Fair Value Measurement* 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.

Attachments

Agenda Paper 9.2 Issues Paper *Fair Value Measurement by Not-for-Profit Entities*

Agenda Paper 9.3 Extract from NZ IAS 16 regarding PBE guidance on depreciated replacement cost – as referred to in boxed text under the issue of ‘lack of guidance’

Agenda Paper J4.5 IASB Pre-ballot Draft *Fair Value Measurement* (confidential copy): as included in agenda papers for joint meeting

Staff Recommendations

As discussed in Agenda Paper 9.2, AASB staff consider there is a potential need to modify the forthcoming IFRS 13 for application by NFPs in relation to its requirements to provide disclosures of a sensitivity analysis and describe the interrelationship between inputs to fair value measurements. AASB staff propose undertaking further research on whether the costs of applying these requirements would be likely to exceed the benefits. Because the issues discussed in Agenda Paper 9.2 are mainly concerns for the NFP *public* sector, staff believes that part of the research should address whether the use of the revaluation model for property, plant and equipment is prevalent in the NFP private sector as well. This would help determine if any exemption should be apply to both the NFP public and private sectors.

AASB staff recommend making no other modifications to IFRS 13 for adoption by Australian NFPs.

AASB staff recommend that the results of the above-mentioned proposed research be dealt with out-of-session and that the Board establishes a sub-committee to work with AASB staff.

Background

Guidance on measuring fair value is distributed across many IFRSs, and it is not always consistent. Furthermore, the current guidance is incomplete, in that it provides neither a clear measurement objective nor a robust measurement framework. The IASB believes that this adds unnecessary complexity to IFRSs and contributes to diversity in practice.

In response, the IASB issued two Exposure Drafts – IASB ED/2009/5 *Fair Value Measurement* (ED 181 is the corresponding AASB Exposure Draft) and IASB ED/2010/7 *Measurement Uncertainty Analysis Disclosure for Fair Value Measurements* (ED 199 is the corresponding AASB Exposure Draft).

The IASB is presently considering a pre-ballot draft of IFRS 13.

Some issues relating to Fair Value Measurement are scheduled to be discussed in the preceding AASB/FRSB joint meeting (see Agenda Item J4), which aims to update both Boards on the forthcoming IFRS 13 and to consider:

- (a) whether Board members wish to raise any issues regarding IVSC Exposure Draft *Proposed Technical Information Paper 2: Depreciated Replacement Cost* in a staff comment letter to the IVSC; and
- (b) the treatment of borrowing costs, particularly in depreciated replacement cost valuations under IFRS 13.

Agenda Papers 9.2 and 9.3 are not being considered in the Boards' joint meeting because the FRSB staff have reviewed fair value measurement issues potentially affecting PBEs addressed in these papers, and are recommending that it is unnecessary for the FRSB to deliberate on these issues because PBE-specific modifications to IFRS 13 are not necessary in the New Zealand environment. However, these papers will be provided to FRSB members for their information and may give rise to comments by FRSB members in the joint meeting.

In its submission to the IASB on ED/2010/7, the AASB requested the IASB to provide guidance on the application of the proposed disclosure of measurement uncertainty and correlation of inputs to non-financial assets, particularly property, plant and equipment (see Agenda Paper 9.2 for more information), or exclude non-financial assets other than investment property from the scope of those proposals. The pre-ballot draft of IFRS 13 does not exclude non-financial assets from the proposed disclosures and does not include illustrative examples. Therefore, at this stage the AASB staff is unable to ascertain whether the AASB's recommendations have been addressed by the IASB.