

***AASB 13 Fair Value Measurement and
AASB 2011-8 Amendments to Australian
Accounting Standards arising from
AASB 13: Tier 2 Proposals***

Comments to AASB by 5 December 2011



Australian Government

**Australian Accounting
Standards Board**

Invitation to Comment

Comments on this Tier 2 AASB Exposure Draft ED 219 *AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13: Tier 2 Proposals* are requested by 5 December 2011. Comments for Part A and B of this Exposure Draft should be provided separately.

Comments should be addressed to:

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All submissions on possible, proposed or existing financial reporting requirements, or on the standard-setting process, will be placed on the public record unless the Chairman of the AASB agrees to those submissions being treated as confidential. The latter will only occur if the public interest warrants such treatment.

Obtaining a Copy of this Tier 2 AASB Exposure Draft

This Tier 2 AASB Exposure Draft ED 219 is available on the AASB website: www.aasb.gov.au. Alternatively, printed copies of this Exposure Draft are available by contacting:

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Reduced Disclosure Requirements

AASB 1053 *Application of Tiers of Australian Accounting Standards* establishes a differential reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements:

- (a) Tier 1: Australian Accounting Standards; and
- (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements (RDR).

Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.

In May 2011, the International Accounting Standards Board (IASB) published IFRS 13 *Fair Value Measurement*. IFRS 13 defines fair value, sets out in a single International Financial Reporting Standard (IFRS) a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 incorporates existing fair value measurement disclosure requirements from various IFRSs. However, some other IFRSs still retain some fair value related disclosures.

Consistent with its policy of adopting IFRSs, in September 2011 the AASB published AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*, which incorporate IFRS 13.

AASB 13 includes some new disclosure requirements and some disclosure requirements carried forward from existing Standards. AASB 13 also gives rise to amendments to other Standards, which are implemented through AASB 2011-8.

This Tier 2 Exposure Draft includes Tier 2 proposals in relation to disclosure requirements in AASB 13 and consequential amendments to disclosure requirements of other Standards under AASB 2011-8. It comprises two parts:

- (a) Part A addresses the Tier 2 proposals in respect of the disclosures required by AASB 13; and
- (b) Part B addresses the Tier 2 proposals in respect of AASB 13 consequential amendments to disclosure requirements in other Standards implemented through AASB 2011-8.

Analysis of proposed disclosures

The AASB's conclusions in relation to the proposed Tier 2 disclosure requirements in Parts A and B of this Exposure Draft have been reached after applying its usual approach to the analysis of the disclosures required by AASB 13 and AASB 2011-8 compared with the disclosures set out in the IASB's *IFRS for SMEs* and application of the 'Tier 2 Disclosure Principles'. Those principles and that analysis are available on the AASB website under [Work in Progress/Reduced Disclosure Requirements](#).

AASB Specific Matters for Comment

The purpose of this Tier 2 AASB ED 219 *AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13: Tier 2 Proposals* is to seek comment on the disclosure requirements in AASB 13 that are proposed to apply to entities applying Tier 2 requirements (Part A) and on the proposed changes to Tier 2 disclosure requirements of other Standards arising from the AASB 13 consequential amendments to these Standards (Part B).

Submissions play an important role in the decisions that the AASB will make in regard to a Standard. The AASB would prefer that respondents supplement their opinions with detailed

comments, whether supportive or critical, on the major issues. The AASB regards both critical and supportive comments as essential to a balanced review and will consider all submissions, whether they address all specific matters, additional issues or only one issue.

The AASB would particularly value comments on the following. Please comment on Part A and Part B separately:

1. whether you agree with the AASB disclosure proposals in relation to entities applying Tier 2 requirements as set out in the Proposed Reduced Disclosure Requirements sections in Parts A and B below;
2. whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of these proposals, particularly any issues relating to:
 - (a) not-for-profit entities; and
 - (b) public sector entities;
3. whether, overall, these proposals would result in financial statements that would be useful to users;
4. whether these proposals are in the best interests of the Australian economy; and
5. unless already provided in response to specific matters for comment 1-4 above, the costs and benefits of the proposals, whether quantitative (financial or non-financial) or qualitative.

PART A – Tier 2 proposals in respect of the disclosures required by AASB 13

The purpose of Part A is to seek comment on the disclosure requirements in AASB 13 that are proposed to apply to entities applying Tier 2 requirements.

There is no equivalent section in the *IFRS for SMEs* for AASB 13, although in some sections of the *IFRS for SMEs* there is fair value measurement guidance and disclosure requirements. The basis of measurement in AASB 13 is fair value, which does not differ from the related fair value measurement basis applied in various sections of the *IFRS for SMEs*.

Proposed Reduced Disclosure Requirements

Under the proposals in Part A of this Exposure Draft, entities applying Tier 2 requirements would be exempt from making the disclosure requirements in paragraphs 91(b), 93(b)-93(i), 95 and 97-99 of AASB 13.

The disclosure requirements in AASB 13 are provided below. Entities applying Tier 2 requirements are proposed to be exempted from applying disclosure requirements shown as shaded text.

Proposed Reduced Disclosure Requirements: AASB 13 *Fair Value Measurement*

91. An entity shall disclose information that helps users of its financial statements assess **both of the following**:
 - (a) for assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the valuation techniques and inputs used to develop those measurements.
 - (b) for recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income for the period.

92. To meet the objectives in paragraph 91, an entity shall consider all the following:

- (a) the level of detail necessary to satisfy the disclosure requirements;
- (b) how much emphasis to place on each of the various requirements;
- (c) how much aggregation or disaggregation to undertake; and
- (d) whether users of financial statements need additional information to evaluate the quantitative information disclosed.

If the disclosures provided in accordance with this Standard and other Australian Accounting Standards are insufficient to meet the objectives in paragraph 91, an entity shall disclose additional information necessary to meet those objectives.

93. To meet the objectives in paragraph 91, an entity shall disclose, at a minimum, the following information for each class of assets and liabilities (see paragraph 94 for information on determining appropriate classes of assets and liabilities) measured at fair value (including measurements based on fair value within the scope of this Standard) in the statement of financial position after initial recognition:

- (a) for recurring and non-recurring fair value measurements, the fair value measurement at the end of the reporting period, and for non-recurring fair value measurements, the reasons for the measurement. Recurring fair value measurements of assets or liabilities are those that other Australian Accounting Standards require or permit in the statement of financial position at the end of each reporting period. Non-recurring fair value measurements of assets or liabilities are those that other Australian Accounting Standards require or permit in the statement of financial position in particular circumstances (eg when an entity measures an asset held for sale at fair value less costs to sell in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* because the asset's fair value less costs to sell is lower than its carrying amount).
- (b) for recurring and non-recurring fair value measurements, the level of the fair value hierarchy within which the fair value measurements are categorised in their entirety (Level 1, 2 or 3).
- (c) for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis, the amounts of any transfers between Level 1 and Level 2 of the fair value hierarchy, the reasons for those transfers and the entity's policy for determining when transfers between levels are deemed to have occurred (see paragraph 95). Transfers into each level shall be disclosed and discussed separately from transfers out of each level.
- (d) for recurring and non-recurring fair value measurements categorised within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation technique(s) and the inputs used in the fair value measurement. If there has been a change in valuation technique (eg changing from a market approach to an income approach or the use of an additional valuation technique), the entity shall disclose that change and the reason(s) for making it. For fair value measurements categorised within Level 3 of the fair value hierarchy, an entity shall provide quantitative information about the significant unobservable inputs used in the fair value measurement. An entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the entity when measuring fair value (eg when an entity uses prices from prior transactions or third-party pricing information without adjustment). However, when providing this disclosure an entity cannot ignore quantitative unobservable inputs that are significant to the fair value measurement and are reasonably available to the entity.
- (e) for recurring fair value measurements categorised within Level 3 of the fair value hierarchy, a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following:
 - (i) total gains or losses for the period recognised in profit or loss, and the line item(s) in profit or loss in which those gains or losses are recognised.
 - (ii) total gains or losses for the period recognised in other comprehensive income, and the line item(s) in other comprehensive income in which those gains or losses are recognised.
 - (iii) purchases, sales, issues and settlements (each of those types of changes disclosed separately).
 - (iv) the amounts of any transfers into or out of Level 3 of the fair value hierarchy, the reasons for those transfers and the entity's policy for determining when transfers between levels are deemed to have occurred (see paragraph 95). Transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3.

- (f) for recurring fair value measurements categorised within Level 3 of the fair value hierarchy, the amount of the total gains or losses for the period in (e)(i) included in profit or loss that is attributable to the change in unrealised gains or losses relating to those assets and liabilities held at the end of the reporting period, and the line item(s) in profit or loss in which those unrealised gains or losses are recognised.
- (g) for recurring and non-recurring fair value measurements categorised within Level 3 of the fair value hierarchy, a description of the valuation processes used by the entity (including, for example, how an entity decides its valuation policies and procedures and analyses changes in fair value measurements from period to period).
- (h) for recurring fair value measurements categorised within Level 3 of the fair value hierarchy:
 - (i) for all such measurements, a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement. To comply with that disclosure requirement, the narrative description of the sensitivity to changes in unobservable inputs shall include, at a minimum, the unobservable inputs disclosed when complying with (d).
 - (ii) for financial assets and financial liabilities, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly, an entity shall state that fact and disclose the effect of those changes. The entity shall disclose how the effect of a change to reflect a reasonably possible alternative assumption was calculated. For that purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in other comprehensive income, total equity.
- (i) for recurring and non-recurring fair value measurements, if the highest and best use of a non-financial asset differs from its current use, an entity shall disclose that fact and why the non-financial asset is being used in a manner that differs from its highest and best use.

94. An entity shall determine appropriate classes of assets and liabilities on the basis of the following:

- (a) the nature, characteristics and risks of the asset or liability; and
- (b) the level of the fair value hierarchy within which the fair value measurement is categorised.

The number of classes may need to be greater for fair value measurements categorised within Level 3 of the fair value hierarchy because those measurements have a greater degree of uncertainty and subjectivity. Determining appropriate classes of assets and liabilities for which disclosures about fair value measurements should be provided requires judgement. A class of assets and liabilities will often require greater disaggregation than the line items presented in the statement of financial position. However, an entity shall provide information sufficient to permit reconciliation to the line items presented in the statement of financial position. If another Standard specifies the class for an asset or a liability, an entity may use that class in providing the disclosures required in this Standard if that class meets the requirements in this paragraph.

95. An entity shall disclose and consistently follow its policy for determining when transfers between levels of the fair value hierarchy are deemed to have occurred in accordance with paragraph 93(c) and (e)(iv). The policy about the timing of recognising transfers shall be the same for transfers into the levels as for transfers out of the levels. Examples of policies for determining the timing of transfers include the following:

- (a) the date of the event or change in circumstances that caused the transfer.
- (b) the beginning of the reporting period.
- (c) the end of the reporting period.

96. If an entity makes an accounting policy decision to use the exception in paragraph 48, it shall disclose that fact.

97. For each class of assets and liabilities not measured at fair value in the statement of financial position but for which the fair value is disclosed, an entity shall disclose the information required by paragraph 93(b), (d) and (i). However, an entity is not required to provide the quantitative disclosures about significant unobservable inputs used in fair value measurements categorised within Level 3 of the fair value hierarchy required by paragraph 93(d). For such assets and liabilities, an entity does not need to provide the other disclosures required by this Standard.
98. For a liability measured at fair value and issued with an inseparable third-party credit enhancement, an issuer shall disclose the existence of that credit enhancement and whether it is reflected in the fair value measurement of the liability.
99. An entity shall present the quantitative disclosures required by this Standard in a tabular format unless another format is more appropriate.

PART B – Tier 2 proposals in respect of AASB 13 consequential amendments to disclosure requirements in other Standards implemented through AASB 2011-8

The purpose of Part B is to seek comment on the proposed changes to Tier 2 disclosure requirements of other Standards arising from the AASB 13 consequential amendments to these Standards.

Proposed Reduced Disclosure Requirements

Under the proposals in Part B of this Exposure Draft, entities applying Tier 2 requirements would be exempt from the following changed disclosure requirements:

<u>AASB Standard</u>	<u>Exempt Disclosure Requirements</u>
AASB 3	Paragraph B64(o)(ii)
AASB 7	Paragraphs 27, 27A; 27B; the second sentence of paragraph 28 including paragraphs 28(a) and 28(c)
AASB 136	Paragraphs 130(f); 134(c); 134(d)(i); 134(e)(i); 134(e)(iiA) and (iiB); 134(e)(iii)-(v)
AASB 138	Paragraph 124(a)(iii)
AASB 140	Part of paragraph 75(d); paragraphs 78(b); 79(e)(ii)
AASB 141	Paragraph 48

Note: The Table includes some disclosure requirements from which entities applying Tier 2 requirements were previously exempt that have been deleted by AASB 2011-8 for annual reporting periods beginning on or after 1 January 2013, for example paragraphs 27, 27A and 27B of AASB 7. Entities applying Tier 2 requirements continue to be exempt from these disclosure requirements for periods beginning before 1 January 2013 to which Australian Accounting Standards – Reduced Disclosure Requirements is applied early.

The AASB 13 consequential amendments to the disclosure requirements in other Standards implemented through AASB 2011-8 are provided below, shown as underlined text. Those disclosure requirements under AASB Standards that are deleted by AASB 2011-8 are shown as struck through text. The absence of any marked-up text means that the disclosure requirements have not been affected by the consequential amendments under AASB 2011-8. Entities applying Tier 2 requirements are proposed to be exempted from applying disclosure requirements shown as shaded text.

Proposed Reduced Disclosure Requirements: AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (mandatory from 1 January 2013)

AASB 3 Business Combinations

- B64 To meet the objective in paragraph 59, the acquirer shall disclose the following information for each business combination that occurs during the reporting period:
- (a) ...
 - (f) the acquisition-date fair value of the total consideration transferred and the acquisition-date fair value of each major class of consideration, such as:
 - (i) ...
 - (iv) equity interests of the acquirer, including the number of instruments or interests issued or issuable and the method of ~~determining~~ measuring the fair value of those instruments or interests.
 - (g) ...
 - (o) for each business combination in which the acquirer holds less than 100 per cent of the equity interests in the acquiree at the acquisition date:
 - (i) ...
 - (ii) for each non-controlling interest in an acquiree measured at fair value, the valuation technique(s) and ~~key model~~ significant inputs used for determining to measure that value.
 - (p) ...

AASB 7 Financial Instruments: Disclosures

27 ~~[deleted by the IASB] An entity shall disclose for each class of financial instruments the methods and, when a valuation technique is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities. For example, if applicable, an entity discloses information about the assumptions relating to prepayment rates, rates of estimated credit losses, and interest rates or discount rates. If there has been a change in valuation technique, the entity shall disclose that change and the reasons for making it.~~

RDR27.1 An entity applying Australian Accounting Standards – Reduced Disclosure Requirements shall disclose, for all financial assets and financial liabilities that are measured at fair value, the basis for determining fair value, for example quoted market price in an active market or a valuation technique. When a valuation technique is used, the entity shall disclose the assumptions applied in determining fair value for each class of financial assets or financial liabilities. For example, if applicable, an entity discloses information about the assumptions relating to prepayment rates, rates of estimated credit losses, and interest rates or discount rates.

27A ~~[deleted by the IASB] To make the disclosures required by paragraph 27B an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:~~

- ~~(a) — quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);~~
- ~~(b) — inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and~~
- ~~(c) — inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).~~

~~The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.~~

27B ~~[deleted by the IASB] For fair value measurements recognised in the statement of financial position an entity shall disclose for each class of financial instruments:~~

- ~~(a) the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety, segregating fair value measurements in accordance with the levels defined in paragraph 27A.~~
- ~~(b) any significant transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for those transfers. Transfers into each level shall be disclosed and discussed separately from transfers out of each level. For this purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities.~~
- ~~(c) for fair value measurements in Level 3 of the fair value hierarchy, a reconciliation from the beginning balances to the ending balances, disclosing separately changes during the period attributable to the following:
 - ~~(i) total gains or losses for the period recognised in profit or loss, and a description of where they are presented in the statement of comprehensive income or the separate income statement (if presented);~~
 - ~~(ii) total gains or losses recognised in other comprehensive income;~~
 - ~~(iii) purchases, sales, issues and settlements (each type of movement disclosed separately); and~~
 - ~~(iv) transfers into or out of Level 3 (e.g. transfers attributable to changes in the observability of market data) and the reasons for those transfers. For significant transfers, transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3.~~~~
- ~~(d) the amount of total gains or losses for the period in (c)(i) above included in profit or loss that are attributable to gains or losses relating to those assets and liabilities held at the end of the reporting period and a description of where those gains or losses are presented in the statement of comprehensive income or the separate income statement (if presented).~~
- ~~(e) for fair value measurements in Level 3, if changing one or more of the inputs to reasonably possible alternative assumptions would change fair value significantly, the entity shall state that fact and disclose the effect of those changes. The entity shall disclose how the effect of a change to a reasonably possible alternative assumption was calculated. For this purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in other comprehensive income, total equity.~~

~~An entity shall present the quantitative disclosures required by this paragraph in tabular format unless another format is more appropriate.~~

28 If the market for a financial instrument is not active, an entity establishes its fair value using a valuation technique (see paragraphs B5.4.6–B5.4.12 of AASB 9). Nevertheless, the best evidence of fair value at initial recognition is the transaction price (i.e. the fair value of the consideration given or received), unless the conditions described in paragraph B5.4.8 of AASB 9 are met. It follows that there could be a difference between the fair value at initial recognition and the amount that would be determined at that date using the valuation technique. If such a difference exists, an entity shall disclose, by class of financial instrument: In some cases, an entity does not recognise a gain or loss on initial recognition of a financial asset or financial liability because the fair value is neither evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) nor based on a valuation technique that uses only data from observable markets (see paragraph B5.1.2A of AASB 9). In such cases, the entity shall disclose by class of financial asset or financial liability:

- (a) its accounting policy for recognising in profit or loss the ~~that~~ difference between the fair value at initial recognition and the transaction price in profit or loss to reflect a change in factors (including time) that market participants would consider in setting a price take into account when pricing the asset or liability (see paragraph B5.4.9–B5.1.2A(b) of AASB 9); and
- (b) ...
- (c) why the entity concluded that the transaction price was not the best evidence of fair value, including a description of the evidence that supports the fair value.

AASB 116 Property, Plant and Equipment

77 If items of property, plant and equipment are stated at revalued amounts, the following shall be disclosed in addition to the disclosures required by AASB 13:

- (a) ...
- (c) [deleted by the IASB] ~~the methods and significant assumptions applied in estimating the items' fair values;~~
- (d) [deleted by the IASB] ~~the extent to which the items' fair values were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms or were estimated using other valuation techniques;~~
- (e) ...

AASB 136 Impairment of Assets

130 An entity shall disclose the following for each material impairment loss recognised or reversed during the period for an individual asset, including goodwill, or a cash-generating unit:

- (a) ...
- (f) if recoverable amount is fair value less costs ~~to sell~~ of disposal, the basis used to determine measure fair value less costs ~~to sell~~ of disposal (such as whether fair value was determined measured by reference to a quoted price in an active market for an identical asset). An entity is not required to provide the disclosures required by AASB 13; and
- (g) ...

134 An entity shall disclose the information required by (a)–(f) for each cash-generating unit (group of units) for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit (group of units) is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives:

- (a) ...
- (c) the recoverable amount of the unit (or group of units) and the basis on which the unit's (group of units') recoverable amount has been determined (ie value in use or fair value less costs ~~to sell~~ of disposal);
- (d) if the unit's (group of units') recoverable amount is based on value in use:
 - (i) ~~a description of each key assumption on which management has based its cash flow projections for the period covered by the most recent budgets/forecasts. Key assumptions are those to which the unit's (group of units') recoverable amount is most sensitive;~~
 - (ii) ...
- (e) if the unit's (group of units') recoverable amount is based on fair value less costs ~~to sell~~ of disposal, the ~~methodology~~ valuation technique(s) used to determine measure fair value less costs ~~to sell~~ of disposal. An entity is not required to provide the disclosures required by AASB 13. If fair value less costs ~~to sell~~ of disposal is not determined measured using an observable market a quoted price for the an identical unit (group of units), an entity shall disclose the following information shall also be disclosed:
 - (i) ~~a description of each key assumption on which management has based its determination of fair value less costs ~~to sell~~ of disposal. Key assumptions are those to which the unit's (group of units') recoverable amount is most sensitive.~~
 - (ii) ...
 - (iiA) the level of the fair value hierarchy (see AASB 13) within which the fair value measurement is categorised in its entirety (without giving regard to the observability of 'costs of disposal').
 - (iiB) if there has been a change in valuation technique, the change and the reason(s) for making it.

If fair value less costs to sell of disposal is determined measured using discounted cash flow projections, an entity shall disclose the following information ~~shall also be disclosed~~:

- (iii) the period over which management has projected cash flows;
- (iv) the growth rate used to extrapolate cash flow projections;
- (v) the discount rate(s) applied to the cash flow projections;

(f) ...

AASB 138 *Intangible Assets*

124 If intangible assets are accounted for at revalued amounts, an entity shall disclose the following:

(a) by class of intangible assets:

(i) ...

(iii) the carrying amount that would have been recognised had the revalued class of intangible assets been measured after recognition using the cost model in paragraph 74; and

(b) the amount of the revaluation surplus that relates to intangible assets at the beginning and end of the period, indicating the changes during the period and any restrictions on the distribution of the balance to shareholders; and

(c) [deleted by the IASB] ~~the methods and significant assumptions applied in estimating the assets' fair values.~~

AASB 140 *Investment Property*

75 An entity shall disclose:

(a) ...

(d) [deleted by the IASB] ~~the methods and significant assumptions applied in determining the fair value of investment property, including a statement whether the determination of fair value was supported by market evidence or was more heavily based on other factors (which the entity shall disclose) because of the nature of the property and lack of comparable market data;~~

(e) ...

78 In the exceptional cases referred to in paragraph 53, when an entity measures investment property using the cost model in AASB 116, the reconciliation required by paragraph 76 shall disclose amounts relating to that investment property separately from amounts relating to other investment property. In addition, an entity shall disclose:

(a) ...

(b) an explanation of why fair value cannot be determined measured reliably;

(c) ...

79 In addition to the disclosures required by paragraph 75, an entity that applies the cost model in paragraph 56 shall disclose:

(a) ...

(e) the fair value of investment property. In the exceptional cases described in paragraph 53, when an entity cannot determine measure the fair value of the investment property reliably, it shall disclose:

(i) ...

(ii) an explanation of why fair value cannot be determined measured reliably; and

(iii) ...

AASB 141 Agriculture

- 47 ~~[Deleted by the IASB] An entity shall disclose the methods and significant assumptions applied in determining the fair value of each group of agricultural produce at the point of harvest and each group of biological assets.~~
- 48 ~~[Deleted by the IASB] An entity shall disclose the fair value less costs to sell of agricultural produce harvested during the period, determined at the point of harvest.~~

Early Application of Australian Accounting Standards – Reduced Disclosure Requirements and AASB 13 Fair Value Measurement

The Australian Accounting Standards – Reduced Disclosure Requirements may be applied early to annual reporting periods beginning on or after 1 July 2009 but before 1 July 2013. AASB 13 may also be applied early to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2013.

The early-application amendments in AASB 2011-8 to AASB 7 *Financial Instruments: Disclosures* and AASB 128 *Investments in Associates* set out below apply to all the versions of the pronouncements applicable to periods when the Australian Accounting Standards – Reduced Disclosure Requirements and AASB 13 may both be applied early.

Amendments to AASB 7 *Financial Instruments: Disclosures*

The following amendments are applicable to versions of AASB 7 that apply to annual reporting periods beginning on or after 1 July 2009 but before 1 January 2013.

- 27 ~~[deleted by the IASB] An entity shall disclose for each class of financial instruments the methods and, when a valuation technique is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities. For example, if applicable, an entity discloses information about the assumptions relating to prepayment rates, rates of estimated credit losses, and interest rates or discount rates. If there has been a change in valuation technique, the entity shall disclose that change and the reasons for making it.~~

RDR27.1 An entity applying Australian Accounting Standards – Reduced Disclosure Requirements shall disclose, for all financial assets and financial liabilities that are measured at fair value, the basis for determining fair value, for example quoted market price in an active market or a valuation technique. When a valuation technique is used, the entity shall disclose the assumptions applied in determining fair value for each class of financial assets or financial liabilities. For example, if applicable, an entity discloses information about the assumptions relating to prepayment rates, rates of estimated credit losses, and interest rates or discount rates.

- 27A ~~[deleted by the IASB] To make the disclosures required by paragraph 27B an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:~~

- ~~(a) — quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);~~
- ~~(b) — inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and~~
- ~~(c) — inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).~~

~~The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.~~

- 27B ~~[deleted by the IASB] For fair value measurements recognised in the statement of financial position an entity shall disclose for each class of financial instruments:~~

- (a) the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety, segregating fair value measurements in accordance with the levels defined in paragraph 27A;
- (b) any significant transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for those transfers. Transfers into each level shall be disclosed and discussed separately from transfers out of each level. For this purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities;
- (c) for fair value measurements in Level 3 of the fair value hierarchy, a reconciliation from the beginning balances to the ending balances, disclosing separately changes during the period attributable to the following:
 - (i) total gains or losses for the period recognised in profit or loss, and a description of where they are presented in the statement of comprehensive income or the separate income statement (if presented);
 - (ii) total gains or losses recognised in other comprehensive income;
 - (iii) purchases, sales, issues and settlements (each type of movement disclosed separately); and
 - (iv) transfers into or out of Level 3 (e.g. transfers attributable to changes in the observability of market data) and the reasons for those transfers. For significant transfers, transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3.
- (d) the amount of total gains or losses for the period in (c)(i) above included in profit or loss that are attributable to gains or losses relating to those assets and liabilities held at the end of the reporting period and a description of where those gains or losses are presented in the statement of comprehensive income or the separate income statement (if presented);
- (e) for fair value measurements in Level 3, if changing one or more of the inputs to reasonably possible alternative assumptions would change fair value significantly, the entity shall state that fact and disclose the effect of those changes. The entity shall disclose how the effect of a change to a reasonably possible alternative assumption was calculated. For this purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in other comprehensive income, total equity.

An entity shall present the quantitative disclosures required by this paragraph in tabular format unless another format is more appropriate.

- 28 If the market for a financial instrument is not active, an entity establishes its fair value using a valuation technique (see paragraphs AG74–AG79 of AASB 139). Nevertheless, the best evidence of fair value at initial recognition is the transaction price (ie the fair value of the consideration given or received), unless conditions described in paragraph AG76 of AASB 139 are met. It follows that there could be a difference between the fair value at initial recognition and the amount that would be determined at that date using the valuation technique. If such a difference exists, an entity shall disclose, by class of financial instrument: In some cases, an entity does not recognise a gain or loss on initial recognition of a financial asset or financial liability because the fair value is neither evidenced by a quoted price in an active market for an identical asset or liability (ie a Level 1 input) nor based on a valuation technique that uses only data from observable markets (see paragraph AG76 of AASB 139). In such cases, the entity shall disclose by class of financial asset or financial liability:

- (a) its accounting policy for recognising in profit or loss the that difference between the fair value at initial recognition and the transaction price in profit or loss to reflect a change in factors (including time) that market participants would consider in setting a price take into account when pricing the asset or liability (see paragraph AG76A–AG76(b) of AASB 139), and
- (b) ...
- (c) why the entity concluded that the transaction price was not the best evidence of fair value, including a description of the evidence that supports the fair value.

- 29 Disclosures of fair value are not required:

- (a) ...
- (b) for an investment in equity instruments that do not have a quoted market price in an active market for an identical instrument (i.e. a Level 1 input), or derivatives linked to such equity

instruments, that is measured at cost in accordance with AASB 139 because its fair value cannot otherwise be measured reliably; or

(c) ...

Amendments to AASB 128 *Investments in Associates*

The following amendments are applicable to versions of AASB 128 that apply to annual reporting periods beginning on or after 1 July 2009 but before 1 January 2013.

37 The following disclosures shall be made:

(a) the fair value of investments in associates for which there are ~~published—price quotations~~ quoted market prices;

(b) ...