Australian Government

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Sir David Tweedie
Chairman
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Dear David

AASB comments on IASB Exposure Draft ED/2009/5
Fair Value Measurement

The Australian Accounting Standards Board (AASB) is pleased to provide comments on Exposure Draft ED/2009/5 *Fair Value Measurement*. In formulating its views, the AASB sought and considered the views of Australian constituents. The comment letters received are published on the AASB's website.

The AASB acknowledges that the global financial crisis has highlighted that users of general purpose financial statements require better information to understand fair value measurements and associated disclosures in financial statements and considers that the proposals in this ED respond effectively to these concerns.

The AASB is supportive of the IASB's objective to improve fair value measurement guidance by being clear about the measurement attribute chosen (that is, defining fair value as an exit price), establishing a framework for measuring fair value and requiring disclosures about fair value, where another IFRS requires assets, liabilities or equity instruments to be measured at fair value. The AASB considers that the proposed Fair Value Measurement Standard is an improvement to the existing guidance that is currently dispersed throughout IFRSs, but has the following concerns with some aspects of the ED.

(a) *Exit price and depreciated replacement cost*

For the sake of clarity, the AASB supports defining fair value as an exit price. However, this support is provided only in the context of the ED's objectives, and does not signify that the AASB would support exit price as the conceptually ideal basis of measurement when the IASB issues a proposed Measurement Chapter of its Conceptual Framework.

The AASB seeks clarification of whether market buying prices can continue to be used to measure particular items of revalued property, plant and equipment under IAS 16 *Property, Plant and Equipment* and individual assets that are part of a group of assets under IFRS 3 *Business Combinations*, given that the guidance in those Standards currently encompasses depreciated replacement cost, which is an entry price. In this regard, the AASB notes that the IASB staff has prepared and posted on the IASB website Frequently Asked Questions and Answers in respect of the ED, including a question and answer discussing the use of depreciated replacement cost. The AASB

notes that the questions and answers have not been reviewed by the IASB and requests clarification of whether the guidance will be incorporated into the Fair Value Measurement Standard. It is unclear whether it is intended that respondents comment on the Frequently Asked Questions and Answers in submissions on the ED. This may be a matter for the IASB to address in its documentation of process.

(b) *Highest and best use for liabilities*

The AASB considers there to be a tension between the IASB's decision to apply the highest and best use notion to assets, but not to liabilities, when measuring fair value. Entity-specific efficiencies or inefficiencies would appear to be taken into account in estimating the fair value of specialised assets but not the fair value of performance obligations. The AASB considers that this issue should be clarified in the proposed Fair Value Measurement Standard and in its Basis for Conclusions.

(c) *Disclosure when highest and best use differs from existing use*

The AASB disagrees with requiring separate disclosure of the 'incremental value' and existing-use value when an asset measured at fair value is not currently used for its highest and best use.

(d) *Interim financial reporting disclosure requirements are excessive*

The AASB considers that the proposed amendment to IAS 34 *Interim Financial Reporting* to require all the disclosures in paragraphs 56-59 and paragraph 61 of the proposed Fair Value Measurement Standard for an interim reporting period would be excessive and inconsistent with the underlying disclosure principle of IAS 34.

(e) *Convergence with US GAAP*

The AASB generally supports the differences from SFAS 157 proposed by the IASB, on the proviso that it is the intention of both the IASB and the FASB to achieve convergence on this topic. The AASB encourages the IASB to work closely with the FASB on this topic in developing a single set of high quality principle-based global accounting standards.

These concerns are explained in the attached comments on the Exposure Draft.

If you have any queries regarding any matters in this submission, please contact me or Natalie Batsakis (nbatsakis@aasb.gov.au).

Yours sincerely

Kevin M. Stevenson
Chairman

Specific matters for comment

The AASB provides the following comments on the questions in IASB Exposure Draft ED/2009/5 *Fair Value Measurement*.

Issue 1: Definition of fair value and related guidance

> **Question 1**
>
> The exposure draft proposes defining fair value as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date' (an exit price) (see paragraph 1 of the draft IFRS and paragraphs BC15 – BC18 of the Basis for Conclusions). This is relevant only when fair value is used in IFRSs.
>
> Is the definition appropriate? Why or why not? If not, what would be a better definition and why?

Yes. The AASB agrees, for the sake of clarity, with the ED's proposal that a single measurement attribute be identified (that is, fair value being defined as an exit price). However, the AASB requests clarification of the implications of this definition for the references to fair value in, for example, IAS 16 *Property, Plant and Equipment* and IFRS 3 *Business Combinations*. In particular, the AASB seeks clarification of whether market buying prices can continue to be used to measure particular items of revalued property, plant and equipment under IAS 16 and individual assets that are part of a group of assets under IFRS 3. The AASB notes that the ED accommodates various valuation approaches in determining fair value, including the use of a cost approach (such as depreciated replacement cost). However, it also notes that depreciated replacement cost is described in the accounting literature as an entry price, and this calls into question its appropriateness under an exit price notion of fair value. The AASB considers that, if the IASB regards the cost approach as consistent with an exit price notion of fair value, it would be useful for the Fair Value Measurement Standard (or its Basis for Conclusions) to explain much more fully the IASB's reasons for that conclusion. As a matter of practicality, we cannot see how the IASB can avoid using current input values for many non-financial assets. Certainly purchase price allocations for business combinations and revaluations of fixed assets under IAS 16 normally use such values.

The AASB notes that the IASB staff has prepared and posted on the IASB website a Frequently Asked Questions and Answers in respect of the ED. One of those questions and answers discusses the use of depreciated replacement cost as follows:

> *"How does an entity measure the fair value of a tangible asset (such as property, plant and equipment) that does not have an observable market price or directly attributable cash flows?*
>
> A cost approach will sometimes be an appropriate valuation technique for a fair value measurement, for example when an asset does not have an observable market price and it does not generate directly identifiable cash flows. The replacement cost approach assuming an in-use valuation premise is generally appropriate is such situations because a market participant buyer would not pay more for an asset than the amount for which it could replace the service

> capacity of that asset. (The replacement cost approach also considers the cash flows that market participants would expect to generate from using the asset because the replacement cost approach includes a test for 'economic obsolescence'.)"

The AASB notes that whilst the majority of the IASB staff response provided in the above paragraph is consistent with comments made in the ED, the first sentence is not said explicitly in the ED or its Basis for Conclusions. In view of staff comments not having the authority of a Standard, the AASB considers that such clarification should be incorporated into the Fair Value Measurement Standard.

Issue 2: Scope

Question 2

In three contexts, IFRSs use the term 'fair value' in a way that does not reflect the Board's intended measurement objective in those contexts:

(a) In two of those contexts, the exposure draft proposes to replace the term 'fair value' (the measurement of share-based payment transactions in IFRS 2 *Share-based Payment* and reacquired rights in IFRS 3 *Business Combinations*) (see paragraph BC29 of the Basis for Conclusions).

(b) The third context is the requirement in paragraph 49 of IAS 39 *Financial Instruments: Recognition and Measurement* that the fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid (see paragraph 2 of the draft IFRS and paragraph BC29 of the Basis for Conclusions). The exposure draft proposes not to replace that use of the term 'fair value', but instead proposes to exclude that requirement from the scope of the IFRS.

Is the proposed approach to these three issues appropriate? Why or why not? Should the Board consider similar approaches in any other contexts? If so, in which context and why?

The AASB supports the proposed approach in Question 2(a) to replace the term 'fair value' in certain other IFRSs where its intended meaning does not match the proposed definition of fair value.

However, in respect of Question 2(b), the AASB disagrees with the ED's proposal to continue permitting the presentation of the measurement basis applied to financial liabilities with a demand feature as 'fair value'. This treatment would result from excluding the measurement of such financial liabilities from the scope of the Fair Value Measurement Standard and not requiring a different term to be used for the measurement of such liabilities under paragraph 49 of IAS 39 *Financial Instruments: Recognition and Measurement*. The AASB considers that the description of 'fair value' in paragraph 49 of IAS 39 is inconsistent with defining fair value as an exit price and, therefore, another measurement term (such as 'callable amount') should be used in that context. However, the AASB does not comment on whether the measurement requirements for financial liabilities with a demand feature should remain in IAS 39 or be included in the Fair Value Measurement Standard.

Issue 3: The transaction

Question 3

The exposure draft proposes that a fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place in the most advantageous market to which the entity has access (see paragraphs 8-12 of the draft IFRS and paragraphs BC37-BC41 of the Basis for Conclusions).

Is this approach appropriate? Why or why not?

Yes, because it takes a principle-based approach to identifying the relevant value. The AASB agrees with the IASB's rationale in paragraph BC40 of the Basis for Conclusions.

The AASB also agrees with the clarification in paragraph 10 of the proposed Standard that:

(a) an entity need not undertake an exhaustive search of all possible markets in assessing whether the principal market in which it transacts is the most advantageous market; and

(b) in most instances the entity's principal market, in which the entity would normally enter into a transaction, will be its most advantageous market.

Therefore, the AASB agrees with paragraph 11 of the proposed Standard, which suggests that, unless there is evidence to the contrary, an entity may assume that the principal market to which it has access is the most advantageous market.

We would encourage the IASB to convince the FASB of this approach.

Question 4

The exposure draft proposes that an entity should determine fair value using the assumptions that market participants would use in pricing the asset or liability (see paragraphs 13 and 14 of the draft IFRS and paragraphs BC42-BC45 of the Basis for Conclusions).

Is the description of market participants adequately described in the context of the definition? Why or why not?

The AASB supports the proposal that the entity should determine fair value using the assumptions that market participants would use in pricing the asset or liability. In addition, the AASB welcomes the clarification that market participants are presumed to have the same knowledge as the reporting entity in making decisions about fair value (that is, there is no information asymmetry).

Issue 4: Application to assets: highest and best use and valuation premise

Question 5

The exposure draft proposes that:

(a) the fair value of an asset should consider a market participant's ability to generate economic benefit by using the asset or by selling it to another market participant who will use the asset in its highest and best use (see paragraphs 17-19 of the draft IFRS and paragraph BC60 of the Basis for Conclusions).

(b) the highest and best use of an asset establishes the valuation premise, which may be either 'in use' or 'in exchange' (see paragraphs 22 and 23 of the draft IFRS and paragraphs BC56 and BC57 of the Basis for Conclusions).

(c) the notions of highest and best use and valuation premise are not used for financial assets and are not relevant for liabilities (see paragraph 24 of the draft IFRS and paragraphs BC51 and BC52 of the Basis for Conclusions).

Are these proposals appropriate? Why or why not?

The AASB supports the proposals in parts (a) and (b) above. The AASB supports the guidance for determining the highest and best use included in paragraph 17 of the ED and Example 2 of the Illustrative Examples, which notes that costs that may be incurred in changing use or decommissioning an asset should be considered when assessing the highest and best use value of an asset. The AASB supports this guidance as it is critical in assessing the fair value of the asset at its highest and best use compared with its current use. This approach is also consistent with International Valuation Standards.

However, regarding part (c) above, the AASB considers there to be a tension between the IASB's decision to apply the highest and best use notion to assets, but not to liabilities. This is discussed below.

Paragraph BC52 notes that the IASB concluded that the highest and best use concept does not apply to liabilities and that "...although an entity might have entity-specific advantages or disadvantages that enable it to fulfil a liability more or less efficiently than other market participants, those entity-specific factors do not affect fair value."

However, the ED's proposals would appear to incorporate entity-specific factors into the measurement of the fair value of assets, for example, specialised assets (to which an in-use valuation premise would apply). The ED assumes that market participants are as knowledgeable as the reporting entity. In addition, paragraph BC61 states that "... an exit price reflects the sale of the asset to a market participant that has, or can obtain, the complementary assets and liabilities needed to use the specialised assets in its own operations. In effect, the market participant buyer steps into the shoes of the entity that holds those specialised assets."

The corollary of that statement for a liability would appear to be that the market participant transferee of the liability steps into the shoes of the entity owing that liability. For example, consider an entity with a mine site that it is required to rehabilitate after its use. Assume that, given the reporting entity's size and experience of rehabilitating mine sites, it is more cost-effective for that entity to undertake the rehabilitation than to transfer the obligation to a third party. If a market participant transferee of the rehabilitation

obligation stepped into the shoes of the reporting entity, it would have access to the unique skills and synergistic benefits possessed by the reporting entity in rehabilitating mine sites. These unique factors are entity-specific.

Because of these factors, the AASB recommends that the IASB clarifies whether estimated cash flows should reflect entity-specific efficiencies or inefficiencies in estimating the fair value of performance obligations at level three of the fair value hierarchy. The AASB suggests that, in this process, the IASB should explain more fully, either in the Standard or its Basis for Conclusions, why the highest and best use notion is not relevant for liabilities.

Terminology

The AASB has received comment from valuation professionals that the phrases 'in use' and 'in exchange' connote a different distinction from that intended by the IASB. For example, 'in use' can be read as 'value in use' (entity-specific value) or existing use only. The AASB suggests replacing those terms with references to measuring an asset either as part of a group of assets or on a standalone basis, respectively. The AASB considers these replacement terms to be plainer English than that proposed, and therefore more easily understood.

Question 6

When an entity uses an asset together with other assets in a way that differs from the highest and best use of the asset, the exposure draft proposes that the entity should separate the fair value of the asset group into two components: (a) the value of the assets assuming their current use and (b) the amount by which that value differs from the fair value of the assets (ie their incremental value). The entity should recognise the incremental value together with the asset to which it relates (see paragraphs 20 and 21 of the draft IFRS and paragraphs BC54 and BC55 of the Basis for conclusions.

Is the proposed guidance sufficient and appropriate? If not, why?

The AASB agrees that the 'incremental value' referred to in Question 6 should be included in the measurement of the fair value of assets that are not used for their highest and best use.

However, the AASB disagrees with requiring separate disclosure of the 'incremental value' and existing-use value in those circumstances, because it considers that such disclosure requirements would:

(a) be piecemeal in only applying to assets measured at fair value. If disclosures about assets deployed for uses other than their highest and best use provide useful information for resource allocation decisions and assessing the accountability of the entity's management, and if the benefits of that information exceed the related costs, those disclosures should not be limited to assets measured at fair value;

(b) require the underlying assets of investments in subsidiaries to be bifurcated into existing use market value and incremental value; and

(c) involve significant costs to obtain dual valuations of an entity's assets as well as the assets of investments in subsidiaries (as mentioned in (b) above). Valuers do not

generally provide separate valuations for assets at their current use and highest and best use (where that use differs from current use).

In relation to the example in paragraph BC54, the AASB disagrees with the IASB's conclusion that measuring the factory at nil when it continues to be used as a factory would not provide decision-useful information. The opportunity cost notion inherent in fair value contradicts that conclusion, and from a fair value perspective the asset held by the entity is its land (at market value). It may be considered that measuring the factory at an existing use value would provide more useful information. If that conclusion were reached, reporting the factory's existing use value would constitute using a measurement basis other than fair value because the measurement objective would be different, and the existing use value should not be presented as a component of fair value. Similarly, reporting the factory's existing use value would understate the fair value of the land.

The AASB considers that the IASB's conclusion on this issue in paragraph BC54 contradicts its comments in paragraph BC68 in relation to the fair value of liabilities, particularly that "A fair value measurement provides a market benchmark ... for assessing an entity's advantages or disadvantages in performance or settlement relative to the market."

Issue 5: Application to liabilities: general principles

Question 7

The exposure draft proposes that:

(a) a fair value measurement assumes that the liability is transferred to a market participant at the measurement date (see paragraph 25 of the draft IFRS and paragraphs BC67 and BC68).

(b) if there is an active market for transactions between parties who hold a financial instrument as an asset, the observed price in that market represents the fair value of the issuer's liability. An entity adjusts the observed price for the asset for features that are present in the asset but not present in the liability or vice versa (see paragraph 27 of the draft IFRS and paragraph BC72 of the Basis for Conclusions).

(c) if there is no corresponding asset for a liability (eg for a decommissioning liability assumed in a business combination), an entity estimates the price that market participants would demand to assume the liability using present value techniques or other valuation techniques. One of the main inputs to those techniques is an estimate of the cash flows that the entity would incur in fulfilling the obligation, adjusted for any differences between those cash flows and the cash flows that other market participants would incur (see paragraph 28 of the draft IFRS).

Are these proposals appropriate? Why or why not? Are you aware of any circumstances in which the fair value of a liability held by one party is not represented by the fair value of the financial instrument held as an asset by another party?

Other than the issue identified in the response to Question 5 above regarding the application of the highest and best use notion to liabilities, the AASB generally supports the proposals in respect of determining the fair value of financial and non-financial liabilities.

As indicated in the comments above on Question 5, the AASB recommends that the IASB clarifies whether estimated cash flows should reflect entity-specific efficiencies or inefficiencies in estimating the fair value of performance obligations at level three of the fair value hierarchy.

Issue 6: Application to liabilities: non-performance risk and restrictions

Question 8

The exposure draft proposes that:

(a) the fair value of a liability reflects non-performance risk, ie the risk that an entity will not fulfil the obligation (see paragraph 29 and 30 of the draft IFRS and paragraphs BC73 and BC74 of the Basis for Conclusions).

(b) The fair value of a liability is not affected by a restriction on an entity's ability to transfer the liability (see paragraph 31 of the draft IFRS and paragraph BC75 of the Basis for Conclusions).

Are these proposals appropriate? Why or why not?

Yes. The AASB supports the proposals that fair value measurement of liabilities should include non-performance risk of the entity and should not take into consideration any restrictions on an entity's ability to transfer the liability. The proposals in the ED are premised on the basis of a 'hypothetical' transaction – therefore, the AASB considers that it is reasonable to make the assumption that such a transfer can occur regardless of whether the entity intends, or has the ability, to settle the obligation in that way.

Whilst the AASB supports the proposal that the fair value of a liability is not affected by a restriction on an entity's ability to transfer the liability, it considers that the characteristics of the participants in the relevant market for the liability would reflect any restrictions on who may participate in that market. For example, a regulator (such as a financial services regulator) may require that transactions to transfer a particular liability can only take place with entities of equivalent or higher credit standing, which in turn would affect the particular liability's exit price. Accordingly, the AASB considers that any restrictions on who may participate in the relevant market for a liability should be taken into account in determining the relevant market for estimating the 'price that would be paid to transfer the liability in an orderly transaction between market participants at the measurement date'.

Issue 7: Fair value at initial recognition

Question 9

The exposure draft lists four cases in which the fair value of an asset or liability at initial recognition might differ from the transaction price. An entity would recognise any resulting gain or loss unless the relevant IFRS for the asset or liability requires otherwise. For example, as already required by IAS 39, on initial recognition of a financial instrument, an entity would recognise the difference between the transaction price and the fair value as a gain or loss only if that fair value is evidenced by observable market prices or, when using a valuation technique, solely by observable market data (see paragraph 36 and 37 of the draft IFRS, paragraphs D27 and D32 of Appendix D and paragraphs BC76-BC79 of the Basis for Conclusions).

Is this proposal appropriate? In which situation(s) would it not be appropriate and why?

The AASB supports the four listed cases in which fair value of an asset or liability on initial recognition might differ from the transaction price. In addition, the AASB supports the proposed consequential amendments to IAS 39 that will allow a level three fair value measurement that may differ from the transaction price on initial recognition, to be treated as fair value.

However, with respect to the consequential amendments to paragraph AG76 of IAS 39, the AASB disagrees with the proposal to defer the recognition of any gain or loss that results from initially measuring the fair value of a financial asset or financial liability at an amount different from the transaction price, if that initial fair value is determined other than by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets (that is, it is based on a level three measurement). The AASB considers that, if the evidence supporting an estimate of the fair value of a financial asset or financial liability is sufficient to enable reliable measurement of the fair value of that asset or liability, it is sufficient to enable reliable measurement of any resulting gain or loss at the same time. Therefore, the recognition of such gains and losses in profit or loss should not be deferred.

In addition, the AASB recommends that the IASB clarifies whether the proposed consequential amendments will also apply to unquoted equity instruments, given the proposed removal of the cost exemption in the IASB's Exposure Draft ED/2009/7 *Financial Instruments: Classification and Measurement.*

The AASB considers that the Fair Value Measurement Standard should acknowledge that differences between the transaction price and the fair value of assets or liabilities could result from equity transactions, in which cases they should be accounted for as transactions with owners acting in their capacity as owners, rather than as gains or losses included in profit or loss.

Issue 8: Valuation techniques

Question 10

The exposure draft proposes guidance on valuation techniques, including specific guidance on markets that are no longer active (see paragraphs 38-55 of the draft IFRS, paragraphs B5-B18 of Appendix B, paragraphs BC80-BC97 of the Basis for Conclusions and paragraphs IE10-IE21 and IE28-IE38 of the draft illustrative examples).

Is this proposed guidance appropriate and sufficient? Why or why not?

Yes. The AASB generally supports the proposed guidance on valuation techniques, including the guidance on markets that are no longer active. In discussions with representatives of the Australian valuation profession, we understand concerns exist with ambiguity of the terminology and valuation methodology. Because Australian valuation standards are based on International Valuation Standards, we encourage the IASB to liaise with the International Valuation Standards Board to identify whether any clarifications or amendments to terminology are warranted.

Issue 9: Disclosures

Question 11

The exposure draft proposes disclosure requirements to enable users of financial statements to assess the methods and inputs used to develop fair value measurements and, for 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 (see paragraphs 56-61 of the draft IFRS and paragraphs BC98-BC106 of the Basis for Conclusions).

Are the proposals appropriate? Why or why not?

The AASB agrees with the disclosures in the ED, with the following exceptions.

As mentioned in its comments on Question 6, the AASB has concerns with the proposal in paragraph 60 of the ED to disclose separately the existing-use market value and the excess of fair value over that existing use value ('incremental value') when an asset's existing use differs from its highest and best use.

In addition, the AASB disagrees with the proposed amendment to IAS 34 *Interim Financial Reporting* to require all the disclosures in paragraphs 56-59 and paragraph 61 of the proposed Standard for an interim reporting period, because it considers the proposed disclosures referred to in that amendment would be excessive and inconsistent with the underlying disclosure principle of IAS 34 (that is, that significant changes be shown). For example, the AASB considers that, unless there is a significant change in the valuation technique applied since the prior annual reporting period, the disclosure of the methods and inputs used in the fair value measurement of assets and liabilities under paragraph 57(d) would be unduly onerous.

Issue 10: Convergence with US GAAP

Question 12

The exposure draft differs from Statement of Financial Accounting Standards No. 157 *Fair Value Measurements* (SFAS 157) in some respects (see paragraph BC110 of the Basis for Conclusions). The Board believes that these differences result in improvements over SFAS 157.

Do you agree that the approach that the exposure draft proposes for those issues is more appropriate than the approach in SFAS 157? Why or why not? Are there other differences that have not been identified and could result in significant differences in practice?

The AASB considers that certain aspects of SFAS 157 are lacking – for example, the guidance on determining the fair value of liabilities and equity instruments. The AASB supports the changes from SFAS 157 proposed by the IASB, other than the additional disclosures required where the existing use of an asset differs from its highest and best use (as discussed in the comments on Questions 6 and 11), on the proviso that convergence between the IASB and FASB on this topic is achieved. This is especially so given the FASB's lead on incorporating the guidance on determining fair value in illiquid markets, which was subsequently adopted by the IASB prior to issuing this ED. The AASB strongly encourages the IASB and the FASB to work together to develop a consistent Standard, ideally based on the IASB ED.

Issue 11: Other comments

Question 13

Do you have any other comments?

The AASB makes the following observations in respect of the ED.

Core principle

The AASB disagrees with making the definition of fair value the core principle of the proposed Fair Value Measurement Standard. In view of the overriding nature of each core principle, the exit price notion inherent in the proposed core principle could be read as overriding the guidance that the cost approach would be the appropriate valuation technique in some circumstances. In addition, the proposed core principle makes the IFRS repetitive and appears to have been included simply to 'fill the space'.

The AASB considers that if a core principle is thought necessary, it should be expressed in more general terms, along the lines that:

(a) the objective of the IFRS is to define, and provide guidance on the meaning of, fair value and to specify disclosures about fair value measurements, without indicating when fair value measurements should be used;

(b) fair value is an exit price that reflects the assumptions that market participants would make in assessing the current value of an asset or a liability; and

(c) fair value is not necessarily the amount the entity could, or expects to, realise from selling the asset or transferring the liability being measured.

Deprival value

The AASB disagrees with the discussion of deprival value in paragraphs BC65-BC66 because:

(a) the context in which deprival value is introduced (in the first sentence of paragraph BC65) is as an alternative to fair value: this seems inappropriate for an IFRS on *how* to measure fair value;

(b) its comparison with fair value is superficial and therefore not very informative; and

(c) it mis-describes deprival value as being based on entity-specific information. Deprival value takes into account *market* buying prices, *market* selling prices and value in use. Only when the deprival value formula yields a value in use measure (which should occur only in relatively few cases) would an entity-specific measure be used.

Therefore, the AASB considers that a comparison of fair value with deprival value should occur in the conceptual framework instead.