

Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London
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United Kingdom

28 September 2009

Dear Sir

Fair Value Measurement: Exposure Draft

We are responding to your invitation to comment on the above exposure draft on behalf of PricewaterhouseCoopers.

Following consultation with members of the PricewaterhouseCoopers network of firms, this response summarises the views of member firms who commented on this Exposure Draft (ED). "PricewaterhouseCoopers" refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

We support a single source of guidance for the use of fair value in IFRS to ensure consistency and transparency in financial reporting. We also agree that the definition of fair value and related guidance needs clarification in order to communicate the measurement objective more clearly. Fair value has become a generic term within financial reporting and is broadly interpreted. For this reason, we have previously recommended the elimination of the term 'fair value' and the use of more precise terminology appropriate for the measurement objective in each individual IFRS. However, if the term 'fair value' is to be retained, we believe that the exit price definition proposed is the most broadly applicable and conceptually most appropriate.

We also support the Board's use of the FASB's Statement No. 157 Fair Value Measurements (SFAS 157) as a starting point for developing the Exposure Draft. As noted in paragraph 7 of the Basis for Conclusions of the Exposure Draft, there is a need for increased convergence between US generally accepted accounting principles (GAAP) and IFRS. The recent crisis has illustrated this need and in particular the importance of ensuring clarity and convergence in reporting exposure to financial risk. In general we agree with the content of SFAS 157 and do not believe there is anything to be gained by expressing that content differently and risking creation of unintended differences unless there is a compelling reason to do so. We therefore agree with the Board's intention to achieve consistency with SFAS 157, and to only introduce differences which represent clear and significant improvements.

In some circumstances the Board has chosen not to amend related parts of other IFRSs. A notable example is the recognition of gains or losses when fair value differs from the transaction price at initial recognition of an asset or liability ("Day 1 gains and losses"). As discussed in our answer to Question 9 in Appendix A, we are concerned that this is inconsistent with the conceptual underpinning of the proposed definition of fair value. Additionally, the failure to amend the guidance on Day 1 gains and losses is an unnecessary difference between US GAAP and IFRS,

that potentially creates an “unlevel playing field” for entities reporting under IFRS. Recognising the disclosure obligations that IFRS now provides, we believe the proposed guidance should allow for the recognition of Day 1 gains and losses.

We were pleased to note that the Board undertook a standard by standard review of existing IFRS in order to identify uses of the term ‘fair value’ that are inconsistent with the Board’s measurement objective of a current exit price. We are, however, concerned that in at least some cases where the Board concluded that the measurement objective in the existing standard is consistent with the proposed guidance on fair value, the proposed guidance nevertheless narrows the acceptable measurement basis significantly and will cause significant changes in practice. With respect to financial instruments, this will be most acute, we believe, in those limited but significant cases where liabilities should be measured at fair value, and has important implications for hedge accounting. We discuss our views on the applicability of fair value measurements to liabilities and the changes required by the proposed guidance below in our answer to Question 7.

We disagree with the Board’s contention that IAS 39 as it exists today specifies the unit of account for all financial instruments as the individual instrument. As we discuss in our answer to Question 12, and indicated in our comment letter on the Discussion Paper on Fair Value Measurements, we believe that the unit of account guidance in IAS 39 is unclear other than for instruments quoted in active markets. We believe that the guidance should be clarified to indicate that for instruments not quoted in active markets the unit of account is “facts and circumstances” dependent and is not addressed by the proposed guidance.

We find the guidance on unit of account contradictory for those assets not covered by IAS 39. Paragraph 6 of the ED states that the unit of account remains as prescribed by individual IFRSs, which is usually the individual asset. In several places the ED states that the in-use valuation premise assumes that the asset is sold individually, not as part of a group of assets or a business, and that consequently even when the in-use valuation premise is used, the exit price for an asset is a price of that asset individually, not an allocation of fair value determined for an entire asset group. In other places, however, the ED suggests the opposite. Examples of such contradictory guidance include paragraph B2(e) of Appendix B and Example 1 in the Illustrative Examples. Measurement based on an in-use premise wherein assets are assumed to be sold as part of a group and on an allocation of the group value would appear to conflict with the unit of account guidance as it currently exists in many individual IFRSs, and would force a significant change in practice in our view.

It is also our understanding that the “highest and best use principle” as it is applied in US GAAP does in some circumstances entail an assumption that assets are sold as part of a group. Consequently, the exit price of an individual asset is sometimes an allocation of the value of an asset group, even when the unit of account is the individual asset. It appears, then, that the Board must choose between a definition of fair value which diverges from US GAAP in a manner not explicitly identified in the ED, or a significant change in practice under IFRS. Whichever choice is made, inconsistencies within the proposed Fair Value Measurement standard, and between it and other standards, will need to be rectified. We discuss these concerns in more detail in our answer to Question 5.

Our detailed comments on the Board's questions are attached in Appendix A to this letter.

We understand that the Board intends to hold round-table meetings on the Exposure Draft. We confirm that we are interested in attending these meetings.

If you have any questions on the content of this letter, please do not hesitate to contact Richard Keys, PwC Global Chief Accountant (+44 20 7212 4555) or John Althoff (+44 20 7213 1175).

Yours faithfully,

PricewaterhouseCoopers LLP

Appendix A—Answers to specific questions

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 definition is relevant only when fair value is used in IFRSs.

Is this definition appropriate? Why or why not? If not, what would be a better definition and why?

Yes, this definition is appropriate. We agree that it retains the exchange price notion contained in the existing definition of fair value in IFRSs, but remedies deficiencies in the existing definition by clarifying aspects of the existing definition. It also serves the important objective of increased convergence between US GAAP and IFRS.

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:

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).

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 proposed approach is appropriate in the context of reacquired rights in IFRS 3 Business Combinations.

The proposed approach is not appropriate in the context of the measurement of share-based payment transactions in IFRS 2 Share-based Payment. The proposed approach would replace the term ‘fair value’ in IFRS 2 with the term ‘market-based value.’ Market-based value would exclude market participants’ assumptions for vesting conditions and reload features. However, for cash-settled awards, the current guidance in IFRS 2 is already consistent with the proposed definition of fair value, as it does take into account market participants’ assumptions for vesting conditions and

reload features. Consequently, cash-settled awards should be measured at fair value as it is defined in the Exposure Draft.

Moreover, for equity-settled share-based payments, market conditions should be taken into account when determining the market-based value in order to achieve consistency with the current measurement guidance in IFRS 2. Consequently, we suggest that the definition of market-based value be amended to say "...not taking into account vesting conditions (other than market conditions) and reload features."

The proposed approach for the requirement in paragraph 49 of IAS 39 is not appropriate. There is no good rationale for retaining a different measurement basis under the same name as the fair value measurement basis. This will only serve to cause confusion for preparers and users alike. We believe that only those measurements that are consistent with the proposed guidance should be referred to as fair value measurements in IFRS.

We also observe that the proposed definition may have implications for the measurement on initial recognition of certain loan assets which might not be originated in the most advantageous market. Whilst IAS 39 currently requires fair value for such loans, in practice, initial measurement has generally been at transaction price, which would no longer be appropriate under the proposed guidance and could be quite different than fair value because of the different reference market. Additionally, this could result in a different initial measurement than there would be under US GAAP where financial instruments tend to be initially measured at the transaction price provided there are no other unstated rights and privileges. Where such loans would subsequently be carried at amortised cost, the Board might wish to further consider whether initial recognition should be at something other than fair value as defined in the ED.

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?

We believe that this approach conceptually represents an improvement over the guidance in SFAS 157. As we said in our response to Question 13 of the 2007 Discussion Paper on Fair Value Measurements, the requirement to identify the principal market and to default to the most advantageous market in the absence of a principal market over-complicates the process. We believe that the cases where there will be a resulting difference compared to US GAAP will be infrequent and relatively minor. Accordingly, we believe that the proposed approach is appropriate.

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?

Yes, the description of market participants is adequately described in the context of the definition.

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?

Proposal (a) is appropriate.

With respect to proposal (b) we find the guidance on unit of account and highest and best use contradictory for those assets not covered by IAS 39. Paragraph 6 of the ED states that the unit of account remains as prescribed by individual IFRSs, which is usually the individual asset. This is reinforced and clarified by paragraph 23 of the ED, which states that “both the in-use valuation premise and the in-exchange valuation premise assume that the asset is sold individually, ie not as part of a group of assets or a business.” Paragraph 59 of the Basis for Conclusions elaborates this point even further, saying that, “thus, even when the in-use valuation premise is used, the exit price for an asset is a price of that asset individually. It is not an allocation of fair value determined for an entire asset group.”

However, in other places, the ED suggests that assets should be grouped for measurement purposes if that is how the highest and best use of the asset can be achieved. For example, paragraph B2(e) of Appendix B Application Guidance states that “when an entity uses an asset within a group of assets, the entity might measure the asset at an amount that approximates its fair value in use when allocating the fair value of the asset group to the individual assets of the group.” This appears to be an explicit contradiction of the unit of account guidance in the individual standards as well as a contradiction of the similar guidance within the ED itself.

Furthermore, we understand that when the in-use valuation premise is applied in US GAAP, FAS 157 is interpreted to require the assumption that assets are sold as part of a group when that would maximize value to the reporting entity, even when the unit of account is the individual asset. Example 1 of Appendix A of FAS 157, reproduced as Example 1 of the Illustrative Examples in the

ED, illustrates that the exit price of an individual asset is sometimes an allocation of the value of an asset group.

If, as paragraphs 6 and 23 of the ED, and paragraph 59 of the Basis of Conclusions state, fair value is not an allocation of fair value determined for an asset group, then the proposed definition of fair value diverges from US GAAP in a manner not explicitly identified by the ED.

If, on the other hand, it is the intention of the Board that the proposed definition of fair value does not diverge from US GAAP on this point, then we expect that there will be significant changes in practice as result of the proposed Fair Value Measurement IFRS. If indeed convergence with US GAAP on this point is the intent of the Board we also suggest that the extent to which assets should be grouped is made clear to achieve the desired objective of consistency.

In either case, the proposed standard should be made internally consistent as well as consistent with the unit of account guidance in other standards, and the intention of the Board should be made clear with respect to the grouping of assets and the determination of individual fair values.

In light of the above concerns, we also re-iterate our comment from our answer to Question 25 of the Fair Value Measurements Discussion Paper, and suggest that improvements be made to the examples in order to more clearly illustrate the standard's principles. In particular, we re-iterate that Example 1 can lead to confusion because it deals with both the concept of asset groups and the concept of trade buyers versus financial buyers. We encourage the IASB to work together with the FASB on the continuous improvement of the guidance pertaining to fair value measurement.

Proposal (c) with respect to financial assets is not appropriate. The prohibition on using anything other than the in-exchange valuation premise for financial assets creates a difference with US GAAP. BC 110(f) of the Exposure Draft seems to suggest that although SFAS 157 does not explicitly say that the in-use valuation premise is not relevant to financial assets, the difference is more one of form rather than substance. We do not agree. In our experience, the applicability of the in-use valuation premise to financial assets is still the subject of much debate, and closely entwined with issues of unit of account and reference market. We do not believe that the guidance on fair value measurement should pre-empt the resolution of this debate.

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 proposed guidance is sufficient; it can be readily understood. The proposed guidance is also appropriate, for the reasons described in paragraph 54 of the Basis of Conclusions.

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 of the Basis for Conclusions).*
- 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?

Yes, these proposals are appropriate. Conceptually, we agree that the fair value of a liability should be based on the price that would be paid to transfer the liability to a market participant, since this reflects the fact that the liability is not extinguished and is thus consistent with the definition of exit price for assets.

However, as we noted in our comment letter on the Credit Risk in Liability Measurement Discussion Paper, our comment letter on the Financial Instruments: Classification and Measurement Exposure Draft, and in our comment letter on the Fair Value Measurements Discussion Paper, we believe that the circumstances in which fair value is the relevant measurement basis for a liability are limited.

We believe that fair value as defined in the Exposure Draft is the relevant measure for derivative liabilities and certain highly liquid non-derivative financial liabilities. However, we note that this represents a significant narrowing of the methods used to determine fair value for derivative liabilities. The existing guidance in IAS 39 on the fair value of liabilities not traded in an active market allows fair value to be determined based on the amount that would be paid to the counterparty to close out the contract. We believe that this amount could differ significantly from the fair value as determined in accordance with the proposed guidance, in particular with respect to the effects of own credit risk.

This difference could also have an impact on hedge accounting, as the effects of own credit on the fair value of derivatives will potentially lead to increased ineffectiveness. We believe that these implications should be considered as part of the later phase of the financial instruments project that deals with hedge accounting, and that solutions are available. We therefore also suggest that the proposed guidance on fair value measurement not be mandatorily effective prior to the date at which entities may also adopt the new guidance on hedge accounting.

We are not aware of 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, where

there is a corresponding asset for the liability (and where the liability is not subject to the requirements of paragraph 49 of IAS 39).

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 paragraphs 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, these proposals are appropriate.

We agree that the fair value of a liability reflects non-performance risk. A creditor will only be indifferent to the transfer of a liability if it is passed to a market participant with the same credit rating as the reporting entity and therefore, when determining the transfer-based exit price, it is appropriate to use the price a market participant with the same credit rating would expect to receive in compensation for taking over the liability. Since a rational market participant will factor its current market borrowing rate into this price, movements in credit rating will naturally be relevant in determining the exit price of the liability.

However, as we noted above and in our comment letter on the Credit Risk in Liability Measurement Discussion Paper, our comment letter on the Financial Instruments: Classification and Measurement Exposure Draft, and in our comment letter on the Fair Value Measurements Discussion Paper, we believe that the circumstances in which fair value is the relevant measurement basis for a liability are limited.

We agree that the fair value of a liability is not affected by a restriction on an entity's ability to transfer the liability for the reasons expressed in BC 75.

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 paragraphs 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?

This proposal is not appropriate. The guidance in, for example, IAS 39.AG76, should be changed to require the recognition of Day 1 gains or losses.

We agree that the fair value of an asset or liability at initial recognition might differ from the transaction price. However, we also believe that any resulting gain or loss should be recognized on initial recognition, when fair value is the appropriate measurement basis for the asset or liability. The difference between fair value and transaction price, which is likely to arise from the reporting entity's ability to access markets other than the one in which the transaction was originated (including differences between origination and secondary markets), is the key rationale for the transaction.

Objections to the recognition of Day 1 profit are frequently driven by concerns about the reliability of the underlying valuation, particularly in relation to assets and liabilities that fall within Level 3 of the proposed valuation hierarchy. Where fair value is appropriate, Day 1 gains and losses should also be recognized, regardless of whether the valuation is based on unobservable inputs. We believe that this is particularly applicable to the valuation of derivatives, where we support the use of an exit price and the consequential recognition of Day 1 profits, even where the instruments fall within Level 3 of the proposed valuation hierarchy.

We note also that although the proposed guidance does not change the recognition threshold for Day 1 gains and losses, it does amend IAS 39 so that the financial instrument would be measured at initial recognition at fair value but any difference between fair value and transaction price would be deferred on the balance sheet if not recognized in income. We question whether the resulting deferred amount would meet the definition of an asset or liability.

Moreover, Day 1 gains and losses are required to be recognized by IFRS 3 and IAS 41, resulting in an inconsistency between these standards and IAS 39. We believe that the issuance of guidance on fair value measurement provides an opportunity to eliminate this inconsistency between standards.

Finally, the proposal is made more inappropriate by the difference it would perpetuate with respect to US GAAP, which requires the recognition of Day 1 gains and losses regardless which level of the valuation hierarchy the fair value measurement falls into. Such a difference, apart from being contrary to the general objective of convergence, would also create an unlevel playing field which could potentially be disadvantageous to entities reporting under IFRS relative to their peers reporting under US GAAP.

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?

We believe that the guidance on markets that are no longer active is required to answer the call for more guidance in this regard from both users and preparers. Moreover, it advances the ancillary goal of furthering consistency between practice under US GAAP and IFRS.

Overall, we believe that the guidance is sufficient and appropriate. It provides helpful information without restricting the appropriate professional judgment of valuation specialists and financial statement preparers.

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 these proposals appropriate? Why or why not?

These proposals are appropriate because users do need to be able to assess the methods and inputs used to develop fair value measurements, and do need to know the effects of significant unobservable inputs. However, these increased disclosures do carry with them two risks which the Board should monitor: (1) the risk that information crucial to users will in fact become obscured in excessive disclosure; (2) the burden on preparers will be excessive. In particular, we are troubled that the effort involved in applying these disclosures to the fair values established for assets and liabilities acquired in a business combination would be disproportionate to the benefit obtained given that most of these assets and liabilities are not subsequently measured at fair value.

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?

As stated in our cover letter, we believe that the general approach described in SFAS 157 is appropriate. Consequently, we believe that differences should only exist if they result in significant, demonstrable improvement and should also be part of a plan to work with FASB to respect the important goal of increased convergence.

In the answers to previous questions we have already provided our views on the proposed differences with respect to Day 1 gains and losses, the definition of the reference market (assuming most advantageous market as opposed to principal market as in SFAS 157), presentation requirements when an entity uses an asset in a way that differs from its highest and

best use, and the valuation premise for financial assets. We have also provided our views on possible differences with respect to the grouping of assets and unit of account guidance for measurement purposes under the highest and best use principle and the in-use valuation premise.

We note that in the absence of a scope exception for leasing arrangements, additional guidance—for instance, on unit of account issues—may be required.

We do not believe to the proposed difference with respect to blockage factors is appropriate. We also disagree with the contention in BC 110(d) that IAS 39 specifies the unit of account for all financial instruments as the individual instrument. We believe that the unit of account guidance in IAS 39 is unclear other than for instruments quoted in an active market. We also believe that where actual transactions are executed on a portfolio basis, this is the appropriate basis on which to establish fair value as it reflects a market participant approach. Moreover, it is how entities approach the valuation of Level 2 and Level 3 financial instruments in practice. Finally, the imposition of a difference with US GAAP where one does not exist now is at odds with the desire for increased convergence

Other comments

Question 13

Do you have any other comments on the proposals in the exposure draft?

We believe that the transition guidance is not sufficiently clear. The guidance calls for prospective application, but it is not clear what this means for assets and liabilities in existence prior to adoption of the standard. Should all measurement adjustments resulting from the application of the new guidance be recognised in profit and loss in the first post-application period? We ask that the Board clarify the meaning of prospective application of the proposed guidance as it applies to assets and liabilities in existence