



European Financial Reporting Advisory Group

FAIR VALUE IN FINANCIAL REPORTING

Stig Enevoldsen

Chairman

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THE EUROPEAN VOICE

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European Financial Reporting Advisory Group

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- Current projects
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06 December 2006 | [Draft endorsement advice on IFRS 8](#)

EFRAG has issued its draft Endorsement Advice Letter on IFRS 8 *Operating Segments* and invites comments on the draft by no later than 5 January 2007. The letter can be downloaded under 'More'.

Project: [IFRS 8 Operating Segments](#) [More>>](#)

30 November 2006 | [EFRAG Endorsement Status Report - November Update](#)

After the publication today by the IASB and IFRIC of IFRS 8 and IFRIC 12, EFRAG has updated the EFRAG Endorsement Status Report, which can be downloaded under [more](#).

[More>>](#)

28 November 2006 | [European Discussion Paper on Performance Reporting](#)

EFRAG and ICAC are publishing a Discussion Paper on Performance Reporting entitled 'What (if anything) is wrong with the good old income statement? It is the second paper issued under the auspices of the Pro-active Accounting Activities in Europe (PAAinE). Click on 'more' for a brief outline and to download the Discussion Paper.

Project: [Discussion Paper - Performance Reporting](#) [More>>](#)

28 November 2006 | [Final Comment Letter on IFRIC D20 Customer Loyalty Programmes](#)

EFRAG has completed its due process with respect to IFRIC D20 *Customer Loyalty Programmes*, and has submitted its comment letter to the IASB.

Invitation to comment

Discussion Paper - Conceptual Framework

EFRAG invites comments no later than 18th March 2007.

Discussion Paper - Performance Reporting

EFRAG invites comments no later than 31st March 2007

IFRS 8 Operating Segments

EFRAG invites comments by 5 January 2007

Controversial issues

Business combinations

Other controversial issues

- **FRAMEWORK**
- **SERVICE CONCESSIONS / (D20 C.L.P.)**
- **IAS 39 FINANCIAL INSTRUMENTS**
- **INSURANCE**
- **PERFORMANCE REPORTING**

Other controversial issues

FAIR VALUE MEASUREMENT DP

SME ACCOUNTING (near final draft)

EQUITY/LIABILITY SPLIT

(Germany, Coops and more)

Moving frontier

Framework

- **Who are the users of F/S?**
- **Objectives of Financial Reporting?**
- **Estimated Future cash flows, past performance and/or a combination?**
- **Stewardship important?**
- **Managements performance to be presented in the F/S?**

Fair Value measurement

- **It seems that the IASB has decided to move towards fair value**
- **A lot of resistance in Europe**
- **Debate pro et con underway**
- **How will it affect SME accounting??**

Fair Value measurement

DISCUSSION PAPER:

- It means Exit Price on principal markets
- No transaction costs deducted
- No blockage factor
- Day one profit/loss may arise

What should
accounts portray?

Other controversial issues

- **Highest and best use of the asset by market participants**
- **In use or in exchange**
- **Significant change**
- **Liabilities are transferred at the balance sheet date and not settled**

Other controversial issues

- **Non-performance risk (own credit risk)**
- **If no deep market then use mark to model**
- **Hierarchy of input to models – 3 levels**

- **How will this work for SME accounting??**

What should
accounts portray?

Fair Value measurement

• Buy a car for 100 cash, but fair value 120, how do you account for it?

• Buy a machine for 9 plus cost 1 = 10

• Exit price is 9

• You would receive 9 less cost 1 = 8

• You can get 12 in cash flows from use

• What information should be used and what does it portray?

Fair Value measurement

- **What shall Financial Statements portray?**
- **When debating IAS 39 the influence on capital markets, transparency and financial stability was discussed**
- **Does the accounting have influence and does it change stability?**

EFRAG

**Avenue des Arts 13-14
1210 Brussels
Belgium**

www.EFRAG.org