

# Fair Value Measurement: Unit of Account

## Project summary

The IASB is undertaking a narrow-scope project to address the unit of account for financial assets that are investments in subsidiaries, joint ventures and associates measured at fair value, and for qualifying portfolios that comprise only Level 1 financial instruments.

The IASB's tentative position is that the unit of account for investments in subsidiaries, joint ventures and associates is the investment as a whole, and that the fair value measurement of an investment composed of quoted financial instruments is the product of the quoted price multiplied by the quantity of instruments held. In respect of portfolios that comprise only Level 1 financial instruments whose market risks are substantially the same, the IASB tentatively decided that the fair value measurement is the product of the net position multiplied by the Level 1 prices.

The anticipated proposed amendments will affect the Standards that deal with these investments.

## Project contact

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**Project priority: High**

### Issued documents

- ED 254 *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* (September 2014)

### AASB outreach

- Comment letters received on ED 254

### Project status

- ED 254 closed for comment
- Monitoring IASB redeliberations

### Board deliberations

- AASB Action Alert Update and Board Papers

- [Link to AASB 13 Fair Value Measurement](#)
- [Link to IASB project page](#)

### AASB communications

- AASB comment letter on IASB ED/2014/4 (January 2015)

## Project news

Date	News
19 December 2014	December 2014 Action Alert
24 October 2014	October 2014 Action Alert
30 May 2014	May 2014 Action Alert
31 May 2013	May 2013 Action Alert

The staff of the AASB have prepared this summary for information purposes only. The Board decisions described are tentative and do not change current accounting pronouncements unless otherwise indicated. Official positions of the AASB are determined only after extensive due process and deliberations. While this summary is regularly updated, it does not provide a comprehensive review or statement of events and should not be treated as such.

Last updated: **23 March 2015**

## AASB Action Alert Update and Board Papers

Meeting Date	Update
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<b>December 2014</b>	The Board considered the remaining key issues to include in its submission to the IASB on its Exposure Draft ED/2014/4 <i>Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value</i> (incorporated into ED 254), after considering feedback received from constituents.
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The Board confirmed its previous tentative decisions, including its decision not to support the proposal that the fair value measurement of an entity's quoted investment in a subsidiary, joint venture or associate is the product of the quoted price of the individual instruments held and the quantity of instruments, and decided to:

- (a) disagree with the proposal to amend IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosures of Interests in Other Entities*, IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Joint Ventures and Associates* and instead recommend that IFRS 13 *Fair Value Measurement* be amended to reflect the IASB's final conclusions with respect to the fair value measurement of quoted investments in subsidiaries, joint ventures and associates;
- (b) disagree with the proposed transitional provisions to IFRS 10, IAS 27 and IAS 28, and to recommend that the proposed amendments, when finalised, apply prospectively, as the amendments reflect a revision to a valuation technique or its application;
- (c) comment on the ambiguity as to whether the IASB intends its conclusions on fair value measurement for investments within the scope of IFRS 10, IAS 27 and IAS 28 would also apply to fair value measurements within the scope of IFRS 3 *Business Combinations* and other Standards; and
- (d) comment that a cash-generating unit may not correspond to a quoted investment in a subsidiary, joint venture or associate where, for example, debt finance and tax liabilities are excluded from the cash-generating unit and, accordingly, query whether the proposed amendments are intended to also apply to such investments.

A number of Board members indicated that they will consider dissenting from the issue of an Australian Standard incorporating the ED's proposals, if finalised in the manner exposed by the IASB in ED/2014/4.

**8.1** Memorandum from Evelyn Ling dated 2 December 2014 re Fair Value Measurement Unit of Account

**8.2** AASB Staff Issues Paper – Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value

**8.3** ED 254 *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value*

**8.4** Submission on ED 254 *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* [sub 1]

<b>October 2014</b>	The Board discussed IASB Exposure Draft ED/2014/4 <i>Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value</i> and formed tentative views on key
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## AASB Action Alert Update and Board Papers

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comments to make in its submission to the IASB in relation to measurement, subject to considering feedback received from constituents.

The Board tentatively agreed with the IASB's proposal that the unit of account for investments in subsidiaries, joint ventures and associates is the investment as a whole. However, the Board expressed concern as to the relevance of using the quoted price (P) multiplied by the quantity of financial instruments held (Q) [i.e. (P x Q)] without adjustments, in measuring the fair value of such investments.

The Board tentatively decided that the unadjusted amount of P x Q might not reflect the fair value of an investment held for sale as a whole, as it would not take into account the characteristics that market participants would consider in pricing an investment that provides control or significant influence. The Board, however, acknowledged the objective and verifiable nature of quoted prices as Level 1 inputs, consistent with the AASB 13 Fair Value Measurement principle of maximising the use of observable inputs.

The Board also tentatively disagreed with the proposal that the recoverable amount of a cash-generating unit that corresponds to a quoted entity measured on the basis of fair value less costs of disposal should be P x Q.

The Board will discuss the remaining issues, including transitional provisions and disclosure requirements, at its December meeting.

**10.1** Memorandum from Nikole Gyles and Evelyn Ling dated 7 October 2014 re Fair Value Measurement: Unit of Account – IASB Exposure Draft ED/2014/4

**10.2** AASB staff issues paper – Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value

**10.3** ED 254 *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value*

### May 2014

The Board received an update on the following IASB narrow scope projects:

- (e) Fair Value Measurement: Unit of Account;
- (f) Clarifications of Classification and Measurement of Share-based Payment Transactions (Proposed amendments to IFRS 2); and
- (g) Investment Entities: Applying the Consolidation Exemption (Proposed amendments to IFRS 10 and IAS 28).

The Board noted the IASB's tentative decisions to date on the respective projects and, while expressing concern in relation to some of the proposed amendments, decided not to raise any issues with the IASB on these projects prior to the AASB drafting its submissions on the forthcoming Exposure Drafts.

**12.1** Memorandum from Evelyn Ling dated 13 May 2014 re Narrow scope Amendments – Fair Value Measurement: Unit of Account

### May 2013

The Board received an update on recent IFRS Interpretations Committee activities and

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decided there were no issues that need to be raised with the Committee at this stage.  
*[extract only]*

**4.1** Memorandum from Nikole Gyles dated 14 May 2013 re IFRS Interpretations Committee update

**4.3** AASB Staff Summary of IFRS IC Decisions – May 2013

**4.4** IFRIC Update May 2013