

IFRS® Taxonomy 2018—
Proposed Update 1 *Common Practice*
(IFRS 13 Fair Value Measurement)
Comment letter analysis—amendment

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Overview of comments

This slide is copied from the slides discussed at the January 2019 meeting, with the amendment highlighted.

	Merrill	GFRC	Slides*	PTU**
1. Sensitivity of fair value measurement to changes in unobservable inputs				
1.1. Adding a new table and text block element for the sensitivity analysis	agree	agree		25 - 29
1.2. Adding a new axis and members for unobservable inputs	agree	note	6 - 7	30 - 31
1.3. Adding new line items to quantify the reasonably possible change in unobservable inputs	note	N/A	8 - 11	32 - 44
1.4. Adding new line items and deprecating existing line items for the change in fair value to distinguish between an increase and a decrease in inputs	agree	disagree	3 - 6	45 - 52
1.5. Adding new line items for the change in fair value to distinguish between the effect: (i) on profit or loss and other comprehensive income; and (ii) before and after tax	(i) agree (ii) disagree	disagree	12 - 14	53 - 63

Added information

* In this slide deck we have not discussed proposals respondents: (i) did not comment on; or (ii) agreed with.

** For more information on all proposals, please refer to the Proposed IFRS Taxonomy Update (PTU). Paragraph numbers are included for your convenience.

Legend:

agree / disagree = substantive comment
note = non-substantive comment

Change 1.4—Issue and proposal

What is the issue?

- When the sensitivity of the fair value measurement is calculated by changing **one** unobservable input at a time, entities commonly disclose **whether the change in fair value is due to an increase or decrease in unobservable inputs**.
- We have also observed that entities commonly calculate the effect on fair value by changing **multiple** inputs simultaneously.

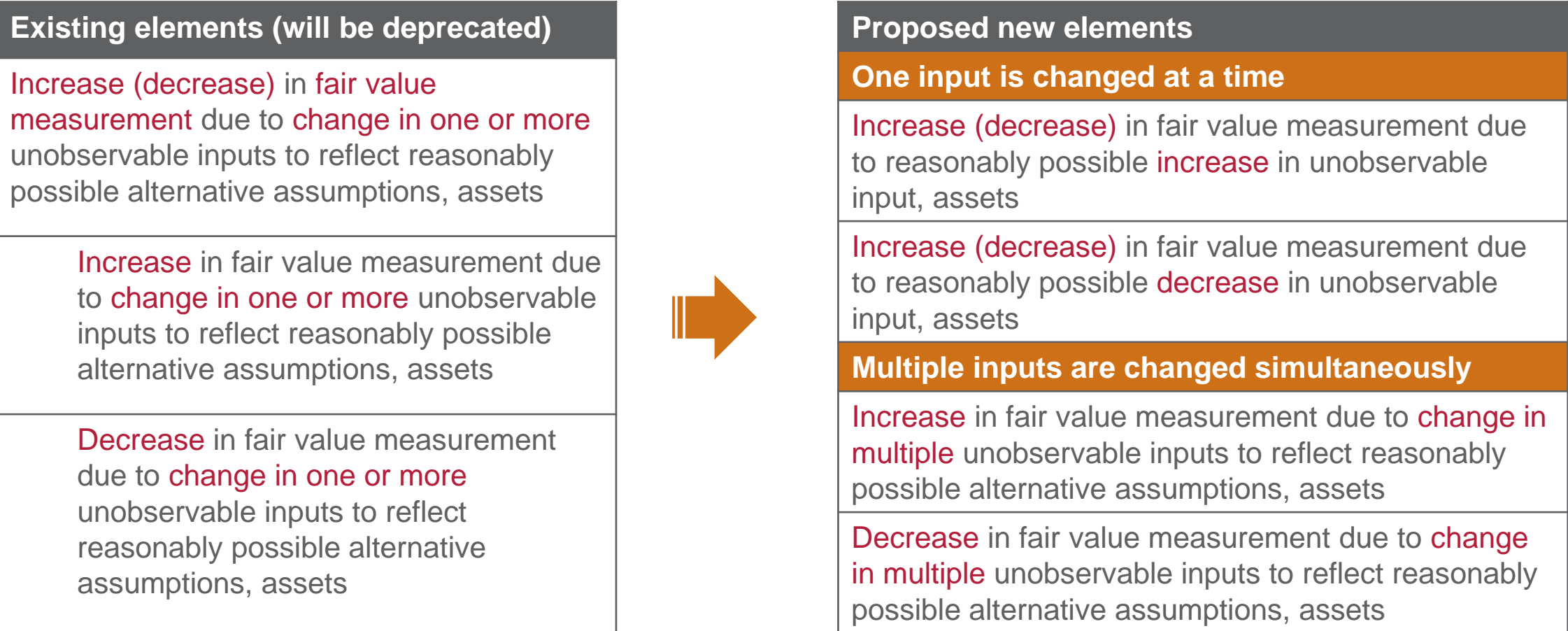
Proposal

- Adding line items to capture the direction of the relationship between the change in input and the change in fair value when sensitivity is calculated by changing **one** input at a time.
- Adding elements to capture the effect on fair value due to a ‘change in **multiple** unobservable inputs’ to clearly distinguish those line items from line items related to one input (above).

See next slide for existing and proposed elements.

Change 1.4—Proposal: illustration

We proposed deprecating the existing monetary elements to make sure entities choose the appropriate, new elements and avoid errors arising from rolling forward the tagging from previous periods:



Feedback received

- GFRC suggested that:
 - reporting a single change in fair value due to changes in **multiple inputs** may be inconsistent with IFRS 13, especially **when variables are independent**.
 - the proposed modelling for single versus multiple inputs is inconsistent.

Staff proposal

- The staff proposes **not to amend** the proposals because we think our **arguments are still valid** and the created elements:
 - **reflect common reporting practice**. We have observed that entities often provide information about a change in fair value due to changes in multiple unobservable inputs. This proposal helps ensure entities do not need to create entity-specific elements to tag these disclosures.
 - **are not inconsistent with the requirements of IFRS 13** which does not prohibit disclosure of the effect on the fair value of a change in multiple unobservable inputs.

Staff proposal (cont.)

- The staff's view is that the proposed modelling for single inputs is not inconsistent with that for multiple inputs. It reflects the different reporting practice we observed:
 - For a change in a single unobservable input, entities **often disclose separately how an increase or decrease in that input** would affect fair value (highlighting the direction between the change in input and change in fair value).
 - For a change in multiple unobservable inputs, **entities disclose separately the increase or decrease in fair value** due to change in multiple unobservable inputs (highlighting the favourable and unfavourable effect on fair value).
- However, the staff **propose** to group elements related to single and multiple inputs under a separate presentation heading (abstract) to further highlight the difference in content and make it easier find the appropriate element.