

## Fair Value Approach: Recent Developments and Professionals' Perceptions

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*Abstract:* - Paper contributes to the debate on fair value measurements by clarifying the current state of accounting regulations in the international area comparing main differences between IFRS (IFRS 13) and US GAAP (SFAS 157 – Topic 820). Paper develops an analysis focusing on professional valuers and their activity in the area of financial instruments' measurement in order to dimension their opinion, knowledge and perceptions in relation to a series of transformation processes taking place at national and international level. The employed research methodology relies on implementing a questionnaire survey. The questionnaire represents the main research instrument used and was directly administered through an electronic communication channel. The developed descriptive analysis presents a series of details related to respondents' perceptions on the issue of financial instruments' measurement in general, their involvement in the recent financial crisis and the concept of fair value. The results offer significant insights on the manner in which professionals in the area of accounting handled the dynamic of their national accounting system, therefore suggesting ways to optimize the profession's future development. Capturing the perception of professionals in the area of accounting is integrated within a larger objective that looks at the respondents as a significant element in the dynamic of a national accounting system that went through complex accounting reforms of more than two decades.

*Key-Words:* - fair value, IFRS, US GAAP, financial instruments, professional valuers, measurement, accounting professionals

### 1 Introduction

Looking back at fair value accounting regulations being issued by the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB), it was Statement of Financial Accounting Standards (SFAS) 159 *The Fair Value Option for Financial Assets and*

*Financial Liabilities—Including an amendment of FASB Statement No. 115* that in principle reached convergence with the fair value option in IAS 39 Financial instruments: Recognition and Measurement, while still maintaining differences in terms of disclosure, exemptions in application and eligibility criteria for the use of the option. While SFAS 159 included no restrictions regarding the

application of the fair value option, IAS 39 was amended with the purpose of introducing such restrictions as a consequence of EU's initial decision to eliminate the fair value option when negotiating IAS/IFRS (International Accounting Standards/International Financial Reporting Standards) adoption for consolidated financial statements of companies listed on EU capital markets. The FASB also considered the option of including similar restrictions, but finally decided against it due to the fact that it would have diminished the use of fair value measurement for financial instruments, increased the complexity of financial reporting and impact on entities' ability to manage accounting mismatches through a flexibly and easy to implement fair value option. A significant difference between the two standards consists in SFAS 159 treating the fair value option as a measurement option, while IAS 39 considering it as a classification option.

As a consequence, for example under SFAS 159 a receivable can be measured either at amortized cost or at fair value. Meanwhile under IAS 39 a receivable is no longer considered a receivable if it is measured under the fair value option.

It is interesting to follow how despite the fact that the FASB had the initiative in developing fair value projects, it was the IASB that first introduced the fair value option through the 2003 revision of IAS 39, introducing the possibility to initially classify any financial instrument as being measured at fair value through profit and loss. The objections being brought by regulatory bodies in the banking industry, especially the European Central Bank, have determined the EU carve out when it came to IFRS adoption and also IASB's decision to restrict the use of the fair value option to those circumstances that would facilitate the elimination of accounting mismatches [13]. The FASB also agrees upon the fair value option for financial instruments that was introduced through SFAS 159 only in 2007, taking a less restrictive approach [9].

With regard to that standard that wishes to represent a fair value conceptual framework, it was again the FASB that made the first step through SFAS 157 Fair Value Measurements issued in 2006, while the IASB opened the fair value measurement project under the MoU (Memorandum of Understanding), issuing a discussion paper in November 2006, followed by an exposure draft in May 2009 that heavily relied on SFAS 157. It was only in May 2011 that the IASB finally issued IFRS 13 Fair Value Measurement.

Looking at the timeframe when the two accounting standard setters issued their

corresponding fair value measurement standards, we cannot neglect the financial crisis bringing up a series of problematic areas and significantly therefore contributing to the prolongation of the development process of such a standard. The FASB issuing SFAS 157 before the manifestations of the financial crisis does not mean that the American accounting standard setting body escaped the challenges of fair value measurements under illiquid markets among a series of other difficulties met in the context of recent turbulent times. Still, it is interesting to follow the historical evolutions of fair value accounting regulations as approached by the two big standard setters in the international arena.

Both the IASB and the FASB mainly considered fair value measurement in the particular area of financial instruments, strengthening the belief that it represents a measurement base that was developed in order to follow their dynamic. We therefore early see the fair value option for financial instruments under both IAS/IFRS (since 2003) and SFAS (since 2007). With regarding to having the official necessary guidelines for fair value measurement in the shape of an accounting standard, it was the FASB that first issued SFAS 157 (in 2006), five months before the introduction of the fair value option through SFAS 159. The IASB on the other hand, despite having introduced the fair value option before the FASB, delayed the issuance of IFRS 13 (that addresses fair value measurements) until 2011.

The reminder of the paper is organized so that it allows the analysis of the accounting standard setting process in the area of fair value measurement up until the current status. We therefore use the literature review section in order to revise similar papers focusing on fair value measurement from an accounting regulation perspective, afterwards briefly introduce the employed research methodology, followed by developing the proposed analysis and concluding upon the obtained results.

## 2 Literature Review

Besides being regarded as one of the contributing factors to the recent financial crisis, fair value accounting is also considered by some to be threatening the convergence of accounting practices around the world [2, 3, 8, 11]. It seems like the issues being raised by recent turbulent times significantly impacted the global accounting convergence project, IASB's embracing of fair value being one of the highly debated topics in this regard. Interesting results are obtained by Mala and Chand [8] who conclude that the financial crisis has only made the case for global convergence of

accounting standards more compelling than before. The US on the other hand seems to be more reluctant, the Securities and Exchange Commission (SEC) still delaying its decision regarding the incorporation of IFRS into the US financial reporting system for US issuers. SEC's new chair, Mary Schapiro, emphasized that there are some challenges that have to be addressed before the SEC will be comfortable making the ultimate decision [5].

With regard to fair value accounting, Mala and Chand [8] argue that the IASB was pressured by financial institutions, regulators, policy-makers and finance ministers to review its corresponding rules. Furthermore, they conclude that the financial crisis bringing a number of criticisms against the IASB (including for not being careful in providing enough guidance on the use of fair value rules) determined the undertaking of measures to improve the reporting requirements. Another aspect that is nowadays highly debated in the light of the recent financial crisis relates to compensation arrangements in banks, enhancing widespread concern that a reliance on fair value accounting measurement excessively emphasized short-term performance [12]. Livne et al. [7] investigate the role of fair value accounting in compensation using a panel of US banks covering the period 1996–2008. More precisely they investigate how components of the balance sheet and the income statement are related to chief executive compensation, both cash and equity-based, distinguishing between asset classes that are fair-valued and corresponding sources of income—such as trading assets, available for sale assets and trading income. Their results document a positive link between CEO cash bonus and fair value measurement of trading assets, managed for short-term profit, as well as (amongst banks with limited trading exposure) a positive link between CEO pay and fair value measurement of available for sale assets [7]. Moreover, Livne et al. [7] find no evidence that trading income is incrementally compensation relevant, indicating that compensation committees avoided the clawback problem (when cash compensation cannot be recovered if anticipated profits are not realized) for unrealized trading gains.

Georgiou and Jack [4] develop an examination of the history of attempts by regulators, practitioners and scholars from the mid nineteenth century to 2005 to establish an appropriate accounting measurement basis for the purpose of financial reporting. Their analysis is further used in evaluating the likelihood of fair value accounting practices becoming fully institutionalized. After

synthesizing the debate for one accounting basis or another, they conclude that mixed measurement statements appear to be more acceptable. While accepting from the very beginning that the debate on financial reporting measurement basis is far from being resolved, Georgiou and Jack [4] argue that the key to legitimacy appears to lie with the pragmatic or moral dimensions, the ones aligned to self-interest. Trade literature documents that most of the practical difficulties occurs when fair value accounting is linked to quantifying. Bolivar and Galera [1] argue that a key factor to improve the financial accountability of governments is the existence of a set of generally accepted financial reporting standards, further investigating fair value accounting's ability to improve, through financial transparency, government accountability. This is done by analyzing fair value accounting's potential effect on understandability, comparability and timeliness. Interestingly, the obtained results document that fair value accounting has the ability to enhance accountability by improving understandability, comparability and timeliness in governmental financial reporting, although the use of objective measures to estimate fair values is fundamental [1]. Nevertheless, authors emphasize that the type of assets and the existence of an active market are crucial to improving the comparability of financial statements when applying fair value accounting, while improving timeliness could be limited by the possibility of estimating fair value measures in-house.

### **3 Developing the Analysis: Current State in the International Arena**

Fair value accounting is a financial reporting approach by which companies are required or permitted to measure and report on an ongoing basis certain assets and liabilities (generally financial instruments) at estimates of the prices they would receive if they were to sell the assets or would pay if they were to be relieved of the liabilities [10]. While balance sheet impact of using fair value measurement helps us connect to the market, it is its impact on the impact statement that becomes most problematic. This is due to the fact that under fair value accounting, companies report losses and gains once with changes in fair values of their assets and liabilities. Therefore, fair value fluctuations will affect companies' reported equity and in some cases even their reported net income.

With reference to accounting standards that require or permit the use of fair value accounting,

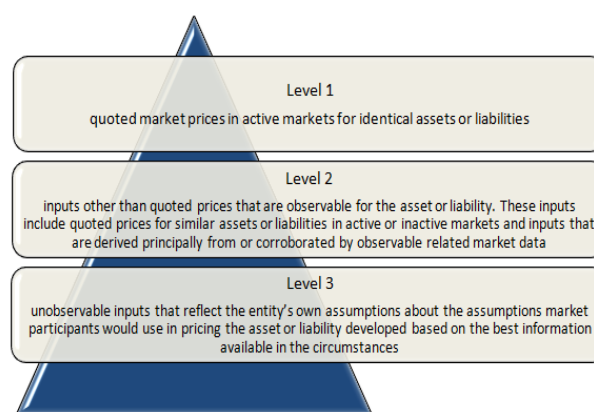
we may say that their number has increased significantly both within IFRS and US GAAP. Moreover, it is not only their number that increased significantly, but also their significance when considering the impact on the financial reporting process [8]. We consider this to represent a strong argument in closely analyzing and understanding the implications of the current state of accounting regulations in the international area approaching fair value measurements.

Directing our attention towards the two accounting standard setters in the international area, we must further concentrate on their work related to the objective of our paper, namely SFAS 157 (being issued by the FASB in 2006) and IFRS 13 (being issued by the IASB in 2011). Both of the standards aim to provide a single source of guidance on how fair values should be measured, without bringing any changes in terms of when fair value is required (such aspects being covered in separate accounting standards of the two standard setters). Analyzing the due process of IFRS 13, we might state that the entire process stands as proof of it being a part of the MoU, the IASB relying significantly on previous developments of the FASB issuing the homologous standard more than four years in advance. Furthermore, IFRS 13 proves to be largely identical with the revised SFAS 157, witnessing the FASB and IASB's convergence efforts in a difficult area that was even more brought into the spotlight through the financial crisis that raised a series of questions requiring urgent attention and addressing. We might even say that the development of the fair value measurement accounting standards offers a particular setting that combines accounting standard setting with the economic crisis period.

Actually, it was the comment letters being received to IASB's exposure draft that required the two Boards to work together in developing common fair value measurement and disclosure requirements. In response to such comments the fair value measurement project became a joint project of IASB and FASB. As an outcome, the two standard setters managed to present in 2011 two accounting standards (IFRS 13 and the revised Topic 820) with mainly consistent fair value measurement requirements. The two accounting standards have reached consensus over the same definition, fair value being defined 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. We therefore observe the maintaining of the, to some extent debated, exit price. The IASB explains that its starting point for defining fair value was to use the

current exit price definition in US GAAP. Furthermore, in order to ensure that such a definition would be appropriate where fair value was used in a particular IFRS, the IASB undertook a standard-by-standard review of all IFRSs that required or permitted fair value measurements.

The fair value measurement standards make reference to the highest and best use by requiring the consideration of a market participant's ability to generate economic benefits by using a non-financial asset or by selling it to another market participant who will use the asset in its highest and best use. More precisely, it refers to the use of a non-financial asset by market participants that would maximize the value of the asset or the group of assets and liabilities with which the asset would be used. IFRS 13 also includes the well-known fair value hierarchy based on the inputs to valuation techniques used to measure fair value to increase consistency and comparability which is also at the core of SFAS 157.



Source: authors' analysis based on IFRS 13

**Figure 1.** Fair Value Hierarchy

The standards also address the issue of fair value measurement when markets become inactive. In this regard significant help was offered through the Fair Value Expert Advisory Panel's report and the FASB's Staff Position (FSP) addressing fair value measurement in the global financial crisis. The use of a valuation technique when there are no observable market prices available or when observable market prices do not represent the fair value of the asset or liability held by the entity is recommended.

We will further synthesize the main differences remaining between the standards being issued by the two boards in the area of fair value measurement with the purpose of capturing the current state of the convergence project in this particular area. When measuring the fair value of investments in

investment entities, US GAAP contains a practical expedient that permits use without adjusting the reported net asset value of an investment in an investment entity as a measure of the fair value if certain criteria are met, while IFRS 13 does not include a similar practical expedient. Measuring the fair value of a financial liability with a demand feature under the US GAAP describes the fair value measurement of a deposit liability as the amount payable on demand at the reporting date. Meanwhile, under IFRS 13 the fair value measurement of a financial liability with a demand feature cannot be less than the present value of the amount payable on demand. In terms of disclosure, IFRS 13 requires a quantitative sensitivity analysis for financial instruments that are measured at fair value and categorized within Level 3 of the fair value hierarchy, whereas US GAAP does not include similar requirements. Meanwhile, SFAS 157 (nowadays Topic 820) includes different disclosures for non-public entities.

#### 4 Research Methodology

The dimension being investigated through the employed research instrument is that of particularities in the area of financial instruments' measurement process. More precisely, we looked at a series of aspects related to the national regulations in the approached area, to fair value and the recent financial crisis.

The first question required professional valuers to express their opinion in relation to national accounting regulations of financial instruments' measurement, recognition and derecognition. Moreover, we asked the respondent to express their opinion while considering the current national context being affected by the recent financial crisis. Based on the obtained responses we noticed that more than 60 % of the respondents have a bad opinion concerning national accounting regulations in the area of financial instruments. What is also interesting to observe is the fact that neither one of the valuers responding to our questionnaire considered national accounting regulations in the area of financial instruments to be suitable for the international context.

Commenting upon the observed situation, we may mention the fact that this type of perceptions and opinions are correlated with the general opinion of economists mainly being unsatisfied with the financial and accounting regulations. Still, we consider this state of facts to be in disagreement to what would be expected to result from the officially declared efforts of harmonizing national accounting

regulations with the EU Directives and with the IFRS in CEE countries. Furthermore, we may add the fact that the area of financial instruments is among those representing the object of a process trying to diminish the diversity of accounting regulations.

When asking valuers "*How do you assess the usefulness of fair value as a measurement base for financial instruments?*", respondents seem to assess it has at least a medium usefulness.

Moving forward, we have tried to find out whether the respondents' perception at national level matches the international trend of increasing the use of fair value measurements for financial instruments. The obtained responses document that 51 valuers agree with the switch in accounting paradigms taking place in the international area.

The same attitude was observed when asking professionals to express their opinion on accounting regulations in the international arena. Their adhesion to the accounting regulations issued by the International Accounting Standards Board (IASB) is quite remarkable, almost 81 % of the respondents being in favor of its regulations. When considering the arguments brought forward by the respondents, we must underline them mentioning the usefulness of guidance and models offered through documents that are issued by the IASB in relation to practical aspects of the measurement process. We also found some of the valuers considering that capturing the dynamic of financial instruments goes beyond the capabilities of accounting practices:

*Financial instruments have, every moment, the precise value being posted on the market. Any computation is linked only to the intention of investing / keeping / selling. Their variation is so dynamic that accounting cannot capture it in an exact manner.*

Respondent 3

The next step in the investigation was to record valuers' perception regarding fair value's definition. Only a little over half of the respondents considered that fair value should be defined as an exit value from the perspective of the financial asset's or financial liability's owner. Arguments were offered both for and against the use of exit values in defining fair value:

*In the case of redundant assets and those with an active market; still, also for other assets, an indication regarding the exit value can be necessary, at least for comparison/reporting.*

Respondent 4

*No. Because the exit-price represents a market value (generally lacking control and in certain cases including the lack of liquidity), while fair value (both in an accounting meaning and a*

*legal one – of fairness) can be different from the market value.*

Respondent 23

Several other aspects were investigated in relation to fair value, such as the possibility of its determination when considering financial instruments that assume inactive market conditions. A little over 90 % of the respondents consider that only a medium possibility exists to measure financial instruments at fair value within such a market. Comments being presented by the respondents show a certain degree of discontent in relation to the trust being offered by users to the results of measurements that assume significant use of professional judgment. Valuers seemed to be especially discontent with such measurements being challenged despite their professional ability to adapt to the particularities of the mission that involved the valuation. We consider the respondents assuming their professional activity despite the difficult circumstances of the market affected by the recent financial crisis to document a responsible and constructive attitude.

*Ultimately, I guess it is possible, even though difficult, to present a reasonable judgment even under such circumstances. The problem is that, due to causes such as: an inactive market or the lack of access to reliable information on private transactions, the result of our work to be easy to challenge, not necessarily from well grounded reasons. Under such circumstances, this aspect makes the valuer's work significantly harder, offering greater significance to expressions such as "the value is subjective", "the value is only valid at the measurement date", "the value is valid under the mentioned limitative conditions and hypothesis" etc. We should not forget that using estimated values is often done much later after the measurement date. For example, if a bank executes a mortgage at a two years period after the loan was accepted. The value which could be too small is increased. But in case that period was characterized by a significant real estate decline, what would the problem be? It is similar for the capital market.*

Respondent 15

Another aspect brought to respondents' attention was the use of management's assumptions in order to measure financial instruments based on internally generated models. This, of course, for those circumstances that do not allow fair value measurement based on level 1 and level 2 inputs. The obtained answers document strong disagreements in relation to this manner of determining fair value for financial instruments when considering inactive capital markets. Some opinions are even placed at opposed poles, from

total trust in such measurement methods based on internal models to emphasizing its shortcomings:

*It represents the only reliable source of information.*

Respondent 19

*Management's assumptions cannot be independent and objective.*

Respondent 7

Meanwhile a series of opinions seem to weight the usefulness of such information provided by the management and to find their utility, but with caution and by always looking for alternative ways to confirm the obtained values:

*Management's internal assumptions must only be considered to the extent that they can also be validated through data and information taken from the issuer's industry and respectively from the market, generally.*

Respondent 12

A practice that is recommended in the area is to develop a critical analysis of these assumptions, together with the entity's management, in order to see if they are "in the market" or rather "outside the market".

*Considering the fact that most of the times management has more information on the market than the valuer, you are actually playing on thin ice.*

Respondent 15

*All available information must be used.*

Respondent 21

Moving forward in the area of financial instruments' measurement, we also aimed at identifying the manner in which the recent financial crisis has affected the practice of financial instruments' valuation. Beyond technical aspects that must be considered under such circumstances, our objective was to capture an image of professional valuers' perception on this matter. Half of the respondents declared that they were not significantly affected by the financial crisis, while 20 % of them argue that the crisis had a significant impact upon their activity. Correlating these responses with the percentage of valuers developing activities in the area of financial instruments we may argue that they were more exposed to problems related to financial assets' valuation. Real estate also represented an area that significantly declined due to crisis circumstances. The obtained responses also certify the central role played by financial instruments being even more brought to the spotlight through crisis circumstances. Meanwhile, some considered that the crisis also brought opportunities for well trained valuers in the area of financial assets to prove their ability and to contribute to finding some feasible solutions:

*The crisis led to the increase of the percentage for these services and the decline of services in the real estate area.*

Respondent 15

Another aspect being emphasized through the obtained responses makes reference to the difficulties being imposed to valuers, in their professional activities, by the recent capital market circumstances:

*The market's volatility makes it that market information and data are no longer relevant and reliable. It is therefore difficult to make forecasts under uncertainty circumstances that characterize the crisis.*

Respondent 12

There were received some responses pointing the finger at fair value as the culprit for the recent financial crisis, as also seen by some of the authors of studies on fair value emerging once with the crisis:

*Some authors consider the financial crisis as a failure of fair value.*

Respondent 7

We also wanted to obtain respondents' opinion with regard to measures that should be taken in order for the fair value concept to be better understood. More precisely we wanted to see what measures were considered by the respondents to be opportune considering the proposed objective of popularizing the fair value concept and enhancing its understanding:

*Fiscal inspectors act as they do not see, e.g. the decline in real estate, and, would rather have valuations that are inflated for fiscal reasons than accept the market's decline and drastic correction of taxable values. And this is serious because it may determine some valuers to simply ignore the market's evidences being scared of the consequences. It is essentially to be understood that, in its essence, fair value is first of all a market value, embedding these sphere, and, only marginally meaning something else, for assets that do not have an active market. Employees of the Ministry of Finance and of the National Agency for Fiscal Administration must understand the anachronism of formulas for "indexical revaluation" like Entry value x inflation index minus/or not some impairment. They must understand that the market can lead, and it currently does, to market values that are much lower than entry values in certain circumstances.*

Respondent 15

Opinions that disagreed with the fair value concept were extremely rare, as well as those considering that valuers already benefit of sufficient resources of information on fair value:

*The concept already appears within the International Valuation Standards and is being used by valuers. I do not consider it necessary to popularize the concept beyond the sphere of those working with it.*

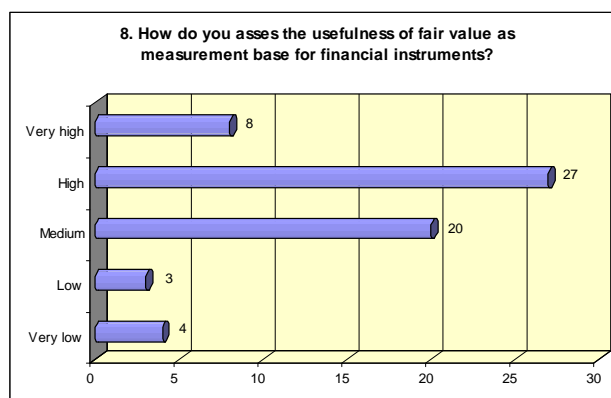
Respondent 21

We also appreciate the perspective offered through the answers which we received at the final open question which was meant to offer respondents the opportunity to express any opinions that were not distinctly asked for. We consider these perspectives to be extremely valuable since they were presented from the perspective of the necessities being perceived by valuers at national level:

*A better understanding of this concept and its usefulness should be well promoted even by the state's bodies. Professionals and companies have started to know these elements but flexibility in the field of accounting is in general very limited.*

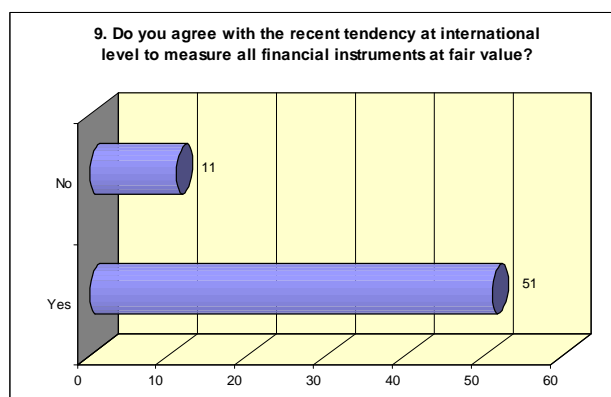
Respondent 5

Following figures synthesize results of the performed analysis.



Source: authors' analysis

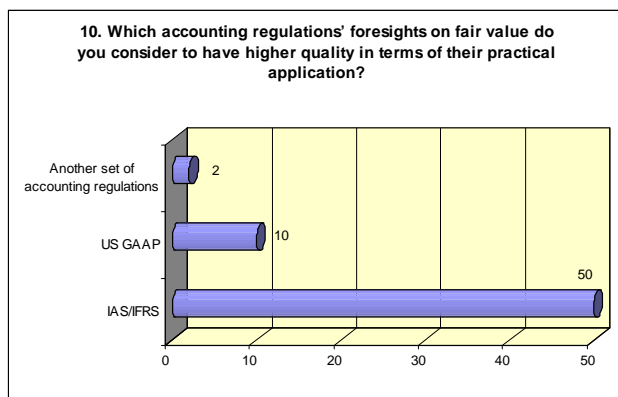
Figure 2. Usefulness of Fair Value as a Measurement Base for Financial Instruments



Source: authors' analysis

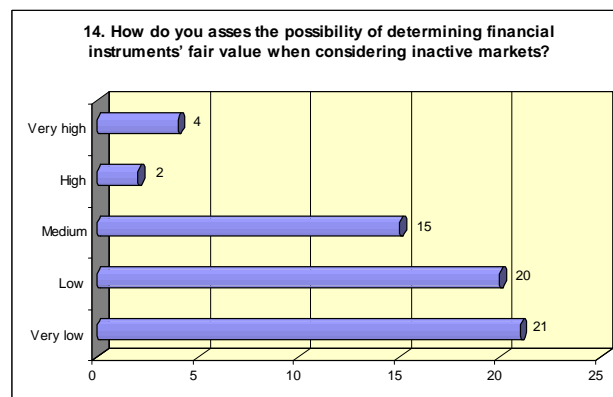
Figure 3. Shift towards Fair Value Measurement within Global Accounting Standards





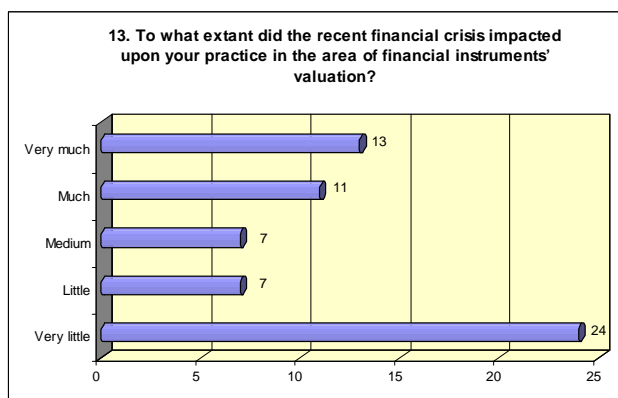
Source: authors' analysis

**Figure 4.** International Referential as a Best Practice for Fair Value Approach



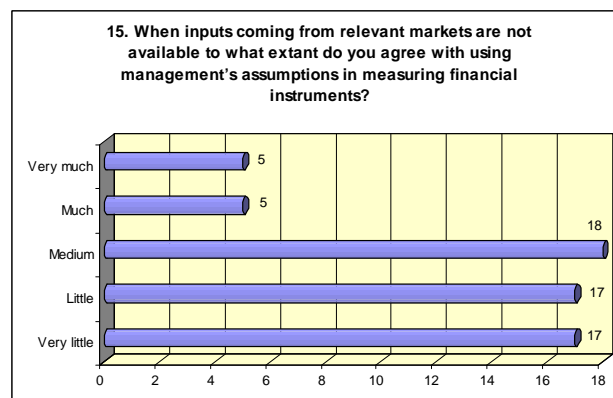
Source: authors' analysis

**Figure 6.** Fair Value and Inactive Markets



Source: authors' analysis

**Figure 5.** Impact of Financial Crisis on Fair Value Approach



Source: authors' analysis

**Figure 7.** Application of Level 3 Disclosure in Practice

## 6 Concluding Remarks

The issue of fair value in financial reporting was a matter of great discussion and some controversy in the recent financial crisis [6]. Main concerns related to estimating fair values in the absence of active markets, shareholders reacting and expressing their concern regarding both the problematic aspect of fair value measurement practical implementations and potential manipulation of such estimates. Considering the impact of using fair value accounting on companies' financial position and performance, the intense debates being born and the lobby activities surrounding the accounting regulatory process in this area represent an implicit development. If we are to synthesize the body of accounting literature in the area we can say it mainly approaches fair value measurement issues and the use of fair value for recognition and/or disclosure purposes.

As Georgiou and Jack [4] emphasize, the complexity of measurement is often raised by practitioners as a key problem with fair value

accounting, while the concept of fair value is also being questioned in terms of its theoretical rationality (based on financial economics, econometric quantitative rationality and functional utility mainly attacked for its role in financial crises). In the context of the recent credit crunch, fair value accounting and fair value measurements raised a series of criticisms (especially on behalf of financial institutions). Despite those criticisms having some validity, literature shows they also are misplaced or overstated in important respects [10]. Despite fair value recently having to face the trial as one of the financial crisis' scapegoats [14], the main question we must stick trying to find a pertinent answer for relates to whether fair value accounting provides more useful information to investors than alternative accounting approaches [10]. In this regard we find studies documenting a positive answer that is strongly dependent on the quality of fair value estimates, further documenting the importance of fair value measurement.



This paper contributes to the debate on fair value measurements by clarifying the current state of accounting regulations in the international area. Concluding upon the developed analysis, we might state that the two boards have reached significant convergence in the area of fair value measurement through the newly issued IFRS 13 being largely consistent with SFAS 157, main remaining differences being previously synthesized. Still, we must not forget that IFRS 13 and SFAS 157 only offer guidance on how to measure fair value. Therefore, fair value differences should also be considered in the light of the other IASB and FASB standards addressing the use of fair values. Fair value measurement nowadays applies to different assets, liabilities and equity instruments under IFRS and US GAAP. IAS 39 and IFRS 9 continue to be more restrictive in recognizing the difference between the transaction price and the fair value at initial recognition as a gain or loss, requiring that fair value measurement only used data from observable markets. Another significant difference comes from net presentation (netting or offsetting) of derivatives, which is, currently, generally not allowed by IAS 32.

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**Appendix 1: Requirements to use FVA in IFRS**

<b>IFRS</b>	<b>Initial Recognition</b>	<b>Subsequent Measurement</b>
IFRS 2 Share-based Payment	x	x
IFRS 3 Business Combinations	x	
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	x	x
IAS 17 Leases	x	x
IAS 18 Revenue	x	
IAS 19 Employee Benefits (for plan assets)	x	x
IAS 20 Government Grants	x	x
IAS 26 Accounting and Reporting by Retirement Benefit Plans	x	x
IAS 39 Financial Instruments: Recognition and Measurement	x	x (for some)
IAS 36 Impairment of Assets		x (recoverable amount)
IAS 41 Agriculture	x	x

Source: [6]

**Appendix 2: Options to use either FVA or HCA in IFRS**

<b>IFRS</b>	<b>Initial Recognition</b>	<b>Subsequent Measurement</b>
IFRS 1 First-time Adoption of IFRS	x (deemed cost)	x
IAS 16 Property, Plant and Equipment	x	x
IAS 28 Investments in Associates	x	x
IAS 38 Intangible Assets	cost	x
IAS 40 Investment Property	cost	x

Source: [6]