



Accounting Standards Board

Aldwych House, 71-91 Aldwych, London WC2B 4HN

Telephone: 020 7492 2300 Fax: 020 7492 2399

www.frc.org.uk/asb



Stig Enevoldsen
Chairman
EFRAG
35 Square de Meeûs
B-1000 Brussels
Belgium

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Dear Stig

EFRAG's Draft Comment Letter on the IASB's Exposure Draft 'Fair Value Measurement'

This letter sets out the Accounting Standards Board's (ASB's) views on the EFRAG draft comment letter (DCL) to the above IASB Exposure Draft (ED).

The Board will be responding directly to the IASB and we will send you a copy of our letter. The ASB shares EFRAG's concerns about whether fair value, as defined, would be the most useful measurement in the circumstances in which existing IFRS require fair value to be used and we are not convinced that the fair value measurement requirements will result in useful information for users, other than for financial assets and financial liabilities.

The ASB broadly agrees with the content, analysis and conclusions in the DCL, but we do have a number of comments with regards to EFRAG's suggested responses to the detailed questions in the IASB's Invitation to Comment:

Question 4 (paragraph 35 -38 of Appendix 2 to the DCL)

The ASB considers that the description of market participants is not adequately described and it does not agree with the use of the term. The ASB has expressed concerns that markets are not always efficient and measurement from a market participant's view may be flawed. The search for a hypothetical market participant in an imperfect market can often lead to a result which is neither relevant nor representationally faithful. We wonder whether EFRAG wants to be quite as firm for its support of the market participant notion, given the comments made elsewhere in the DCL for its preference for entity specific measures rather market ones – for example in paragraphs 16 and 17 of Appendix 2.

Question 5 (paragraph 45 -49 of Appendix 2 to the DCL)

Since the ASB considers that basing the fair value on the reporting entity's intended use of an asset would seem to provide users with more useful information than basing it on the highest and best use, we are therefore in agreement with EFRAG. However, since the ED requires the entity to report both the intended use and the highest and best use, which are both useful numbers, the ASB agrees with the proposals assuming the scope of the proposed standard is extended beyond financial instruments.

Question 6 (paragraph 54 -55 of Appendix 2 to the DCL)

The ASB considers that the guidance provided in ED21 on how to calculate the 'in-exchange' value by working through an example in ED20 and in IE5-IE8 is useful, although may be considered onerous in some circumstances. However we do agree that the example used is specific to buildings and land and hence is a narrow issue, and one which would not be applicable if – as we suggest – the scope of the standard is restricted to financial assets and financial liabilities.

Question 8 (paragraph 67-75 of Appendix 2 to the DCL)

We note that with regards to restrictions on the fair value of a liability; in paragraph 75 EFRAG is in agreement with the IASB that the entity's ability to transfer a liability does not affect the fair value of the liability (BC75). The ASB response to this question differs in that we do consider that the fair value of the liability will (at least in theory) be affected by the ability to transfer.

Question 11 (paragraph 90 of Appendix 2 to the DCL)

The ASB supports the disclosure requirements proposed in the ED with no exceptions because, as explained in our response to question 6 above, we support the guidance on highest and best use.

Response to the question posed in paragraph 25 of EFRAG response

As noted above, the ASB shares EFRAG's view that all non-financial items should be exempted from the scope of the proposed standard.

Should you wish us to expand on any aspect of this response, please contact myself or Jennifer Guest j.guest@frc-asb.org.uk.

Yours sincerely



Ian Mackintosh
Chairman

DDI: 020 7492 2434

Email: i.mackintosh@frc-asb.org.uk