

Good news - All fair value guidelines in one location: IFRS 13

On 12 May 2011 the IASB published IFRS 13 *Fair Value Measurement*.

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

IFRS 13 defines *fair value* 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, i.e. an exit price.

A fair value measurement requires an entity to determine:

- the particular asset or liability that is the subject of the measurement (consistent with its unit of account);
- for a non-financial asset, the asset's highest and best use and whether the asset would be used by a market participant on a stand-alone basis or in combination with other assets;
- the principal (or most advantageous market) for the asset or liability; and
- when market prices for the asset, liability or equity instrument are not available, the valuation technique(s) appropriate for the measurement, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.