

The following are some points which may merit review for the Draft AS 113 *Fair Value Measurement* 2022. Thanking you for your time

Para of the Draft AS	Comments/suggestion
<p>Page 3 Scope 5 This AS applies when another AS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except as specified in paragraphs 6 and 7.</p>	<ul style="list-style-type: none"> • <i>Applicability yard sticks - to OPC, small, section 8 companies etc...</i> • <i>reference of other AS be given for clarity</i>
<p>Page 3 6 The measurement and disclosure requirements of this AS do not apply to the following: (a) share-based payment transactions within the scope of AS 102, Share-based Payment; (b) leasing transactions within the scope of AS 17, Leases; and (c) measurements that have some similarities to fair value but are not fair value, such as net realisable value in AS 2, Inventories, or value in use in AS 36, Impairment of Assets.</p>	<ul style="list-style-type: none"> • <i>Here also state the need to differentiate between inventory classified as insurance or capital spares/ stock, esp in AS scenario.</i>
<p>Page 4 8 The fair value measurement framework described in this AS applies to both initial and subsequent measurement if fair value is required or permitted by other ASs.</p>	<ul style="list-style-type: none"> • <i>Reference of the other ASs be given for clarity</i>

<p>Page 4 Measurement Definition of fair value 9 This AS 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.</p>	<ul style="list-style-type: none"> • <i>the use of word NET (in ref to price) be more appropriate here?</i>
<p>Page 4 The asset or liability 11 A fair value measurement is for a particular asset or liability. Therefore, when measuring fair value an entity shall take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Such characteristics include, for example, the following: (a) the condition and location of the asset; and (b) restrictions, if any, on the sale or use of the asset.</p>	<ul style="list-style-type: none"> • <i>What if the asset/ liability has exclusivity/ rights rather than restrictions? can incorporate as characteristics?</i>
<p>Page 4 The transaction 15 A fair value measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions.</p>	<ul style="list-style-type: none"> • <i>the use of word NET (in ref to price) be more appropriate here?</i>
<p>Page 5 20 Although an entity must be able to access the market, the entity does not need to be able to sell the</p>	<ul style="list-style-type: none"> • <i>if not able to sell then purpose is lost or please consider - that the discount on value assessed may be suggested</i>

<p>particular asset or transfer the particular liability on the measurement date to be able to measure fair value on the basis of the price in that market</p>	
<p>Page 5 23 In developing those assumptions, an entity need not identify specific market participants. Rather, the entity shall identify characteristics that distinguish market participants generally, considering factors specific to all the following: (a) the asset or liability; (b) the principal (or most advantageous) market for the asset or liability; and (c) market participants with whom the entity would enter into a transaction in that market.</p>	<ul style="list-style-type: none"> • <i>Very vague, as it may allow manipulation, in Indian context, as most markets (other than related to equity) have hardly any depth and even if a segment of participant is assumed would not mean that there may be any available counter party to make the value realisable. Kindly consider more specific assumption list and disclosure.</i>
<p>Page 5 The price 24 Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (ie an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.</p>	<ul style="list-style-type: none"> • <i>Suggested, some materiality-based limit be drafted here. Are there adequate valuers across India and if so would the same be cost effective to all the entities? Kindly review in this light.</i>