

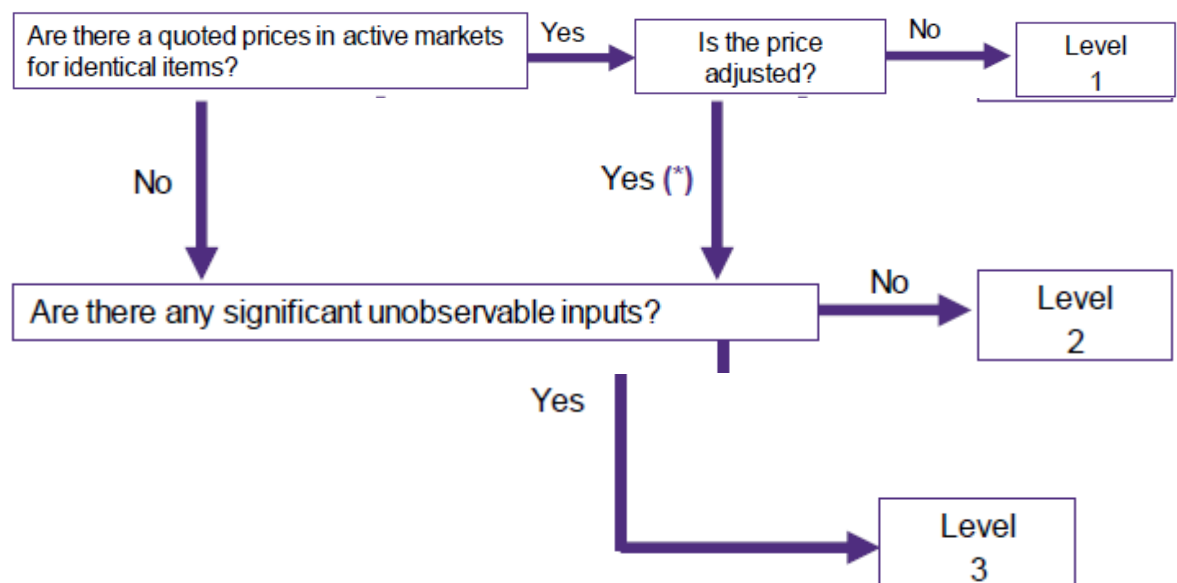
Exposure Draft

Accounting Standard (AS) 113

Fair Value Measurement

Review Comments

1. In para 2 , following may be added after first sentence - Typically, Fair Value is a commonly utilized basis of value. Fair Value may not be equal to Transaction Price , for instance in cases where transaction is between related parties. In several cases, Fair value may depend on perspectives – for example value of a rare painting to an art collector vis-a –vis a scrap dealer. Value depends on the market in which the asset transaction takes place.
2. Para 21 – after the last sentence , following may be added (though dealt with in para 25 & 26) - Fair value is not adjusted for transaction costs, viz, the costs to sell an asset or transfer a liability in the principal (or most advantageous) market that are directly attributable to the disposal of asset or the transfer of liability.
3. Para 65 - after points a to e, new point f may be added as - changes in applicable law and regulations affecting the asset under valuation
New point g may be added – emergence of or changes in applicable valuation standards
4. After para 90, a small flowchart may be inserted as –



(*) extremely rare.

5. Appendix B , Para B1 – following may be added - There may be inherent challenges in assessing whether a market is active, whether an input is significant and observable, and they can lead to inconsistent classification within the fair value measurement hierarchy. Inconsistent assessment of whether a market is active can also lead to inconsistent fair value measurements because Level 1 inputs are used without adjustments, whereas Level 2 inputs can be adjusted. Circumstances may often reveal that it is difficult to assess highest and best use (HABU) of the asset under consideration. Often, as a practical expedient, most assessments result in a conclusion that current use is the highest and best use. Specific challenges arise when using third-party pricing, and when deciding whether assessment is quantitative or qualitative, or is at one point in time or over time. This may result in divergences in practice with respect to what is classified as Level 3 measurement

6. Separate Note may be given on Biological Assets , as follows :

Biological Assets

There are practical challenges in measuring biological assets when there are no market inputs. They arise mostly for growing produce, with differences arising in assessing when to start recognising growing produce and how to measure it, and in carrying out an overall assessment of whether the measurement is reliable.