



สภาวิชาชีพบัญชี ในพระบรมราชูปถัมภ์

FEDERATION OF ACCOUNTING PROFESSIONS
UNDER THE ROYAL PATRONAGE OF HIS MAJESTY THE KING

September 18, 2017

Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board (IASB)
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Mr. Hoogervorst,

IFRS Standards Request for Information Post-implementation Review-IFRS 13 Fair Value Measurement

The Federation of Accounting Professions of Thailand would like to show our appreciation on the opportunity to provide an information on *IFRS Standards Request for Information Post-implementation Review-IFRS 13 Fair Value Measurement*. Overall, we support the principle and the use of IFRS13 that could create better understanding regard to the fair value information of financial statement's users. Nevertheless, we draw attention to some requirement that might have practical issues.

Please find our responses to the specific questions raised in *IFRS Standards Request for Information Post-implementation Review-IFRS 13 Fair Value Measurement* in an attachment. We believe that this information will contribute positively to the IASB's due process. Should you need more information, please kindly contact the Federation of Accounting Professions of Thailand.

The Federation of Accounting Professions avails itself of this opportunity to the International Accounting Standards Board the assurances of its highest consideration.

Yours sincerely,

Associate Professor Dr.Somchai Supattarakul
Chairman of Thai Accounting Standards Board
Federation of Accounting Professions of Thailand
Bangkok, Thailand

Copied to:

- 1) Chairman, Accounting Standard-Setting Committee of Thailand
- 2) Chairman, Subcommittee on Studying Monitoring of International Financial Reporting Standards
- 3) President, Federation of Accounting Professions of Thailand



IFRS Standards Request for Information Post-implementation Review-IFRS 13 Fair Value Measurement

Question 1A-Your background

Please tell us:

- (a) your principal role in relation to fair value measurement. For example, are you a preparer of financial statements, an auditor, a valuation specialist, a user of financial statements, a regulator, a standard-setter, an academic, or a professional accounting body? If you are a user of financial statements, what kind of user are you (for example, buy-side analyst, sell-side analyst, credit rating analyst, creditor/lender, asset or portfolio manager)?
- (b) your principal jurisdiction and industry. If you are a user of financial statements, which geographical regions and industries do you follow or invest in?

FAP :

- (a) The standard-setter and a professional accounting body of Thailand.

Question 1B—Your experience

How extensive is your experience in relation to the measurement of the following items at fair value (including the measurement of their recoverable amount on the basis of fair value less costs of disposal)?

Type of item	The extent of your experience with fair value measurements		
	Little	Some	Much
Property, plant and equipment		/	
Intangible assets including goodwill		/	
Investment properties		/	
Biological assets	/		
Investments in subsidiaries, joint ventures or associates	/		
Financial instruments		/	
Other (please specify which)			

FAP :

Please see the table above. There are a few companies in agriculture industry in Thailand so the experience regarding fair value measurement of biological assets is considered little. For investments in subsidiaries, joint ventures or associates, they are normally measured at cost in the separate financial statements since current Thai Financial Reporting Standards do not allow fair value accounting for investment in subsidiaries, joint ventures or associates



because the accounting standards in respect of the measurement of financial instruments are not yet effective in Thailand (e.g IFRS9 or IAS39 equivalents)

Question 2—Fair value measurement disclosures

- (a) How useful do you find the information provided about Level 3 fair value measurements? Please comment on what specific information is useful, and why.
- (b) In your experience of Level 3 fair value measurements:
- (i) how do aggregation and generic disclosure affect the usefulness of the resulting information? Please provide examples to illustrate your response.
 - (ii) are you aware of any other factors (either within or outside IFRS requirements) affecting the usefulness of the information? Please provide examples to illustrate your response.
 - (iii) do you have suggestions on how to prevent such factors from reducing the usefulness of the information provided?
- (c) Which Level 3 fair value measurement disclosures are the most costly to prepare? Please explain.
- (d) Is there information about fair value measurements that you think would be useful and that IFRS 13 does not require entities to disclose? If yes, please explain what that information is and why you think it would be useful. Please provide any examples of disclosure of such information.

FAP :

- (a) We view that disclosure about Level 3 fair value measurements are useful, especially the followings;
- 1. A description of the valuation processes used by the entity
For examples, the use or involvement of qualified experts in determining the fair value indicates that the professional judgement is applied.
 - 2. Significant unobservable input data
As the inputs are origination of the fair value measurement, the disclosure of the inputs provide information to financial statements users to assess the reflection of the measured assets and liabilities' economics.
 - 3. Sensitivity of the fair value measurement to changes in unobservable inputs
Financial statement users can assess how the significant unobservable input data relates to the fair value and whether there is a tuning of those inputs, especially in the impairment testing.
- (b) The aggregation and generic disclosure, in some circumstances, may not give useful information about the underlying assets. In most circumstances, disaggregation and



generic disclosure give useful information to financial statement users since it can be linked directly to the underlying assets.

- (c) The costly disclosure, in our view, is some items in a reconciliation of level 3 fair value measurement which can be considered as not relevant to the financial statement users' decisions such as purchases and sales transactions to be measured at fair value. The useful information could comprehend change in fair value of existing beginning assets and liabilities and the fair value of the existing closing assets and liabilities.

Question 3—Prioritising Level 1 inputs or the unit of account

(a) Please share your experience to help us assess:

- (i) how common it is for quoted investments in subsidiaries, joint ventures and associates, and quoted cash-generating units to be measured at fair value (please support your comments with examples).
- (ii) whether there are material differences between fair value amounts measured on the basis of PxQ alone (when P is the quoted price for an individual instrument and Q is the quantity of financial instruments held) and fair value amounts measured using other valuation techniques. Please provide any examples, including quantitative information about the differences and reasons for the differences.
- (iii) if there are material differences between different measurements, which techniques are used in practice and why. Please note whether your experience is specific to a jurisdiction, a region or a type of investment.

(b) The Board has undertaken work in this area in the past (see Appendix 3). Is there anything else relating to this area that you think the Board should consider?

FAP :

- (a) Our observation is that investments in subsidiaries, joint ventures and associates are not commonly measured at fair value since current Thai Financial Reporting Standards do not allow fair value accounting for investment in subsidiaries, joint ventures or associates because the accounting standards in respect of the measurement of financial instruments are not yet effective in Thailand (e.g IFRS9 or IAS39 equivalents). Still, the accompanying disclosure of such information is more common, using PxQ approach as the data is accessible and easier observable.

In our view the PxQ approach does not justly reflect the fair value of the investments under IFRS 13 because P is a quoted price of the equity security which deriving from trade volume of that security. In the condition where the subsidiaries, joint ventures and associates are traded, it could be in bulk volume; therefore, creating premium or discount on the trade from the market price.



Question 4—Application of the concept of highest and best use for non-financial assets

Please share your experience to help us assess:

- (a) whether the assessment of an asset's highest and best use is challenging, and why. Please provide examples to illustrate your response.
- (b) whether the current uses of many assets are different from their highest and best use, and in which specific circumstances the two uses vary.
- (c) whether, when applying highest and best use to a group of assets and using the residual valuation method, the resulting measurement of individual assets in the group may be counter-intuitive. If so, please explain how this happens, and in which circumstances.
- (d) whether there is diversity in practice relating to the application of the concept of highest and best use, and when and why this arises.

Please note whether your experience is specific to a jurisdiction, a region or a type of asset.

FAP :

From our experience, current practice is that entity determines how it uses its non-financial assets as their highest and best use.

Question 5—Applying judgements required for fair value measurements

Please share your experience to help us assess the challenges in applying judgements when measuring fair value:

- (a) is it challenging to assess whether a market for a asset or a liability is active?
Why, or why not?
- (b) is it challenging to assess whether an input is unobservable and significant to the entire measurement? Why, or why not?

Please provide specific examples to illustrate your response and note whether your experience is specific to a jurisdiction or a region or a type of asset or liability.

FAP :

In some situations, it is judgmental to determine whether a market is active as there is no clear guidance that the practitioner can refer to in determining if such market's active or not, and if it's not active how to adjust those quoted prices, so practitioners may tend to rely on such market information available. Examples include a thinly-traded security in the stock market, or even thin market itself. Another example is funds which are traded through particular platforms.



Question 6A—Education on measuring biological assets at fair value

Please describe your experience of measuring the fair value of biological assets:

- (a) are any aspects of the measurement challenging? Why, or why not? Please provide examples to illustrate your response.
- (b) what, if any, additional help would be useful in applying IFRS 13? In which areas?

FAP :

Fair value measurement, particularly biological assets, incorporates numbers of uncertain factors and circumstances, such as natural hazard, growth factors, is a challenging circumstances. However, IAS 41 allow to use cost method whenever the fair value cannot identified. In fair value for the biological assets need to consider demand and supply to verify the fair value. In case of in some country they cannot defined because they do not have the active market to define the market rate so if you can share about the practical issue or how to clarify the fair value, it would be useful for us. The education publication on the topic would be extremely useful to the preparation of financial statements.

Question 6B—Education on measuring unquoted equity instruments at fair value

Please describe your experience of measuring the fair value of unquoted equity instruments:

- (a) in 2012, the IFRS Foundation Education Initiative published Unquoted equity instruments within the scope of IFRS 9 Financial Instruments. Have you used this education material? If so, how did this material help you to measure the fair value of unquoted equity instruments?
- (b) do you have questions not covered in Unquoted equity instruments within the scope of IFRS 9 Financial Instruments? Do you think that additional help would be useful in applying the requirements? Why, or why not? Please provide examples to illustrate your response.

FAP :

Since the accounting standards in respect of the measurement of financial instruments are not yet effective in Thailand (e.g IFRS9 or IAS39 equivalents), under current TFRS majority of unquoted equity instruments in Thailand is measured at cost Nevertheless, the publication would be very useful guidelines to financial statements preparers having unquoted equity instrument measured at fair value.



Question 7—Effects and convergence

- (a) Please share your experience of the overall effect of IFRS 13:
- (i) what effect did IFRS 13 have on users' ability to assess future cash flows? If you are a user of financial statements, please provide us with examples of how you use information provided by entities about their fair value measurements and any adjustments you make to the measurements.
 - (ii) what effect did IFRS 13 have on comparability of fair value measurements between different reporting periods for an individual entity and between different entities in the same reporting period?
 - (iii) what effect did IFRS 13 have on compliance costs; specifically, has the application of any area of IFRS 13 caused considerable costs to stakeholders and why?
- (b) Please comment on how you are affected by the fact that the requirements for fair value measurement in IFRS 13 are converged with US GAAP; and please comment on how important it is to maintain that convergence.

FAP :

- (a) No comments
- (b) The similarity of the requirements for fair value measurement under IFRS 13 and US GAAP enhance the comparability of the financial information included in the financial statements prepared using different sets of reporting standards. We therefore believe that it's important to maintain such similarity.

Question 8—Other matters

Should the Board be aware of any other matters as it performs the PIR of IFRS 13? If so, please explain why and provide examples to illustrate your response.

FAP :

No further comments.