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STAFF PAPER

March 2013

IASB Meeting

Project	Conceptual Framework		
Paper topic	Draft Discussion paper Measurement – Measurements in existing and proposed IFRSs		
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This paper has been prepared by staff of the IFRS Foundation. The views expressed in this paper reflect the individual views of the author[s] and not those of the IASB or the IFRS Foundation. Comments on the application of IFRSs do not purport to set out acceptable or unacceptable application of IFRSs.

This paper is a very early draft of part of the Conceptual Framework discussion paper. It has been prepared by the staff for discussion by the IASB. Issues discussed and conclusions reached will be subject to change.

Purpose of this paper

1. The attached table provides background information to support agenda paper 5D *Draft discussion paper: Measurement – Measurements other than cost or fair value*. This paper does not ask the IASB to make decisions.
2. The table summarises at a high level whether present value computations used in existing and proposed IFRSs include the current inputs:
 - (a) Current or original estimates of cash flows.
 - (b) Current or original discount rates.
 - (c) a risk premium for bearing risk, and if so, whether it is updated, or locked in at inception.
 - (d) For liabilities, a reflection of the possibility that the entity may not be able to settle its liabilities when they are due (the entity's 'own credit') and, if so, whether that input is updated, or is locked in at inception .

3. The table also shows whether the inputs are from an entity-specific perspective or a market perspective. Unless otherwise indicated, discount rates are always market rates.

Present value computations in existing and proposed IFRSs

Approach	Cash flows	Discount rate	Risk	Own credit	Perspective	Comments
1. Amortised cost of financial assets and financial liabilities	Current	Original (except variable rate items)	Original, implicit in discount rates	Original, implicit in discount rate	Entity	Broadly similar approach used for lease receivables (lessor) and lease liabilities (lessee)
2. Value in use (used in impairment testing under IAS 36 <i>Impairment of Assets</i>)	Current	Current	Current	N/A	Cash flows: entity Discount rate and risk: market	
3. Net realisable value (used in impairment testing of inventories)	Current	None	No	N/A	Entity	
4. Post-employment benefits	Current	Current	No	No	Entity	Discount rate: high quality corporate bond (government bond in some cases)

Approach	Cash flows	Discount rate	Risk	Own credit	Perspective	Comments
5. Provisions (liabilities of uncertain amount or timing)	Current	Current	Current (in discount rate)	Unclear	Entity?	No specific reference to own credit. Some wording implies market perspective, other wording suggests entity-specific
6. Deferred tax liabilities and deferred tax assets	Current	None	No	No	Entity	Objective is to show the tax the entity will pay or recover if it recovers or settles the carrying amount of its assets and liabilities.
7. Insurance contracts (forthcoming exposure draft)	Current	Current	Current	No	Entity	Original discount rate for profit or loss, difference to OCI. Measure also includes a contractual service margin.
8. Fair value: assets	Current	Current	Current	N/A	Market	
9. Fair value: liabilities	Current	Current	Current	Current	Market	