



Meeting summary with HKICPA Quality Assurance (QA) Team

Date/time: Wednesday, 16 August 2017, 10:00 a.m. – 10:30 a.m.

Venue: HKICPA

Attendees

Ms. Selina Ngai, Manager, Quality Assurance

Mr. Anthony Wong, Associate Director, Standard Setting

Post-implementation Review – IFRS 13 Fair Value Measurement

1. In general, the QA Team observes that minimal disclosure on fair value measurements are adopted by preparers. It is common to find that the disclosures are generic in nature. For example, a typical disclosure found is "the fair value increase is due to the increase in growth rate".
2. The QA team suggests adding the following requirements to increase the usefulness of fair value information
 - Reason(s) for change in assumptions (e.g. effective interest rate) for similar assets/liabilities performed during the year
 - Growth rate for unlisted investments
 - Basis of assumption (e.g. how to come up a specific discount rate and justification to adopt it in the valuation model)
3. The QA team agrees that the quoted investments in subsidiaries, associates or joint ventures should be valued as a whole investment instead of using the price x quantity method. The team observed that the share price of investments can be affected by other market factors.
4. The QA team agrees that it is difficult to determine the highest and best use of an asset. The team observed that the current use of an asset is normally adopted by an entity as its highest and best use.
5. The QA team finds that it is difficult to judge whether over-the-counter markets are considered active and OTC instruments should be classified as Level 1 or Level 2 investment.
6. The QA team observed that auditors have used 'audit materiality' to determine whether an input is significant in a valuation. However, the team is aware that

materiality may be different in valuation practices. Hence, there is a need to define what the standard means by a 'significant' input.