

International Financial Reporting Standards
Measurement Checklist 2006



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International Financial Reporting Standards Measurement Checklist 2006

This publication provides an overview of the measurement bases required or permitted by IFRS for each component of an entity's financial position. It aims to assist the user in the process of preparing an entity's financial statements or assessing the appropriateness of the measurement bases set out in an entity's financial statements or accounting policies.

The IFRS Measurement Checklist has been updated to take into account standards and interpretations amended or issued from September 2005 to September 2006.

The most recently issued standards and interpretations from the IASB and IFRIC are:

	Application date
• IAS 1 Amendment – Presentation of Financial Statements: Capital Disclosures	1 January 2007*
• IAS 19 Amendment – Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2006
• IAS 39 Amendment – Cash Flow Hedge Accounting of Forecast Intragroup Transactions	1 January 2006
• IAS 39 Amendment – The Fair Value Option ¹	1 January 2006
• IAS 39 Amendment – Transition and Initial Recognition of Financial Assets and Financial Liabilities	1 January 2005
• IAS 39 and IFRS 4 Amendment – Financial Guarantee Contracts	1 January 2006
• IFRS 7 – Financial Instruments: Disclosures	1 January 2007*
• IFRIC amendment to SIC 12 – Scope of SIC 12 Consolidation – Special Purpose Entities	1 January 2005
• IFRIC 2 – Members' Shares in Co-operative Entities and Similar Instruments	1 January 2005
• IFRIC 3 – Emission Rights (withdrawn in 2005)	
• IFRIC 4 – Determining whether an Arrangement contains a Lease	1 January 2006
• IFRIC 5 – Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2006
• IFRIC 6 – Liabilities arising from Participation in a Specific Market: Waste Electrical and Electronic Equipment	1 December 2005
• IFRIC 7 – Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies	1 March 2006
• IFRIC 8 – Scope of IFRS 2	1 May 2006
• IFRIC 9 – Reassessment of Embedded Derivatives	1 June 2006
• IFRIC 10 – Interim Financial Reporting and Impairment	1 November 2006*

* Earlier application is encouraged

This checklist outlines the measurement bases required by all International Financial Reporting Standards (IFRS) published up to and including September 2006.

The measurement bases are applicable for financial statements with a year end of 31 December 2006, unless indicated otherwise. Measurement bases that are not required but may be adopted early are highlighted in grey in the checklist.

IFRIC 3 was withdrawn in 2005 and is not included in this checklist; however, Section A3 (Goodwill and other intangible assets) can be applied for accounting for allowances held; and Section B3 (Provisions and contingent liabilities) can be applied in accounting for liabilities arising from emissions made.

This publication does not address the recognition, derecognition, classification or presentation requirements of IFRS.

The checklist is a general reference tool only; it is not a substitute for reading the standards and interpretations themselves. Further specific measurement bases may apply under IFRS depending on the circumstances; in particular, the measurement of assets, liabilities and components of equity may be affected by the following types of transactions or events that are of a pervasive nature and have not therefore been repeated in each section of the checklist:

- Financial reporting in a hyperinflationary economy – IAS 29 requires an entity whose functional currency is the currency of a hyperinflationary economy to restate many of its non-monetary assets and non-monetary liabilities by applying a general price index (see PricewaterhouseCoopers' publication '*Understanding IAS 29 – Financial Reporting in Hyperinflationary Economies*');
- Foreign currency transactions – IAS 21 establishes measurement bases to be applied to all assets, liabilities and components of equity arising from a transaction involving a currency other than the entity's functional currency; and
- Gains and losses arising from a cash flow hedge of a forecast transaction – such gains and losses are included in the initial cost or other carrying amount of any non-financial asset or non-financial liability (or firm commitment for which fair value hedge accounting is applied) that is recognised as a result of the forecast transaction, to the extent that an entity adopts the treatment set out in IAS 39, paragraph 98(b) as its accounting policy.

The measurement of inventories acquired by way of a share-based payment arrangement is covered by Section A6. While other assets could also be acquired through a share-based payment transaction, the basis of measurement has not been repeated in each section of the checklist; the principles set out in Section A6.17-A6.18 apply to assets so acquired.

IFRS 6 provides guidance on the measurement of exploration and evaluation assets (see Section A11) but does not set out measurement criteria for expenditure on the development of minerals, oil, natural gas and similar non-generative resources. These expenditures are outside the scope of IFRS 6 and IAS 38; however, IFRS 6 indicates that an accounting policy for such expenditures should be developed based on guidance in the Framework and IAS 38.

How to use the Measurement Checklist

The Measurement Checklist is presented in a format designed to facilitate the review of measurement bases applied to each component of an entity's financial position. The measurement requirements have been grouped by either the nature of transaction or event giving rise to the asset, liability or component of equity, or the measurement basis (for example, cost model or revaluation model) as appropriate. The Measurement Checklist can be sub-divided into a number of smaller checklists that users can apply individually to components of an entity's balance sheet. Entities may also use the Measurement Checklist to assess the policies in their corporate accounting manuals.

Measurement bases and other terminology that are defined in the glossary to the checklist are shown in *italics*. The principal measurement requirements are shown in **bold** for ease of identification. The references in the left-hand margin of the checklist represent the paragraphs of the standards in which the measurement requirements appear – for example, '16p23' indicates IAS 16 paragraph 23. AG refers to 'Application Guidance' and 'BC' refers to 'Basis for Conclusions'. Measurement bases that are not yet required but may be adopted early are highlighted in grey.

The box in the right-hand margin of each page is designed to assist in completing the checklist. In the left-hand box (headed 'Y-NA-NM') one of the following should be entered for each measurement item:

- **Y** ('Yes') – the appropriate measurement has been used;
- **NA** ('Not applicable') – the item does not apply to the reporting entity; or
- **NM** ('Not material') – the measurement of the item is regarded as not material to the financial statements of the reporting entity.

Materiality is defined in IAS 1 paragraph 11, and in paragraphs 29 and 30 of the IASB's Framework for the Preparation and Presentation of Financial Statements. Additional guidance in respect of interpreting materiality in the context of financial statements prepared under IFRS is set out in IAS 8 paragraph 41.

The right-hand box on each page (headed 'Ref') can be used to insert a reference to the relevant part of the financial statements, corporate accounting manual or other supporting documents for all items that have been marked 'Y' in the left-hand box.

Definitions in the 'Measurement Bases' and other terms used in this checklist are set out on pp115-119. These definitions have been extracted from the relevant standards; additional commentary and guidance is shown in *italics*.

IFRS Measurement Checklist 2006

Section A

Assets



A1 Property, plant and equipment

Property, plant and equipment comprise tangible *assets* that are expected to be used over more than one financial period:

- (a) in the production or supply of goods or services;
- (b) for rental to third parties; or
- (c) held for administrative purposes.

The following measurement criteria do not apply to *biological assets* arising from agricultural activity, (Section A7), nor to mineral rights and mineral reserves such as oil, natural gas and similar non-regenerative resources (see the Introduction to this checklist). However, this measurement criteria applies to property, plant and equipment used to develop or maintain the exploration and evaluation assets.

Initial measurement

Property, plant and equipment may be recognised as a result of various types of transactions or events, including:

- (a) purchase, construction or production of the *asset* (Section A1.1-A1.8);
- (b) as lessee under a *finance lease* contract (Section A1.9);
- (c) transfer from investment property (Section A1.10)
- (d) transfer from inventory (Section A1.11);
- (e) exchange of non-monetary *assets* (Section A1.12);
- (f) received by way of a *government grant* (Section A1.13);
- (g) adoption of IFRS (Section A1.14); or
- (h) business combinations (Section A1.15-A1.16).

Property, plant and equipment that is acquired in a business combination exclusively with a view to its subsequent disposal and that meets the criteria to be classified as *held for sale* is covered in Section A9.

Subsequent measurement

Subsequent to initial recognition, an entity may elect, for each entire class of property, plant and equipment, to follow the:

- (a) cost model (Section A1.17-A1.18);
- (b) revaluation model (Section A1.19-A1.22);

Depreciation of the property, plant and equipment items is covered in Section A1.23-A1.27.

Property, plant and equipment that meets the definition of a *non-current asset* that is *held for sale* is covered in Section A9.

Initial measurement

(a) Purchase, construction or production of the asset

- | | |
|----------------------------------|--|
| 16p16 | 1. Purchased and self-constructed property, plant and equipment is measured at cost, which comprises:
(a) the purchase price, including non-refundable purchase taxes and duties, net of rebates or other discounts receivable;
(b) <i>costs</i> that are directly attributable to bringing the <i>asset</i> to the location and condition necessary for its intended use; and
(c) an estimate of the <i>cost</i> of dismantling and removing the <i>asset</i> and restoring the site, to the extent that:
(i) the entity has a legal or constructive obligation for such decommissioning and restoration <i>costs</i> ; and
(ii) the obligation arises other than as a result of the production of inventories. |
| 16p23 | 2. The <i>cost</i> of property, plant and equipment is measured at the cash price equivalent if extended credit terms are received. The difference between the deferred amount payable and the cash price equivalent is recognised as interest expense over the period of credit. |
| 16p17
16p49
38p66 | 3. Directly attributable costs include:
(a) site preparation <i>costs</i> ;
(b) initial delivery and handling <i>costs</i> ;
(c) employee <i>costs</i> arising directly from the <i>asset's</i> construction or purchase;
(d) amortisation of licences and patents, and depreciation of property, plant and equipment, used in bringing the asset to its working condition;
(e) installation and assembly <i>costs</i> ;
(f) commissioning <i>costs</i> necessary to enable the <i>asset</i> to operate in the manner intended by management, net of any associated revenue arising from commissioning (such as the sale of electricity during the commissioning of a power plant); and
(g) professional fees. |
| 16p19
16p20 | 4. The cost of property, plant and equipment excludes:
(a) <i>costs</i> associated with opening a new facility;
(b) <i>costs</i> associated with introducing a new product or service, including marketing <i>costs</i> ;
(c) <i>costs</i> of conducting business in a new location or with a new class of customer, including training costs;
(d) administrative and general overheads;
(e) initial operating losses, including <i>costs</i> incurred when an <i>asset</i> is capable of operating in the manner intended by management but not yet operating at intended capacity or achieving the targeted sales price for items produced; and
(f) the <i>cost</i> of relocating or reorganising the entity's existing operations. |
| 16p22
23p11
23p15
23p17 | 5. Borrowing costs are included in the cost of property, plant and equipment to the extent that:
(a) the entity has a policy of capitalising all <i>borrowing costs</i> in accordance with the alternative treatment under IAS 23;
(b) the <i>asset</i> under construction meets the definition of a <i>qualifying asset</i> ; and |

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	(c) the <i>borrowing costs</i> are directly attributable to the acquisition, construction or production of the <i>qualifying asset</i> and:		
	(i) represent actual <i>borrowing costs</i> (less investment income while temporarily invested, where applicable) in respect of funds borrowed specifically for the purpose of obtaining the <i>qualifying asset</i> ; or		
	(ii) represent the <i>cost</i> of general <i>borrowings</i> , based on application of a capitalisation rate (being the weighted average <i>cost</i> of borrowings) to the value of the <i>qualifying asset</i> capped at the total of general <i>borrowing costs</i> incurred by the entity.		
23p20	6. Capitalisation of <i>borrowing costs</i> commences when:		
	(a) expenditure in respect of the <i>qualifying asset</i> is being incurred;		
	(b) <i>borrowing costs</i> are being incurred; and		
	(c) activities necessary to prepare the <i>asset</i> for its intended use are in progress (including necessary technical and administrative activities).		
23p25	It ceases when substantially all activities necessary to prepare the <i>qualifying asset</i> for intended use (or a component thereof		
23p27	that is capable of being used separately) are complete.		
23p23	7. <i>Borrowing costs</i> are not capitalised during extended periods in		
23p24	which activities necessary to prepare the <i>asset</i> for its intended use are suspended , unless the suspension represents a necessary and temporary delay.		
20p24	8. The <i>cost</i> of an item of property, plant and equipment is reduced by the amount of government grants received in respect of the acquisition, construction or production of that item if an entity selects this treatment, allowed under IAS 20, as its accounting policy for <i>government grants</i> (see Section A1.13 for the accounting for non-monetary grants received).		
	(b) As lessee under a finance lease contract		
17p20	9. The <i>cost</i> of an item of property, plant and equipment acquired by way of a <i>finance lease</i> is measured at the sum of:		
	(a) the lower of:		
	(i) the <i>fair value</i> of the leased property, and		
	(ii) the <i>present value</i> of the <i>minimum lease payments</i> , using the interest rate implicit in the <i>lease</i> (or the incremental borrowing rate if this cannot practicably be determined) as the discount rate,		
	both determined at the inception of the <i>lease</i> ; and		
	(b) together with any directly attributable costs of arranging the <i>finance lease</i> that were incurred by the lessee.		
	(c) Transfer from investment property		
40p60	10. The <i>fair value of investment property</i> at the date of change in use to owner-occupied property, plant and equipment becomes the <i>deemed cost</i> for initial measurement under IAS 16.		

		Y-NA-NM	REF
	(d) Transfer from inventory		
16p22 2p35	11. Inventories of an entity that form part of self-constructed property, plant and equipment are measured in accordance with IAS 2 (see Section A6) until the date of transfer to property, plant and equipment. This amount becomes the <i>cost</i> of the component of property, plant and equipment.		
	(e) Exchange of non-monetary assets		
16p24	12. The consideration paid in an acquisition of one or more items of property, plant and equipment may include the transfer of non-monetary assets held by an entity. The <i>cost</i> of the item of property, plant and equipment received is measured at its <i>fair value</i> in these circumstances unless: (a) the exchange transaction lacks <i>commercial substance</i> ; or (b) neither the <i>fair value</i> of the <i>asset</i> received nor of the <i>asset</i> transferred is <i>reliably measurable</i> . In the case of (a) or (b), the acquired <i>asset's cost</i> is measured at the carrying amount of the <i>asset</i> given up.		
	(f) Received by way of a government grant		
20p23 8p13	13. Property, plant and equipment received in the form of a government grant is initially recognised, according to the entity's selected accounting policy, at either: (a) its <i>fair value</i> (along with an equivalent <i>liability</i> in respect of the <i>government grant</i> – see Section B5); or (b) a nominal amount. This accounting policy is applied consistently for similar transactions or events.		
	(g) Adoption of IFRS		
IFRS1p16 IFRS1p17	14. At the date of transition to IFRS , property, plant and equipment is initially measured at <i>cost</i> , determined in accordance with Sections A1.1-A1.13, or at a <i>deemed cost</i> based on: (a) the <i>fair value</i> at the date of transition to IFRS; or (b) a previous GAAP revaluation at, or before, the date of transition to IFRS if the revaluation was, at the date determined, broadly comparable to: (i) <i>fair value</i> ; or (ii) <i>cost</i> or depreciated cost under IFRS, adjusted to reflect changes in relevant price indices.		
	(h) Business combinations		
IFRS3p36 IFRS3pB16 (e)-(f)	15. Property, plant and equipment acquired by way of a business combination is measured initially at fair value, being its market value at the acquisition date. This is usually determined by appraisal in the case of plant and equipment.		
IFRS3pB16(f)	16. The <i>fair value</i> of specialised plant and equipment , for which there are no market-based transactions for identical or similar <i>assets</i> , other than as part of a business combination, may need to be estimated using a valuation technique consistent with the <i>income approach</i> or <i>cost approach</i> .		

- 16p48**
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IFRIC1p7
24. Depreciation represents a systematic allocation of the depreciable amount of each component of the *asset* to profit or loss (unless included in the carrying amount of another *asset*) from the point at which it is available for use until the end of its estimated useful life. An *asset's* depreciable amount is its *cost*, or other amount substituted for *cost*, less its residual value. An *asset's* depreciable amount includes any adjustment required as a result of changes in the measurement of an existing decommissioning, restoration or similar *liability*.
- 16p60**
25. The depreciation method used reflects the pattern in which the *asset's* future economic benefits are expected to be consumed.
- 17p27**
26. Property, plant and equipment acquired under a *finance lease* is depreciated over the shorter of the *lease term* and its useful life if it is not reasonably certain that the entity will obtain ownership of the *asset* by the end of the *lease term*.
- 16p51**
27. An *asset's* useful life and residual value are reviewed at each financial year-end for the purposes of measuring the *asset* under Section A1.24-A1.26.

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A2 Investment property

Investment property is any land, building or part thereof that is held by the owner or lessee under a *finance lease* for the purpose of earning rentals or for capital appreciation, or both, rather than for:

- (a) use in the production or supply of goods or services or for administrative purposes; or
- (b) sale in the ordinary course of business.

A property interest that is held by a lessee under an *operating lease* may be classified and accounted for as investment property if the property would otherwise meet the definition of an investment property and the lessee uses the fair value model for the property interest recognised. This classification is available on a property-by-property basis; however, all property classified as investment property is accounted for in accordance with the fair value model once this classification alternative is selected for a property interest held under an *operating lease*.

Initial measurement

The measurement of investment property upon initial recognition is dependent on the manner in which the property interest first arises. Initial recognition could arise as a result of the following transactions or events:

- (a) purchase of the investment property (Section A2.1-A2.3);
- (b) a *lease* contract (Section A2.4-A2.5);
- (c) transfer from property, plant and equipment (Section A2.6-A2.7);
- (d) transfer from inventory (Section A2.8);
- (e) exchange of non-monetary *assets* (Section A2.9);
- (f) adoption of IFRS (Section A2.10); or
- (g) business combinations (Section A2.11).

Investment property that is acquired in a business combination exclusively with a view to its subsequent disposal, and that meets the criteria to be classified as *held for sale*, is measured in accordance with Section A9 if it would otherwise be accounted for in accordance with the cost model subsequent to initial recognition.

Subsequent measurement

Subsequent to initial recognition, an entity may elect to measure investment property using either the:

- (a) cost model (Section A2.12); or
- (b) fair value model (Section A2.13-A2.19)

The entity may:

- (a) choose either the *cost* or the fair value model for all investment property backing *liabilities* that pay a return linked directly to the *fair value* of, or returns from, specified *assets* including that investment property; and
- (b) choose either the *cost* or the fair value model for all other investment property, regardless of the choice made in (a).

Investment property that meets the definition of a *non-current asset* that is *held for sale* is measured in accordance with Section A9 if it would otherwise be accounted for in accordance with the cost model.

Initial measurement

- (a) Purchase of investment property**
- 40p20 1. **Investment property is measured initially at cost,**
40p21 **which comprises:**
(a) the purchase price; and
(b) directly attributable expenditure.
- 40p24 2. The cost of investment property is measured at the **cash price equivalent** if extended credit terms are received. The difference between the deferred amount payable and the cash price equivalent is recognised as interest expense over the period of credit.
- 40p21 3. **Directly attributable expenditure includes:**
40p23 (a) professional fees for legal services;
(b) property transfer taxes; and
(c) other *transaction costs*.
- Directly attributable expenditure excludes:**
(a) start-up costs, unless such *costs* are incurred in order to enable the property to operate in the manner intended by management;
(b) operating losses incurred before the investment property reaches the planned occupancy level; or
(c) abnormal amounts of wasted material, labour or other resources incurred in constructing or developing the property.
- (b) As lessee under a lease contract**
- 17p20 4. **The cost of an item of property, plant and equipment acquired by way of a finance lease is measured at the sum of:**
(a) the lower of:
(i) the *fair value* of the leased property, and
(ii) the *present value* of the *minimum lease payments*, using the interest rate implicit in the lease (or the incremental borrowing rate if this cannot practicably be determined) as the discount rate, both determined at the inception of the *lease*; and
(b) together with any **directly attributable costs** of arranging the *finance lease* that were incurred by the lessee.
- 40p26 5. For the purpose of applying Section A2.4, **any premium paid for a lease is treated as part of the minimum lease payments.**
- (c) Transfer from property, plant and equipment**
- 40p22 6. A self-constructed investment property is measured in
40p58 accordance with IAS 16 until the date that construction or
16p5 development is complete (see Section A1). **This amount becomes the cost of the investment property.** If an existing investment property commences redevelopment with a view to its continued future use as investment property, the property continues to be measured as investment property during the redevelopment (see Section A2.12-A2.19)

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40p61	7. If an owner-occupied property becomes an investment property that will be measured subsequently using the fair value model, the property is measured at <i>fair value</i> upon initial recognition as investment property; the difference between the carrying amount as an item of property, plant and equipment and the <i>fair value</i> of the investment property is treated as a revaluation in accordance with IAS 16.		
40p59	If an owner-occupied property, accounted for under the cost model, becomes an investment property that will be measured subsequently using the cost model, the property is measured at the carrying amount transferred, and the <i>cost</i> of the property for measurement or disclosure purpose is not changed.		
	(d) Transfer from inventory		
40p63	8. Initial recognition is at <i>fair value</i> for a transfer from inventories to investment property that will subsequently be carried at <i>fair value</i> . Any difference between the <i>fair value</i> of the property at that date and its previous carrying amount should be recognised in profit or loss.		
40p59	If the entity applies the cost model for the investment property, the transfer does not change the carrying amount of the property transferred and does not change the <i>cost</i> of that property. The <i>cost</i> of an investment property that is transferred from inventories due to the commencement of an <i>operating lease</i> with another party is the <i>cost</i> of the <i>asset</i> determined in accordance with IAS 2 (see Section A6).		
	(e) Exchange of non-monetary assets		
40p27	9. The consideration paid in an acquisition of one or more investment properties may include the transfer of non-monetary assets held by an entity. The <i>cost</i> of the investment property received is measured at its <i>fair value</i> in these circumstances unless: (a) the exchange transaction lacks <i>commercial substance</i> ; or (b) neither the <i>fair value</i> of the <i>asset</i> received, nor of the <i>asset</i> transferred, is <i>reliably measurable</i> . In the case of (a) or (b), the acquired <i>asset's cost</i> is measured at the carrying amount of the <i>asset</i> given up.		
	(f) Adoption of IFRS		
IFRS1p16 IFRS1p17 IFRS1p18(a)	10. At the date of transition to IFRS, investment property that is subsequently measured using the cost model is initially measured at its <i>cost</i> , determined in accordance with Sections A2.1-A2.9, or at a <i>deemed cost</i> based on: (a) its <i>fair value</i> at the date of transition to IFRS; or (b) a previous GAAP revaluation at or before the date of transition to IFRS, if the revaluation was, at the date determined, broadly comparable to: (i) <i>fair value</i> ; or (ii) <i>cost</i> or depreciated cost under IFRS, adjusted to reflect changes in relevant price indices.		

IFRS1p7 Investment property subsequently measured under the fair value model is measured at *fair value* on adoption of IFRS (see Section A2.13-A2.19).

(g) Business combinations

IFRS3p36 11. **Investment property acquired by way of a business combination is initially measured at *fair value***, being its
IFRS3pB16(e) *market value* at the acquisition date.

Subsequent measurement

(a) Cost model

40p56 12. Investment property measured under the cost model is carried at ***cost, less accumulated depreciation and impairment losses, if any***, in accordance with the IAS 16 requirements in respect of property, plant and equipment, and IAS 36 regarding impairment (see Sections A1 and A10).

(b) Fair value model

40p33 13. Investment property accounted for under the fair value model
40p37 is measured at ***fair value, without any deduction for***
40p53 ***transaction costs*** that may be incurred on sale or disposal,
40p55 unless (in exceptional circumstances) the entity can demonstrate
40p48 that there is clear evidence when it first recognises a property interest as an investment property that the *fair value* of the investment property is not reliably determinable on a continuing basis. In such cases, the investment property is measured using the cost model (with a residual value of nil) until its disposal (see Section A2.12).

40p53 14. **The rebuttable presumption that the *fair value* of an**
40p55 **investment property is reliably determinable** on a continuing
40p48 basis may be overcome only when:
(a) comparable market transactions are infrequent;
(b) alternative reliable estimates of *fair value* (for example, based upon discounted cash flow projections) are not available; and
(c) the investment property has not previously been measured at *fair value*.

Alternative estimates may not be reliable when the variability in the range of reasonable *fair value* estimates will be so great, and the probabilities of the various activities so difficult to assess, that the usefulness of a single estimate of *fair value* is negated.

40p38 15. **The *fair value* of an investment property reflects, among**
40p40 other things:
(a) *market conditions* at the balance sheet date;
(b) rental income from current *leases*;
(c) supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future *leases* in the light of current conditions; and
(d) expected cash outflows (including rental payments) in respect of the property.

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40p45	16. An investment property's fair value is the current price in an active market for similar property in the same location and condition, and subject to similar <i>lease</i> and other contracts.		
40p46	17. In the absence of current prices in an active market, an entity determines fair value using a valuation technique that considers, among other things: <ul style="list-style-type: none"> (a) current prices in an active market for properties different in nature, condition and location, or subject to different <i>lease</i> or other contracts, adjusted to reflect those differences; (b) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of those transactions; and (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of existing <i>lease</i> and other contracts and (where possible) external evidence, such as current market rents for similar properties in the same condition and location, and using discount rates that reflect current market assessments of uncertainty in the timing and amount of the cash flows. 		
40p50	18. To prevent double-counting, the fair value of investment property does not include any value attributable to other assets (such as fixtures and fittings) or liabilities (such as <i>lease liabilities</i> or prepaid rents received) that are recognised by the entity.		
40p51	19. The fair value of investment property reflects neither: <ul style="list-style-type: none"> (a) future capital expenditure that will improve or enhance the property; nor (b) related future benefits from such future expenditure. 		

A3 Goodwill and other intangible assets

An intangible asset is an identifiable, non-monetary *asset* that has no physical substance.

This section applies to the measurement of all intangible assets, including goodwill, other than:

- (a) intangible assets held for sale in the ordinary course of business (Sections A6 and A8);
- (b) deferred tax *assets* (Section A4);
- (c) *assets* arising from employee benefits (section A5);
- (d) *financial assets* (Section A8);
- (e) non-current intangible assets classified as held for sale (Section A9);
- (f) recognition and measurement of exploration and evaluation assets (Section A11);
- (g) expenditure on the development of minerals, oil, natural gas and other non-regenerative resources (see the Introduction to this checklist and Section A11).

Neither internally generated goodwill nor deferred expenses (other than deferred acquisition costs arising from *insurance contracts*) are recognised as intangible assets.

Initial measurement

Intangible assets may arise from various types of transactions or events, including:

- (a) purchase of an intangible asset (Section A3.1-A3.3);
- (b) internally generated intangible assets (Section A3.4-A3.10);
- (c) as lessee under a *finance lease* contract (Section A3.11-A3.12);
- (d) exchange of non-monetary *assets* (Section A3.13);
- (e) received by way of a *government grant* (Section A3.14);
- (f) deferred acquisition costs and other intangible assets arising from *insurance contracts* (Section A3.15);
- (g) adoption of IFRS (Section A3.16-A3.17); and
- (h) business combinations (Section A3.18-A3.25).

A non-current intangible asset acquired in a business combination exclusively with a view to its subsequent disposal and that meets the criteria to be classified as *held for sale* is covered in Section A9.

Subsequent measurement

The subsequent measurement of intangible assets reflects their nature as:

- (a) deferred acquisition costs and other intangible assets arising from *insurance contracts* (Section A3.26);
- (b) goodwill and other intangible assets with indefinite useful lives* (Section A3.27-A.33); or
- (c) other intangible assets with finite useful lives* (Section A3.34-A3.39).

* IAS 38p88-96 provides guidance to assist entities in determining the useful life of an intangible asset. SIC-32p10 requires a short useful life to be used for a website that is recognised as an intangible asset.

Initial measurement

(a) Purchase of an intangible asset

- 38p24
38p27
1. **A separately acquired intangible asset is measured initially at cost, which comprises:**
 - (a) the purchase price, including non-refundable purchase taxes and duties, net of rebates or other discounts receivable; and
 - (b) costs that are directly attributable to preparing the *asset* for its intended use.
- 38p32
2. The cost of an intangible asset is measured at the **cash price equivalent** if extended credit terms are received. The difference between the deferred amount payable and the cash price equivalent is recognised as interest expense over the period of credit.
- 38p28
3. **Directly attributable costs include:**
 - (a) employee costs arising directly from bringing the *asset* to its working condition;
 - (b) professional fees arising directly from bringing the *asset* to its working condition; and
 - (c) costs of testing whether the *asset* is operating in the manner intended by management.
- 38p29
38p30
- Directly attributable costs exclude:**
- (a) costs associated with introducing a new product or service, including marketing costs;
 - (b) costs of conducting business in a new location or with a new class of customer, including training costs;
 - (c) administrative and general overheads;
 - (d) costs incurred in the redeployment of an intangible asset; and
 - (e) initial operating losses, including costs incurred when an *asset* is capable of operating in a manner intended by management but not yet brought into use or operating at intended capacity.

(b) Internally generated intangible assets

- 38p24
38p65
38p66
4. Expenditure incurred in the development of an internally generated intangible asset, other than goodwill, that meets the recognition criteria in IAS 38 is initially measured at *cost*.
The asset's cost is the sum of the directly attributable costs necessarily incurred to create, produce and prepare the *asset* such that it is capable of operating in the manner intended by management. Only expenditure that is incurred subsequent to the date that the intangible asset first meets the IAS 38 recognition criteria is relevant for determining the *cost* of an intangible asset.
- 38p66
16p49
5. **Directly attributable costs include:**
 - (a) the cost of materials and services consumed in bringing the *asset* to its working condition;
 - (b) employee costs arising from bringing the *asset* to its working condition;
 - (c) fees to register a legal right; and
 - (d) amortisation of licences and patents, and depreciation of property, plant and equipment, used in bringing the *asset* to its working condition.

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38p67 38p69	<p>Directly attributable costs exclude:</p> <ul style="list-style-type: none"> (a) selling, administrative and general overheads that are not directly attributable to bringing the <i>asset</i> to its working condition; (b) initial operating losses, including <i>costs</i> and identified inefficiencies incurred when an <i>asset</i> is capable of operating in a manner intended by management but not yet operating at intended capacity; (c) staff training <i>costs</i>; (d) start-up <i>costs</i>, including <i>costs</i> of: <ul style="list-style-type: none"> (i) establishing a legal entity; (ii) opening a new facility (pre-opening <i>costs</i>); and (iii) commencing new operations or launching new products or processes (pre-operating <i>costs</i>); (e) advertising and promotional <i>costs</i>; and (f) the <i>cost</i> of relocating, or reorganising, the entity's existing operations. 		
SIC32p8 SIC32p9	<p>6. An intangible asset is recognised in respect of an entity's website only when it is probable that the website will generate future economic benefits (for example, it is capable of generating revenues, including direct revenues from enabling orders to be placed). Expenditure in developing a website is included in the cost of an intangible asset if it can be directly attributed, or allocated on a reasonable and consistent basis, to:</p> <ul style="list-style-type: none"> (a) application and infrastructure development; (b) graphic design; or (c) content development (to the extent that content is developed for purposes other than advertising the entity's own products and services). <p>Expenditure incurred during the planning stage is not included in the <i>cost</i> of the intangible asset.</p> <p>Expenditure incurred in the operating stage is only included in the <i>cost</i> of the intangible asset if it meets the recognition requirements of IAS 38p18.</p>		
38p66 23p11 23p15 23p17	<p>7. Borrowing costs are included in the cost of an internally generated intangible asset to the extent that:</p> <ul style="list-style-type: none"> (a) the entity has a policy of capitalising all <i>borrowing costs</i> in accordance with the alternative treatment under IAS 23; (b) the asset under construction meets the definition of a <i>qualifying asset</i>; and (c) the <i>borrowing costs</i> are directly attributable to the acquisition, construction or production of the <i>qualifying asset</i> and: <ul style="list-style-type: none"> (i) represent actual <i>borrowing costs</i> (less investment income while temporarily invested, where applicable) in respect of funds borrowed specifically for the purpose of obtaining the <i>qualifying asset</i>; or (ii) represent the <i>cost</i> of general borrowings, based on 		

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	application of a capitalisation rate (being the weighted average <i>cost</i> of borrowings) to the value of the <i>qualifying asset</i> capped at the total of general <i>borrowing costs</i> incurred by the entity.		
23p20	8. Capitalisation of <i>borrowing costs</i> commences when: (a) expenditure in respect of the <i>qualifying asset</i> is being incurred; (b) <i>borrowing costs</i> are being incurred; and (c) activities necessary to prepare the <i>asset</i> for its intended use are in progress (including necessary technical or administrative activities).		
23p25	It ceases when substantially all activities necessary to prepare the <i>qualifying asset</i> for intended use (or a component thereof that is capable of being used separately) are complete.		
23p23	9. <i>Borrowing costs</i> are not capitalised during extended periods in which activities necessary to prepare the asset for its intended use are suspended , unless the suspension represents a necessary temporary delay.		
38p71	10. Expenditure incurred in bringing an intangible asset to its working condition that was initially recognised as an expense is not included as part of the cost of an intangible asset in a subsequent period.		
	(c) As lessee under a finance lease contract		
38p6	11. Licensing rights for items such as motion picture films, video recordings, plays, manuscripts, patents and copyrights that are held by a lessee under a finance lease are measured initially at their cost (Section A3.1-A3.3).		
17p20	12. The cost of an item of property, plant and equipment acquired by way of a finance lease is measured at the sum of: (a) the lower of: (i) the <i>fair value</i> of the leased property, and (ii) the <i>present value</i> of the <i>minimum lease payments</i> , using the interest rate implicit in the lease (or the incremental borrowing rate if this cannot practicably be determined) as the discount rate, both determined at the inception of the <i>lease</i> ; and (b) together with any directly attributable costs of arranging the <i>finance lease</i> that were incurred by the lessee.		
	(d) Exchange of non-monetary assets		
38p45	13. The consideration paid in an acquisition of one or more intangible assets may include the transfer of non-monetary assets held by an entity. The <i>cost</i> of the intangible asset received is measured at its <i>fair value</i> in these circumstances, unless: (a) the exchange transaction lacks <i>commercial substance</i> , or		

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	<p>(b) neither the <i>fair value</i> of the <i>asset</i> received, nor of the <i>asset</i> transferred, is <i>reliably measurable</i>.</p> <p>In the case of (a) or (b), the acquired <i>asset's cost</i> is measured at the carrying amount of the asset given up.</p>		
	(e) Received by way of a government grant		
20p23 8p13	<p>14. An intangible asset received in the form of a government grant is initially recognised, according to the entity's selected accounting policy, at either:</p> <p>(a) its <i>fair value</i> (along with an equivalent liability in respect of the <i>government grant</i> – Section B.5); or</p> <p>(b) a nominal amount.</p> <p>This accounting policy is applied consistently for similar transactions or events.</p>		
	(f) Deferred acquisition costs and other intangible assets arising from insurance contracts		
IFRS4p13 IFRS4BC116	<p>15. Deferred acquisition <i>costs</i> are those <i>costs</i> relating to the sale, underwriting and initiation of a new <i>insurance contract</i> that an entity recognises as an <i>asset</i> for amortisation in future periods. IFRS does not specify criteria for the initial measurement of deferred acquisition costs or of other intangible assets arising from insurance contracts or reinsurance contracts. An issuer is exempt from applying IAS 8, paragraphs 10-12 and may measure <i>insurance assets</i> in accordance with its existing accounting policy on initial recognition (see Section A3.26 for subsequent measurement).</p>		
	(g) Adoption of IFRS		
IFRS1p16 IFRS1p17 IFRS1p18(b)	<p>16. At the date of IFRS transition, intangible assets other than goodwill that meet the recognition criteria in IAS 38 and are eligible for revaluation due to the existence of an active market for the <i>assets</i> are measured initially at <i>cost</i> determined in accordance with Sections A3.1-A3.15, or at a <i>deemed cost</i> based on:</p> <p>(a) the <i>fair value</i> at the date of transition to IFRS; or</p> <p>(b) a previous GAAP revaluation at or before the date of transition to IFRS, if the revaluation was, at the dates determined, broadly comparable to:</p> <p>(i) <i>fair value</i>; or</p> <p>(ii) <i>cost</i> or depreciated <i>cost</i> under IFRS, adjusted to reflect changes in relevant price indices.</p> <p>Intangible assets other than goodwill that are not eligible for revaluation due to the lack of an active market for the <i>assets</i> are measured at <i>cost</i> determined in accordance with Sections A3.1-A3.15 on transition to IFRS.</p>		
IFRS3pB1 IFRS3pB2(g)	<p>17. A first-time adopter may either:</p> <p>(a) apply IFRS 3 retrospectively to business combinations occurring before the transition to IFRS, in which case goodwill is measured initially at cost (see Section A3.18-A3.20), less impairment losses (see Section A10); or</p> <p>(b) elect not to apply IFRS 3 to business combinations occurring before the transition to IFRS.</p>		

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	<p>If the entity elects to apply neither IFRS 3 nor IAS 22 retrospectively to a past business combination, the carrying amount of goodwill in the opening IFRS balance sheet is that recorded under previous GAAP at the date of transition to IFRS adjusted to:</p> <ul style="list-style-type: none"> (a) include the carrying amount of any intangible assets acquired that were recognised under previous GAAP but that do not meet the recognition requirements of IAS 38; (b) exclude the amount of any unrecognised intangible assets that must be recognised under IFRS; (c) reflect any contingent consideration from a past business combination that is <i>reliably measurable</i>; (d) exclude any contingent consideration that is either no longer <i>reliably measurable</i> or for which it is no longer probable that it will be paid; and (e) reflect any <i>impairment losses</i> at the date of transition to IFRS (see Section A10). 		
	(h) Business combinations		
IFRS3p51 IFRS3p56	<p>18. Goodwill arising on a business combination is measured initially at its cost, being the excess of:</p> <ul style="list-style-type: none"> (a) the <i>cost</i> of the business combination (see Section A8.1-A8.4 on the <i>cost</i> of an investment in a <i>subsidiary</i>); over (b) the acquirer's interest in the net <i>fair value</i> of the identifiable <i>assets, liabilities</i> and <i>contingent liabilities</i> recognised on acquisition. <p>If the acquirer's interest in the net <i>fair value</i> of the identifiable <i>assets, liabilities</i> and <i>contingent liabilities</i> exceeds the <i>cost</i> of the business combination, it should recognise any excess immediately in profit or loss (ie, no liability is recognised for the excess), after reassessing the identification and measurement of the acquiree's identifiable <i>assets, liabilities</i> and <i>contingent liabilities</i>, and the measurement of the <i>cost</i> of the combination.</p>		
IFRS3p62	<p>19. The amounts attributed to identifiable <i>assets, liabilities</i> and <i>contingent liabilities</i> acquired, and therefore related goodwill, are adjusted subsequent to the acquisition date if the initial accounting for a business combination:</p> <ul style="list-style-type: none"> (a) can be determined only provisionally at the end of the first reporting period after the combination; and (b) is finalised within 12 months of the acquisition date. <p>The goodwill is measured at the amount that would have arisen using the revised <i>fair values</i> of <i>assets, liabilities</i> and <i>contingent liabilities</i> at the acquisition date.</p>		
IFRS3p65 12p68	<p>20. If a potential benefit from the acquiree's deferred tax assets was not recognised when a business combination was initially accounted for but the benefit is subsequently realised, the carrying amount of goodwill is reduced to the amount that would have been recorded if the deferred tax asset had been recognised as an identifiable <i>asset</i> at the acquisition date.</p>		
IFRS3p36 38p33 38p35 38p36	<p>21. Intangible assets other than goodwill acquired by way of a business combination are measured initially at their <i>fair value</i> at the acquisition date. There is a rebuttable presumption that intangible assets with a finite useful life are <i>reliably measurable</i>, either individually or in groups.</p>		

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IFRS4p31	22. An <i>insurer</i> is permitted to recognise an intangible asset in respect of acquired insurance contracts . This intangible asset is measured as the difference between: (a) the <i>fair value</i> of the contractual insurance rights acquired and insurance obligations assumed; and (b) the <i>liability</i> in respect of insurance obligations assumed, measured in accordance with the <i>insurer's</i> accounting policies for <i>insurance contracts</i> that it issues.		
38p39	23. The fair value of an intangible asset that is quoted in an active market is its current bid price.		
38p39 38p40	24. If current bid prices are unavailable, the most recent similar transaction may provide evidence of the current <i>fair value</i> of the intangible asset, unless there has been a significant change in economic circumstances since the time of the transaction. If no active market exists for an intangible asset, an entity considers the outcome of recent transactions for similar assets when determining <i>fair value</i> .		
38p41	25. The fair value of unique intangible assets is determined using valuation techniques that estimate <i>fair value</i> indirectly, if such techniques reflect current transactions and practices in the industry, including: (a) applying multiples reflecting current market transactions to profitability indicators (for example, revenue, market share or operating profit) or to the royalty stream that could be obtained from licensing the intangible asset to another party in an arm's length transaction; or (b) discounting estimated cash flows.		
Subsequent measurement			
(a) Deferred acquisition costs and other intangible assets arising from insurance contracts			
IFRS4p13 IFRS4BC116	26. IFRS does not specify criteria for the measurement of deferred acquisition costs or of other intangible assets arising from insurance contracts (including amortisation thereof). The adequacy test applied to <i>insurance liabilities</i> , however, incorporates the amount of such intangible assets (see Section B4.48-B4.49).		
(b) Goodwill and other intangible assets with indefinite useful lives			
38p72 IFRS3p54	27. Intangible assets other than goodwill may be accounted for using either the: (a) cost model; or (b) revaluation model, if <i>fair value</i> can be determined by reference to an active market. If the revaluation model is selected for an <i>asset</i> for which an active market exists, all intangible assets of the same class are accounted for using the revaluation model, unless there is no active market for particular <i>assets</i> within that class (see Section A3.33). Goodwill is accounted for using the cost model.		

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	Cost model		
38p74 38p107 IFRS3p54	28. Goodwill and other intangible assets with indefinite useful lives that are accounted for using the cost model are carried at cost, less any accumulated impairment losses (see Section A10).		
38p109	29. The useful life of an intangible asset, other than goodwill, that is not being amortised is reviewed each period to determine whether events and circumstances continue to support the use of an indefinite useful life for that <i>asset</i> .		
	Revaluation model		
38p75 38p107	30. Intangible assets, other than goodwill, with indefinite useful lives that are accounted for under the revaluation model are carried at a revalued amount, being its fair value at the revaluation date, less any subsequent accumulated impairment losses (see Section A10). Revaluations must be performed with sufficient regularity to ensure that the carrying value at each balance sheet date is not materially different from the <i>asset's fair value</i> at that date.		
38p8 38p75 38p78	31. The fair value of an intangible asset is determined by reference to the asset's price in an active market. An active market is a market in which: (a) the items traded are homogenous; (b) willing buyers and sellers can normally be found at any time; and (c) prices are available to the public. It is uncommon for an active market to exist for an intangible asset.		
38p82 38p84	32. If the <i>fair value</i> of a revalued intangible asset can no longer be determined by reference to an active market, the <i>asset</i> is measured at its revalued amount at the date of the last revaluation by reference to the active market, less any subsequent accumulated <i>impairment losses</i> (see Section A10). If the <i>asset's fair value</i> can be determined by reference to an active market at a subsequent measurement date, the revaluation model is applied from that date.		
38p81	33. If there is no active market for a particular intangible asset, that asset is carried at its cost, less any accumulated impairment losses (see Section A10).		
	(c) Other intangible assets with finite useful lives		
38p72	34. Other intangible assets with finite useful lives may be accounted for using either the: (a) cost model; or (b) revaluation model, if <i>fair value</i> can be determined by reference to an active market. If the revaluation model is selected for an <i>asset</i> for which an active market exists, all intangible assets of the same class are accounted for using the revaluation model, unless there is no active market for particular <i>assets</i> within that class (see Section A3.39).		
	Cost model		
38p74	35. Intangible assets measured under the cost model are carried at cost, less accumulated amortisation (see Section A3.40-A3.45) and impairment losses (see Section A10), if any.		

		Y-NA-NM	REF
	Revaluation model		
38p75	36. Intangible assets accounted for under the revaluation model are carried at fair value at the revaluation date, less any subsequent accumulated amortisation (see Section A3.40-A3.45) and impairment losses (see Section A10). Revaluations must be performed with sufficient regularity to ensure that the carrying amount at each balance sheet date is not materially different from the asset's <i>fair value</i> at that date.		
38p8 38p75 38p78	37. The fair value of an intangible asset is determined by reference to the asset's price in an active market. An active market is a market in which: (a) the items traded are homogenous; (b) willing buyers and sellers can normally be found at any time; and (c) prices are available to the public. It is uncommon for an active market to exist for an intangible asset.		
38p82 38p84	38. If the <i>fair value</i> of a revalued intangible asset can no longer be determined by reference to an active market, the <i>asset</i> is measured at its revalued amount at the date of the last revaluation by reference to the active market, less any subsequent accumulated amortisation (see Section A3.40-A3.45) and <i>impairment losses</i> (see Section A10). If the <i>asset's fair value</i> can be determined by reference to an active market at a subsequent measurement date, the revaluation model is applied from that date.		
38p81	39. If there is no active market for a particular intangible asset, that <i>asset</i> is carried at its cost, less accumulated amortisation (see Section A3.40-A3.45) and impairment losses (see Section A10), if any.		
	Amortisation		
38p97 38p99	40. Amortisation represents a systematic allocation of the depreciable amount of an intangible asset to profit or loss (unless included in the carrying amount of another <i>asset</i>) from the point at which the <i>asset</i> is available for use until the end of its estimated useful life.		
38p8 38p100 8p36	41. An <i>asset's</i> depreciable amount is its <i>cost</i> , or other amount substituted for <i>cost</i> , less its residual value. The residual value of an intangible asset with a finite useful life is assumed to be nil unless: (a) a third party has committed to purchase the <i>asset</i> at the end of its useful life; or (b) there is an active market for the <i>asset</i> and: (i) residual value can be determined by reference to that market, and (ii) it is probable that such a market will exist at the end of the <i>asset's</i> useful life. In this case, the residual value is based on the prices prevailing at the date on which the estimate is made of similar <i>assets</i> that have reached the end of their useful lives.		
38p102	42. The estimated residual value of an intangible asset is reviewed at least at the end of each financial year, with any change being		

- accounted for as a change in an accounting estimate (ie, prospectively via the amortisation charge in the period of change and future periods).
- 38p97 43. **The amortisation method used reflects the pattern in which the asset's future economic benefits are expected to be consumed.** The straight-line method is used if the pattern cannot be determined reliably. There is rarely, if ever, persuasive evidence to support an amortisation method that results in a lower amount of accumulated amortisation than the straight-line method would require.
- 38p98
- 17p27 44. An intangible asset acquired under a *finance lease* is amortised over the shorter of the *lease term* and its useful life if it is not reasonably certain that the entity will obtain ownership of the *asset* by the end of the *lease term*.
- 18, Appdx 14 (b)(iii) 45. Intangible assets recognised in respect of incremental *costs* incurred in securing an investment management contract are amortised as the entity recognises the related revenue.

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A4 Income tax assets

This section applies the measurement of:

- (a) current tax assets (Section A4.1-A4.2); and
- (b) deferred tax assets (Section A4.3-A4.9).

A current tax asset is the amount of income tax recoverable in respect of the tax loss for a period. A deferred tax asset represents the amount of income tax recoverable in future periods in respect of:

- (a) deductible *temporary differences*;
- (b) the carry forward of unused tax losses; and
- (c) the carry forward of unused tax credits.

Specific requirements apply to the recognition of deferred tax assets arising from the initial recognition of assets and *liabilities* for which *deductible temporary differences* exist; however, the measurement requirements set out in this section apply both on initial recognition of income tax assets, including by way of a business combination, and to their subsequent measurement.

		Y-NA-NM	REF
	(a) Current tax assets		
12p46	1. Current tax assets are measured at the amount expected to be recovered from the taxation authorities using the tax rates (and tax laws) enacted, or <i>substantively enacted</i> , at the balance sheet date.		
12p48			
12p52A	2. Current tax assets are measured at the tax rate applicable to undistributed profits in jurisdictions where the tax rate depends on whether or not profits or retained earnings are paid out as a dividend to shareholders.		
	(b) Deferred tax assets		
12p47	3. Deferred tax assets are measured at the amount of the recognised deductible <i>temporary difference</i> multiplied by the tax rate that is expected to apply in the period in which the asset will be realised using the tax rates (and tax laws) enacted, or <i>substantively enacted</i> , at the balance sheet date. The deferred tax asset is not discounted , even if the <i>asset</i> or <i>liability</i> giving rise to the deductible <i>temporary difference</i> is measured on a discounted basis.		
12p48			
12p53			
12p54			
12p49	4. When different rates of tax apply to different levels of taxable income, deferred tax assets are measured using the average rates expected to apply in the periods in which the <i>temporary differences</i> are expected to reverse.		
12p51	5. Deferred tax assets are measured using the tax rate and <i>tax base</i> consistent with the manner in which the entity expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.		
12p52			
SIC21p4	6. Recognition of depreciation in respect of an <i>asset</i> indicates that the carrying amount of the <i>asset</i> is expected to be recovered through:		
SIC21p6	(a) use to the extent of its depreciable amount; and (b) sale at its residual value. In accordance with Section A4.5, a deferred tax asset arising from any deductible <i>temporary difference</i> in respect of an <i>asset</i> reflects the income tax consequences of any reversal of the <i>temporary difference</i> through: (a) use while being depreciated (or that would be depreciated under IAS 16 if the <i>asset</i> were not accounted for as an investment property at <i>fair value</i>); and (b) sale at the end of its useful life.		
SIC21p4	7. A deferred tax asset arising from any deductible <i>temporary difference</i> in respect of a revalued non-depreciable asset that would be considered non-depreciable if IAS 16 were applied, is measured based on the tax consequences that would follow from the recovery of the carrying amount of the asset through sale.		
SIC21p5			
12p52A	8. Deferred tax assets are measured at the tax rate applicable to undistributed profits in jurisdictions where the tax rate depends on whether or not profits or retained earnings are paid out as a dividend to shareholders.		

12p56

9. **The recoverability of a deferred tax asset** is reviewed at each balance sheet date, and its carrying value is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to enable part or all of the deferred tax asset to be utilised. Any previously recognised reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

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A5 Employee benefit assets

Employee benefits represent all forms of consideration that an employer offers to its employees in exchange for services rendered by those employees. This section covers the measurement of *assets* that arise from employee benefits, as follows:

- (a) *short-term employee benefits* (Section A5.1);
- (b) post-employment benefits – *defined contribution plans* (Section A5.2);
- (c) post-employment benefits – *defined benefit plans* (Section A5.3-A5.9); and
- (d) *other long-term employee benefits* (Section A5.10).

The measurement requirements set out in this section apply on initial recognition and subsequent measurement of *assets* arising from employee benefits, other than in Section A5.8 regarding the measurement of *assets* arising from *defined benefit plans* upon adoption of IFRS, and Section A5.9 regarding *assets* acquired in a business combination.

		Y-NA-NM	REF
	(a) Short-term employee benefits		
19p10	1. An <i>asset</i> recognised in respect of prepaid <i>short-term employee benefits</i> is measured as the excess of: (a) the amount paid for employee services, over (b) the undiscounted amount of benefits expected to be paid in exchange for service rendered before the balance sheet date, to the extent that the prepayment will result in, for example, a reduction in future payments or a cash refund.		
	(b) Post-employment benefits – defined contribution plans		
19p44	2. An <i>asset</i> recognised in respect of contributions paid to a <i>defined contribution plan</i>, including <i>multi-employer plans</i>, <i>state plans</i> and insured benefits that are classified as <i>defined contribution plans</i>, is measured at the excess of: (a) contributions paid to the plan, less (b) contributions due for employee services rendered before the balance sheet date, to the extent that the prepayment will result in, for example, a reduction in future payments or a cash refund.		
	(c) Post-employment benefits – defined benefit plans		
19p29 19p30 19p36	3. A <i>multi-employer plan</i> or <i>state plan</i> that is classified as a <i>defined benefit plan</i>, but for which sufficient information is not available to enable defined benefit accounting, is accounted for as a <i>defined contribution plan</i> (see Section A5.2). All other <i>multi-employer plans</i> and <i>state plans</i> that are classified as <i>defined benefit plans</i> are accounted for based on the entity's proportionate share of the <i>present value of the defined benefit obligation</i>, <i>plan assets</i> and costs associated with the plan in the same manner as other <i>defined benefit plans</i>.		
19p104 19p104D	4. The <i>fair value</i> of : (a) a <i>qualifying insurance policy</i>, or (b) a separate <i>asset</i> recognised in respect of a right to reimbursement under an insurance policy, that exactly matches the timing and amount of benefits payable under a <i>defined benefit plan</i> is deemed to be the <i>present value of the related post-employment benefit obligations</i> .		
19p54 19p58	5. Other than on initial recognition by way of a business combination (see Section A5.9) or on adoption of IFRS (see Section A5.8), an <i>asset</i> under a <i>defined benefit plan</i> is measured at the lower of: (a) the net total of: (i) the <i>fair value</i> of <i>plan assets</i> out of which the defined benefit obligations are to be settled directly, (ii) minus the <i>present value of the defined benefit obligation</i> , (iii) plus any <i>actuarial losses</i> (less <i>actuarial gains</i>) not recognised, (iv) plus any <i>past service cost</i> not yet recognised at the balance sheet date; and		

		Y-NA-NM	REF
	<p>(b) the total of:</p> <ul style="list-style-type: none"> (i) any cumulative unrecognised net <i>actuarial losses</i> and <i>past service cost</i>; and (ii) the <i>present value</i> of any economic benefits available in the form of reductions in future contributions to, or refunds from, the plan. The <i>present value</i> is determined using the same discount rate used to determine the <i>present value of the defined benefit obligation</i>. <p>The <i>present value of the defined benefit obligation</i>, <i>fair value of plan assets</i>, <i>actuarial gains and losses</i> and <i>past service cost</i> are determined in accordance with Section B2.</p>		
19p58A	<p>6. The following are recognised immediately during any period in which the defined benefit asset is measured, in accordance with Section A5.5(b):</p> <ul style="list-style-type: none"> (a) any excess of: <ul style="list-style-type: none"> (i) net <i>actuarial losses</i> of the current period and <i>past service cost</i> of the current period, over (ii) any reduction in the <i>present value</i> of the economic benefits specified in Section A5.5(b)(ii); or (b) any excess of: <ul style="list-style-type: none"> (i) net <i>actuarial gains</i> of the current period, after the deduction of <i>past service cost</i> of the current period, over (ii) any increase in the <i>present value</i> of the economic benefits specified in Section A5.5(b)(ii). <p>Any increase in the <i>present value</i> of economic benefits in Section A5.6(a)(ii), or decrease in Section A5.6(b)(ii), is treated as nil for the purposes of applying this paragraph.</p>		
19p56 19p57	<p>7. The <i>present value of defined benefit obligations</i> and the <i>fair value</i> of the <i>plan assets</i> should be determined with sufficient regularity to ensure that the amounts recognised do not differ materially from the amounts that would be determined at the balance sheet date. A detailed valuation of the obligation may be performed prior to the balance sheet date, but should be updated for material transactions or changes in circumstances up to the balance sheet date.</p>		
IFRS1p20 19p58	<p>Adoption of IFRS</p> <p>8. An entity may elect, upon adoption of IFRS, to recognise all cumulative <i>actuarial gains and losses</i> for all its <i>defined benefit plans</i> at the date of transition to IFRS, even if it applies the corridor approach to defer a portion of <i>actuarial gains and losses</i> that arise in subsequent periods. The defined benefit asset would therefore be measured at the lower of:</p> <ul style="list-style-type: none"> (a) the net total on transition to IFRS of: <ul style="list-style-type: none"> (i) the <i>fair value</i> of <i>plan assets</i> out of which the defined benefit obligations are to be settled directly, less (ii) the <i>present value of the defined benefit obligation</i>; and (b) the <i>present value</i> of any economic benefits available in the form of reductions in future contributions to, or refunds from, the plan. The <i>present value</i> is determined using the same discount rate used to determine the <i>present value of the defined benefit obligation</i>. 		

		Y-NA-NM	REF
	<p>Business combinations</p> <p>9. An employee benefit asset acquired in a business combination, for which it is probable that the <i>asset</i> will be available to the acquirer in the form of reductions in future contributions to, or refunds from, the plan, is measured initially at fair value. The fair value of a net asset for a defined benefit plan is:</p> <p>(a) the <i>fair value</i> of <i>plan assets</i>, less</p> <p>(b) the <i>present value</i> of the <i>defined benefit obligation</i>.</p> <p>(d) Other long-term employee benefits</p>		
IFRS3p36 IFRS3, AppdxB16(h)			
19p128 19p58	<p>10. An asset recognised in respect of other long-term employee benefits is measured, at the balance sheet date, at the lower of:</p> <p>(a) the net total of:</p> <p>(i) the <i>fair value</i> of <i>plan assets</i> (see Section B2) out of which the obligations will be settled directly, less</p> <p>(ii) the <i>present value</i> of the <i>defined benefit obligation</i> (see Section B2); and</p> <p>(b) the <i>present value</i> of any economic benefits available in the form of reductions in further contributions to, or refunds from, the plan.</p> <p>The <i>present value</i> is determined using the same discount rate used to determine the <i>present value</i> of the <i>defined benefit obligation</i>.</p>		

A6 Inventories

Inventories are *assets* that are:

- (a) held with a view to being sold in the ordinary course of business (finished goods);
- (b) in the process of production for sale (work in progress); or
- (c) materials or supplies to be consumed in the production process or in the rendering of services (raw materials).

The following measurement criteria do not, however, apply to:

- (a) *biological assets* arising from agricultural activity (Section A7);
- (b) work in progress arising from *construction contracts* (Section A8); or
- (c) *financial assets* (Section A8).

Initial measurement

Inventories to which this section relates are recognised as a result of the following transactions or events:

- (a) purchase or production (Section A6.1-A6.13);
- (b) provision of services (Section A6.14-A6.15);
- (c) *agricultural produce harvested* from *biological assets* (A6.16);
- (d) *share-based payment transactions* (Section A6.17-A6.18);
- (e) transfers from investment property (Section A6.19); or
- (f) business combinations (A6.20-A6.23).

Subsequent measurement

Inventories held are measured, subsequent to initial recognition, according to the entity's classification as:

- (a) a producer of agricultural and forest products, *agricultural produce after harvest*, and minerals and mineral products (Section A6.24);
- (b) a commodity broker-trader (Section A6.25); or
- (c) other entities (Section A6.26-A6.28).

Inventories that form part of a *disposal group* that meets the definition of *held for sale* are covered in Section A9.

Initial measurement

(a) Purchase or production

- 2p3(a)
2p4
8p13
1. **The following producers may elect to measure their inventories at *net realisable value*** to the extent that there is a negligible risk of failure to sell:
- (a) producers of agricultural and forest products;
 - (b) producers of *agricultural produce*; and
 - (c) producers of minerals and mineral products.
- This accounting policy is applied consistently. An entity that does not elect to adopt this measurement basis should follow the treatment set out elsewhere in this section.
- 2p3(b)
2p5
8p13
2. **Commodity broker-traders** that buy or sell commodities for others or on their own account **may elect to measure their inventories at *fair value less costs to sell***. This accounting policy is applied consistently. An entity that does not elect to adopt this measurement basis should follow the treatment set out elsewhere in this section.
- 2p10
2p11
2p15
3. **Inventories are measured initially at cost, which comprises:**
- (a) the purchase price, including non-refundable purchase taxes and import duties, net of rebates or other discounts receivable;
 - (b) *costs* that are directly attributable to the purchase of inventories, including initial delivery and handling *costs*;
 - (c) *costs* of conversion of inventories; and
 - (d) other *costs* that are incurred in bringing the inventories to their present location and condition, such as the *cost* of designing products for specific customers.
- 2p18
4. The *cost* of an inventory item is measured at the **cash price equivalent** if extended credit terms are received. The difference between the deferred amount payable and the cash price equivalent is recognised as interest expense over the period of credit.
- 2p12
2p13
5. **Conversion costs include:**
- (a) *costs* directly related to the units of production (for example, direct labour);
 - (b) a systematic allocation of *fixed production overheads* based on the normal capacity of the production facilities, being that capacity expected to be achieved over a number of periods under normal circumstances; and
 - (c) an allocation of *variable production overheads* based on actual use of production facilities
- 2p16
- Cost of inventory exclude:**
- (a) abnormal amounts of wasted labour, materials or other *costs*;
 - (b) storage *costs*, unless such costs are necessary in the production process;
 - (c) administrative overheads; and
 - (d) selling *costs*.

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2p13	6. The amount of fixed production overheads allocated to each unit of production is reduced during periods of abnormally high production to ensure that inventories are not measured at above <i>cost</i> . However, no increase in overhead absorption results from abnormally low production or idle plant.		
23p11 23p15 23p17	7. Borrowing costs are included in the cost of conversion of inventories to the extent that: (a) the entity has a policy of capitalising all <i>borrowing costs</i> in accordance with the alternative treatment under IAS 23; (b) the inventories meet the definition of a <i>qualifying asset</i> ; and (c) the <i>borrowing costs</i> are directly attributable to the acquisition, construction or production of the <i>qualifying asset</i> and: (i) represent actual <i>borrowing costs</i> (less investment income while temporarily invested, where applicable) in respect of funds borrowed specifically for the purpose of obtaining the <i>qualifying asset</i> ; or (ii) represent the <i>cost</i> of general borrowings, based on application of a capitalisation rate (being the weighted average <i>cost</i> of borrowings) to the value of the <i>qualifying asset</i> capped at the total of general <i>borrowing costs</i> incurred by the entity.		
23p20	8. Capitalisation of borrowing costs commences when: (a) expenditure in respect of the <i>qualifying asset</i> is being incurred; (b) <i>borrowing costs</i> are being incurred; and (c) activities necessary to prepare the <i>asset</i> for its intended sale are in progress (including necessary technical and administrative activities).		
23p25	It ceases when substantially all activities necessary to prepare the <i>qualifying asset</i> for intended sale are complete.		
23p23	9. <i>Borrowing costs</i> are not capitalised during extended periods in which activities necessary to prepare the <i>asset</i> for its intended sale are suspended , unless the suspension represents a necessary temporary delay.		
2p21	10. The standard cost approach to measuring the <i>cost</i> of inventories may be used to the extent that the standard <i>costs</i> : (a) approximate actual <i>costs</i> ; and (b) are reviewed regularly and, where necessary, revised to take account of changing conditions.		
2p21 2p22	11. The retail method of measuring inventories, which determines <i>cost</i> by reference to sales price less an appropriate gross margin, may be used if the results approximate actual <i>costs</i> .		
2p23	12. The <i>cost</i> of inventories is determined using the actual cost of producing the specific item if it is: (a) produced and segregated for a specific project; or (b) not ordinarily interchangeable.		

		Y-NA-NM	REF
2p25	<p>13. The cost of inventories that are ordinarily interchangeable and that have not been produced and segregated for a specific project is determined using either the:</p> <p>(a) first-in, first-out formula; or</p> <p>(b) weighted average formula.</p> <p>The cost formula selected is used for all inventories that have a similar nature and use to the entity.</p>		
	(b) Provision of services		
2p19	14. A service provider's inventories are measured at the cost of production . This principally comprises the labour and other <i>costs</i> of personnel that are directly engaged in providing service, including supervisory personnel and attributable overheads.		
2p19	<p>15. The <i>cost</i> of a service provider's inventories do not include:</p> <p>(a) costs relating to sales and general administrative personnel; or</p> <p>(b) profit margins or non-attributable overheads that are often factored into rates charged by service providers.</p>		
	(c) Agricultural produce harvested from biological assets		
2p20 41p13	16. Agricultural produce that is <i>harvested</i> from an entity's <i>biological assets</i> is measured initially at cost, being its fair value less estimated point-of-sale costs , at the point of <i>harvest</i> .		
	(d) Share-based payment transactions		
IFRS2p10 IFRS2p13	17. Inventories received in an equity-settled share-based payment transaction are measured initially at their fair value at the date on which the goods are obtained . However, if the entity can rebut the presumption that the <i>fair value</i> of the goods received can be estimated reliably, their <i>fair value</i> is measured indirectly by reference to the <i>fair value</i> of the <i>equity instruments</i> granted, measured at the date the entity obtains the goods (see Section C2.9-C2.13).		
IFRS2p30	18. Inventories received in a cash-settled share-based payment transaction are measured at the fair value of the liability arising from the transaction (see Section B4.17).		
	(e) Transfer from investment property		
40p57 40p60	19. The fair value of investment property at the date that development commences with a view to sale of the property becomes the <i>deemed cost</i> for initial measurement under IAS 2.		
	(f) Business combinations		
IFRS3p36	20. Inventories acquired by way of a business combination are measured initially at fair value at the acquisition date.		
IFRS3, AppdxB16(d)(i)	21. The fair value of finished goods and merchandise is measured at net realisable value, less a reasonable profit allowance for the acquirer's selling effort , based on profit achieved for similar finished goods and merchandise.		

IFRS3,
AppdxB16(d)(ii) 22. The **fair value** of work in progress is measured at **net realisable value**, being the selling price of finished goods, less the sum of *costs* to complete and *costs* of disposal, **less a reasonable profit allowance for the completion and selling effort** of the acquirer based on profit achieved for similar finished goods.

IFRS3,
AppdxB16(d)(iii) 23. The **fair value** of raw materials is measured at **current replacement cost**.

Subsequent measurement

(a) A producer of agricultural and forest products, *agricultural produce after harvest*, and minerals and mineral products

2p3(a)
2p4
8p13 24. A producer of agricultural and forest products, *agricultural produce after harvest*, and minerals and mineral products **may elect to measure these inventories at net realisable value** to the extent that there is a negligible risk of failure to sell. This accounting policy is applied consistently. An entity that does not elect to adopt this measurement basis should follow the treatment set out in Section A6.26-A6.28.

(b) A commodity broker-trader

2p3(b)
2p5
8p13 25. A **commodity broker-trader** that buys or sells commodities for others or on their own account **may elect to measure their inventories at fair value less costs to sell**. This accounting policy is applied consistently. An entity that does not elect to adopt this measurement basis should follow the treatment set out in Section A6.26-A6.28.

(c) Other entities

2p9 26. Inventories are measured, subsequent to initial recognition, at the lower of:
(a) *cost*, and
(b) *net realisable value*.

2p31 27. The *net realisable value* of inventory held to satisfy firm sales or service contracts is based on the contract price. The *net realisable value* of inventory in excess of that required to meet firm sales or service contracts is based on general selling prices.

2p32 28. Materials and other supplies held for use in the production of finished goods for which the *cost* of the completed finished goods is expected to exceed their *net realisable value* are written down to *net realisable value*. **The replacement cost of the materials may represent the best available measure of their net realisable value.**

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A7 Biological assets

This section applies to the measurement of *biological assets* and *agricultural produce* at the point of *harvest*.

It does not apply to:

- (a) land related to agricultural activity (Section A1);
- (b) intangible assets related to agricultural activity, such as quotas for *agricultural produce* (Section A3); or
- (c) *harvested* products, except at the point of *harvest* (Section A6).

The measurement requirements set out in this section apply on initial recognition and subsequent measurement of *biological assets*, and to *agricultural produce* at the point of *harvest*.

		Y-NA-NM	REF
41p12 41p30 41p33	1. A biological asset is measured at fair value less estimated point-of-sale costs unless, upon initial recognition of the <i>biological asset</i> , the entity can rebut the presumption that its <i>fair value</i> is not <i>reliably measurable</i> . In this case, the <i>biological asset</i> is measured at <i>cost</i> , less any accumulated depreciation calculated in accordance with IAS 16 (see Section A1) and <i>impairment losses</i> (see Section A9). The <i>biological asset</i> is measured at <i>fair value less estimated point-of-sale costs</i> from the time that its <i>fair value</i> becomes <i>reliably measurable</i> .		
41p30	2. The presumption that the fair value of a biological asset is reliably measurable can be rebutted only when: (a) market-determined prices or values are not available; and (b) alternative estimates of <i>fair value</i> are unreliable.		
41p30	3. The <i>fair value</i> of the <i>biological asset</i> is presumed to be <i>reliably measurable</i> where the asset meets the criteria to be classified as held for sale or is included in a <i>disposal group</i> in accordance with IFRS 5.		
41p13 41p32	4. Agricultural produce harvested from an entity's <i>biological assets</i> is measured at <i>fair value less estimated point-of-sale costs</i> at the point of <i>harvest</i> .		
41p17	5. The fair value of a biological asset or agricultural produce that is quoted in an active market is the current market price. <i>Fair value</i> is determined using the price in the market expected to be used if the entity has access to more than one active market.		
41p15	6. Biological assets with common attributes, such as age or quality, may be grouped together in order to facilitate the determination of <i>fair value</i> if the attributes are typically used in the market as a basis for pricing.		
41p18	7. <i>Fair value</i> is determined using one or more of the following if an active market does not exist: (a) the price of the most recent market transaction, unless there has been a significant change in economic circumstances since the time of the transaction; (b) market prices for similar <i>assets</i> , adjusted to reflect differences; and (c) sector benchmarks, such as the value of an orchard expressed per export tray, bushel or hectare, or the value of cattle expressed per kilogram of meat.		
41p20 41p21 41p22 41p23	8. The fair value of a biological asset for which market-determined prices or values are not available is estimated using the present value of future cash flows expected to be derived from the asset in its present condition. The discount rate applied is a current market-determined pre-tax rate that reflects risks associated with the variations in estimated cash flows for which the cash flows themselves have not been adjusted. The present condition of a <i>biological asset</i> excludes any increases in value from additional biological transformation.		

		Y-NA-NM	REF
41p24	9. The <i>cost</i> of a <i>biological asset</i> may approximate <i>fair value</i> , where: <ul style="list-style-type: none"> (a) biological transformation since the initial <i>cost</i> was incurred is not significant; or (b) the impact of biological transformation on the <i>fair value</i> of the <i>asset</i> is not expected to be material, such as may be the case for an <i>asset</i> with a long production cycle. 		
41p25	10. The <i>fair value of biological assets that are physically attached to land</i> , and for which there is no separate market other than on a combined basis with the attached land, may be determined as the residual difference between: <ul style="list-style-type: none"> (a) the <i>fair value</i> of the combined assets, less (b) the <i>fair value</i> of the land and land improvements. 		
41p14	11. <i>Point-of-sale costs</i> include: <ul style="list-style-type: none"> (a) commissions to brokers and dealers; (b) levies imposed by regulatory agencies and commodity exchanges; and (c) transfer taxes and duties. 		
41p14 41p9	12. <i>Point-of-sale costs</i> exclude transport and other <i>costs</i> necessary to get assets to market; these <i>costs</i> are taken into account when determining the <i>fair value</i> of the <i>biological asset</i> in its present location and condition.		

A8 Financial assets

The term '*financial asset*' encompasses a variety of classes of *assets* to which differing measurement bases apply. These *assets* have been categorised in this checklist according to the basis used for their measurement.

Initial measurement

- (a) investments in *subsidiaries* (Section A8.1-A8.4);
- (b) investments in *associates* (Section A8.5-A8.7);
- (c) interests in *joint ventures* (Section A8.8-A8.13);
- (d) a lessor's rights under a *lease* (Section A8.14-A8.16);
- (e) *financial assets at fair value through profit or loss*, including *derivatives* (Section A8.17-A8.20);
- (f) *held-to-maturity investments, loans and receivables, and available-for-sale financial assets* (Section A8.21-A8.23);
- (g) *financial assets* acquired in a business combination (Section A8.24-A8.27);
- (h) amounts due from customers under a *construction contract* (Section A8.28-A8.39); and
- (i) *reinsurance contracts* (Section A8.40).

An investment in a *subsidiary*, an *associate*, an interest in a *joint venture*, or a lessor's rights under a *lease*, that was acquired in a business combination is held exclusively with a view to its subsequent disposal, and that meets the criteria to be classified as *held for sale* is covered in Section A9.

Contracts containing a *discretionary participation feature* are usually classified as *loans and receivables* under IAS 39, as it is generally not possible to measure reliably the *fair value* of such contracts. Contracts containing a *discretionary participation feature* cannot be classified as *held-to-maturity* due to the embedded put option (IAS 39AG19).

Subsequent measurement

- (a) investments in *subsidiaries* (Section A8.41);
- (b) investments in *associates* (Section A8.42-A8.43);
- (c) interests in *joint ventures* (Section A8.46-A8.51);
- (d) a lessor's rights under a *lease* (Section A8.52-A8.55);
- (e) *financial assets at fair value through profit or loss*, including *derivatives*, and *available-for-sale financial assets* (Section A8.56-A8.59);
- (f) *held-to-maturity investments, and loans and receivables* (Section A8.60);
- (g) unquoted equity instruments whose *fair value* is not reliably measurable (Section A8.61);
- (h) a financial asset designated as a *hedged item* in a *fair value hedge* (Section A8.62-A8.65);
- (i) continuing involvement in transferred assets – see IAS 39p20 and IAS 39AG36 regarding derecognition criteria (Section A8.66); and
- (j) *reinsurance assets* (Section A8.67).

An investment in a *subsidiary*, an *associate*, an interest in a *joint venture*, or a lessor's rights under a *lease*, that meets the definition of *held-for-sale* (either individually or as part of a *disposal group*) is covered in Section A9.

Fair value measurement of financial assets

The following hierarchy is applied for the purposes of determining *fair value*, where applicable, of *financial assets* within the scope of this section.

39AG71-72 (a) Active market: quoted price

The *fair value* of a *financial asset* that is *quoted in an active market* is usually its current bid price in the most advantageous active market to which the entity has immediate access. When an entity has *assets* and *liabilities* with offsetting market risks, it may determine *fair value* on the basis of mid-market prices for the offsetting risk positions.

39AG72 (b) Active market: recent price

When current prices are unavailable, the price of the most recent transaction provides evidence of the current *fair value* of a *financial asset* unless there has been a significant change in economic circumstances since the time of the transaction. If conditions have changed in the intervening period or the entity can demonstrate that the last transaction price is not *fair value*, the *fair value* is estimated by adjusting the most recent price to take account of those changes or events by reference to current prices or rates for similar *financial assets*.

39AG74-76 (c) No active market: valuation technique

If the market for a *financial asset* is not active, an entity determines *fair value* using a valuation technique, including:

- (a) recent arm's length market transactions;
- (b) reference to the current *fair value* of other *financial assets* that are substantially the same;
- (c) discounted cash flow analysis; or
- (d) option pricing models.

If there is a valuation technique commonly used to price an instrument that has been demonstrated to provide reliable estimates of prices in actual market transactions, that technique is used.

Valuation techniques should be selected so as to make maximum use of market inputs, including market expectations and measures of the risk-return factors in the *financial asset*, and rely as little as possible on entity-specific inputs. An entity should calibrate the valuation technique periodically using prices from an observable market transaction in the same instrument or based on observable market data.

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The valuation technique may result in no gain or loss being recognised on the initial recognition of a financial asset. In such a case, a gain or loss should be recognised after initial recognition only to the extent that it arises from a change in a factor (including time) that market participants would consider in setting a price.

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Initial measurement

(a) Investments in subsidiaries

- IFRS3p24
IFRS3p26
IFRS3p32
1. **When *separate financial statements* are prepared, investments in *subsidiaries* are initially measured at *cost*, being the aggregate of:**
 - (a) the *fair value*, at the date of exchange, of *assets* given, *liabilities* incurred or assumed (including contingent consideration that it is probable of payment and is *reliably measurable*), and *equity* instruments issued by the investor; and
 - (b) any *costs* directly attributable to the acquisition.

Any deferred consideration is discounted to its *present value* at the date of exchange.
- IFRS3p27
2. **The published price of a quoted *equity instrument* is its *fair value* at the date of exchange** for determining the *cost* of an investment in a *subsidiary* unless, in rare circumstances, the acquirer can demonstrate that the published price of a quoted *equity instrument* has been affected on the date of exchange by the thinness of the market.
- IFRS3p27
3. If the published price on the date of exchange is an unreliable indicator of *fair value*, or a published price does not exist for *equity instruments* issued by the acquirer, the *fair value* of the instruments could be estimated by reference to the proportional interest in the *fair value* of the acquirer or by reference to the proportional interest in the acquiree obtained, whichever is the more clearly evident.
- IFRS3p29
IFRS3p30
IFRS3p31
4. *Costs* directly attributable to the acquisition include professional fees paid to accountants, legal advisers, valuers and other consultants to effect the business combination. They exclude *costs* associated with arranging and issuing debt or *equity instruments* and general administrative *costs*, such as the *costs* of maintaining an acquisitions department.

(b) Investments in associates

- 27p37
28p35
5. When separate financial statements are prepared, investments in associates that are not held for sale are measured either:
 - (a) at cost (Section A8.1-A8.4); or
 - (b) in accordance with IAS 39 based on their classification either as fair value through profit or loss, or as available-for-sale financial assets.
- 28p1
6. **Investments in *associates* held by:**
 - (a) venture capital organisations, or
 - (b) mutual funds, unit trusts and similar entities, that are designated as at *fair value through profit or loss* upon initial recognition, or classified as *held for trading*, are measured at *fair value* in accordance with IAS 39 (see Section A8.17).
- 28p2
7. **Investments in *associates* that are included in consolidated financial statements and to which Section A8.6 does not apply are measured initially at *cost*.** *Cost* is determined in the same manner as set out in Section A8.1-A8.4 for investments in *subsidiaries*.

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	(c) Interests in joint ventures		
27p37 31p46	8. When separate financial statements are prepared, investments in associates that are not held for sale are measured either: (a) at cost (Section A8.1-A8.4); or (b) in accordance with IAS 39 based on their classification either as fair value through profit or loss, or available-for-sale financial assets.		
31p1	9. Investments in joint ventures held by: (a) venture capital organisations, or (b) mutual funds, unit trusts and similar entities, that are designated as at <i>fair value through profit or loss</i> upon initial recognition, or classified as <i>held for trading</i> , are measured at <i>fair value</i> in accordance with IAS 39 (see Section A8.17).		
31p15	10. An entity accounts for its interest in a jointly controlled operation (to which Section A8.9 does not apply) to the extent of the assets that it controls and the liabilities that it incurs , measured in accordance with the bases applicable to the particular <i>assets or liabilities</i> concerned.		
31p21	11. An entity accounts for its interest in jointly controlled assets (to which Section A8.9 does not apply) by recognising: (a) its share of the <i>jointly controlled assets</i> ; (b) any <i>liabilities</i> that it has incurred; and (c) its share of any <i>liabilities</i> incurred jointly with other venturers in relation to the <i>joint venture</i> . The <i>assets</i> and <i>liabilities</i> recognised are measured in accordance with the bases applicable to the particular <i>assets</i> and <i>liabilities</i> concerned.		
31p3 31p33 31p38	12. In consolidated financial statements, a venturer's interest in a jointly controlled entity (to which Section A8.9 does not apply) is accounted for using either: (a) the venturer's share of the <i>fair value</i> of each of the <i>assets, liabilities and contingent liabilities of the jointly controlled entity</i> , if the entity's accounting policy for <i>jointly controlled entities</i> is proportionate consolidation; or (b) the <i>cost</i> of the venturer's interest in the <i>joint venture</i> , if the entity's accounting policy is to use the equity method.		
31p48 SIC13p5	13. If a non-monetary contribution is made to a jointly controlled entity in exchange for an equity interest in the jointly controlled entity , the venturer's share of the <i>fair value</i> of the non-monetary contribution for an entity adopting proportionate consolidation, or the <i>cost</i> of the venturer's interest in the <i>joint venture</i> for an entity adopting the equity method, reflects: (a) the original carrying amount of the non-monetary contribution; and (b) the portion of any gain or loss on the non-monetary contribution (based on the difference between its <i>fair value</i> and previous carrying amount) attributable to the <i>equity</i> interests of the other venturers. This is the case except where: (a) the significant risks and rewards of ownership of the non-monetary contribution have not been transferred to the <i>jointly controlled entity</i> ;		

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	(b) the gain or loss on the non-monetary contribution is not reliably measurable; or		
	(c) the contribution transaction lacks <i>commercial substance</i> .		
	(d) A lessor's rights under a lease		
17p4 17p36	14. A lessor's rights under a <i>finance lease</i> are initially measured at the net investment in the <i>lease</i>, which is the aggregate of: (a) the <i>minimum lease payments</i> receivable by the lessor, and (b) any unguaranteed residual value accruing to the lessor, discounted at the interest rate implicit in the lease. This is the discount rate that, at the inception of the lease, causes the aggregate present value of the minimum lease payments and the unguaranteed residual value to be equal to the sum of the <i>fair value</i> of the leased <i>asset</i> and any initial direct <i>costs</i> of the lessor.		
17p38 SIC15p10	15. Initial direct costs are incremental <i>costs</i> directly attributable to the negotiation and arrangement of a <i>lease</i>, and include: (a) commissions; (b) legal fees; (c) direct advertising and consulting <i>costs</i> ; and (d) incremental internal <i>costs</i> . Initial direct <i>costs</i> exclude: (a) general overheads (including sales and marketing overheads); and (b) lease incentives.		
SIC15p3	16. Incentives provided by a lessor in negotiating a new or renewed <i>operating lease</i> (including up-front cash payments, or the reimbursement or assumption of <i>costs</i> of the lessee) are an integral part of the net consideration agreed for the use of the leased <i>asset</i> . The <i>financial asset</i> arising from such incentives is measured at the <i>cost</i> to the entity of incentives provided.		
	(e) Financial assets at fair value through profit or loss, including derivatives		
39p43 27p32 28p19	17. A <i>financial asset at fair value through profit or loss</i>, including a <i>derivative</i>, is initially measured at <i>fair value</i>, unless the <i>financial asset</i> arises through the loss of control and/or significant influence over a <i>subsidiary</i> or <i>associate</i>. The carrying amount of the investment at the date that it ceases to be a <i>subsidiary</i> or <i>associate</i> is regarded as the <i>cost</i> on initial measurement as a <i>financial asset</i> in accordance with IAS 39.		
39p11 39AG28	18. A non-option <i>embedded derivative</i> (for example, an embedded forward or swap) that is separated from its host contract in accordance with IAS 39p11 is separated so as to result in the <i>derivative</i> having a <i>fair value of nil</i> on initial recognition. An option-based <i>embedded derivative</i> (for example, an embedded put, call, cap, floor or 'swaption') that is separated from a host contract in accordance with IAS 39p11 is measured at <i>fair value</i> through profit or loss in the same manner as a stand-alone <i>derivative</i> . The carrying amount of the host instrument is the residual amount after separating the <i>embedded derivative</i>.		

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39p13	19. If the <i>fair value</i> of an <i>embedded derivative</i> is not <i>reliably measurable</i> as a stand-alone instrument, the <i>fair value</i> is the difference between the <i>fair value</i> of the hybrid instrument and the <i>fair value</i> of the host contract, if determinable (the 'residual approach').		
39p12	20. The entire combined contract is treated as a <i>financial asset</i> that is <i>held for trading</i> if the <i>fair value</i> of an <i>embedded derivative</i> cannot be <i>reliably measured</i> using either the stand-alone <i>derivative</i> or the residual approach.		
	(f) Held-to-maturity investments, loans and receivables, and available-for-sale financial assets		
39p43 27p32 28p19	21. A <i>financial asset</i> that is classified as: (a) <i>held-to-maturity</i> ; (b) <i>loans and receivables</i> ; or (c) <i>available-for-sale</i> is initially measured at <i>fair value</i> plus <i>transaction costs</i> that are directly attributable to its acquisition, unless the <i>financial asset</i> arises through the loss of control and/or significant influence over a <i>subsidiary</i> or <i>associate</i>. The carrying amount of the investment at the date that it ceases to be a <i>subsidiary</i> or <i>associate</i> is regarded as the <i>cost</i> on initial measurement as a <i>financial asset</i> in accordance with IAS 39.		
18p11	22. The <i>fair value</i> of <i>loans and receivables</i> arising from the deferral of cash and cash equivalents in a revenue transaction that effectively contains a financing arrangement is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest used is the more clearly determinable of either: (a) the prevailing yield of a similar instrument of an issuer with a similar credit rating; or (b) a rate of interest that discounts the nominal amount of the instrument to the current cash price equivalent of the goods or service.		
39p44	23. The <i>fair value</i> is always determined on the <i>trade date</i> even when an entity uses <i>settlement date accounting</i> .		
	(g) Financial assets acquired in a business combination		
IFRS3p36	24. A <i>financial asset</i> acquired by way of a business combination is initially measured at <i>fair value</i>.		
IFRS3, AppdxB16(a)	25. <i>Fair value</i> is the current <i>market value</i> for <i>financial assets</i> quoted in an active market.		
IFRS3, AppdxB16(c)	26. The <i>fair value</i> of receivables, beneficial contracts and other identifiable assets is the <i>present value</i> of the amounts to be received , determined at appropriate current interest rates, less any allowances for uncollectibility and collection <i>costs</i> . Discounting is not required for short-term receivables, beneficial contracts and other identifiable assets if the discount is not material.		
IFRS3, AppdxB16(b)	27. The <i>fair value</i> of other <i>financial assets</i> that are not <i>quoted in an active market</i> is estimated by taking into consideration features of comparable instruments of entities with similar characteristics, such as:		

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	(a) price-earnings ratios, (b) dividend yields, and (c) expected growth rates.		
	(h) Amounts due from customers under a construction contract		
11p43 11p21	28. An asset due from customers for work performed under a construction contract is measured at: (a) contract costs incurred from the date of securing the contract to the finalisation of the contract, plus recognised profits; less (b) progress billings and recognised losses.		
	Contract costs		
11p16 11p18	29. Contract costs comprise: (a) costs that are directly attributable to a construction contract; (b) costs that are attributable to general contract activity and can be allocated to a construction contract using a systematic and rational approach; and (c) other costs that are specifically chargeable to the customer under the terms of a construction contract.		
11p17	30. Costs that are directly attributable to a construction contract include: (a) site labour costs, including site supervision; (b) materials used; (c) costs associated with plant and equipment used in relation to the work performed under the construction contract, including hire costs and depreciation; (d) costs of moving materials, plant and equipment to and from the construction site; (e) design costs and technical assistance expenditure directly relating to the construction contract; (f) estimated costs of rectification and guarantee work, including expected warranty costs; and (g) third-party claims. They are recorded net of any incidental income earned that is not included in contract revenue.		
11p18	31. Costs that are attributable to general contract activity and can be allocated to a specific construction contract include: (a) insurance; (b) design costs and technical assistance expenditure that are not related directly to a specific contract; (c) construction overheads; and (d) borrowing costs, if the entity has a policy of capitalising all borrowing costs, in accordance with the alternative treatment under IAS 23. Such costs are allocated based on the normal level of construction activity using a basis that is applied consistently to all costs with similar characteristics.		
23p11 23p15 23p17	32. Borrowing costs are included in contract costs if: (a) the asset under construction meets the definition of a qualifying asset; and (b) the borrowing costs are directly attributable to the acquisition, construction or production of the qualifying asset and:		

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	<ul style="list-style-type: none"> (i) represent actual <i>borrowing costs</i> (less investment income while temporarily invested, where applicable) in respect of funds borrowed specifically for the purpose of obtaining the <i>qualifying asset</i>; or (ii) represent the <i>cost</i> of general borrowings, based on application of a capitalisation rate (being the weighted average <i>cost</i> of borrowings) to the value of the <i>qualifying asset</i> capped at the total of general <i>borrowing costs</i> incurred by the entity. 		
23p20	<p>33. Capitalisation of <i>borrowing costs</i> commences when:</p> <ul style="list-style-type: none"> (a) expenditure in respect of the <i>qualifying asset</i> is being incurred; (b) <i>borrowing costs</i> are being incurred; and (c) activities necessary to prepare the <i>asset</i> in accordance with the <i>construction contract</i> are in progress (including necessary technical and administrative activities). 		
23p25	<p>It ceases when substantially all activities necessary to prepare the <i>qualifying asset</i> in accordance with the <i>construction contract</i> are complete.</p>		
23p23	<p>34. <i>Borrowing costs</i> are not capitalised during extended periods in which activities necessary to prepare the <i>asset</i> in accordance with the <i>construction contract</i> are suspended, unless the suspension represents a necessary temporary delay.</p>		
11p20	<p>35. Contract costs exclude selling costs and any of the following that are not specifically chargeable to the customer under the terms of a <i>construction contract</i>:</p> <ul style="list-style-type: none"> (a) general administrative <i>costs</i>, (b) research and development <i>costs</i>, and (c) depreciation of idle plant and equipment 		
11p21	<p>36. Expenditure incurred in securing a <i>construction contract</i> that was initially recognised as an expense is not included in contract costs in a subsequent period.</p>		
	<p>Recognised profits</p>		
11p22	<p>37. <i>Contract revenue</i> and contract <i>costs</i> associated with a <i>construction contract</i> are recognised by reference to the stage of completion of the contract activity at the balance sheet date.</p>		
11p30	<p>38. The stage of completion of a contract is determined using methods such as:</p> <ul style="list-style-type: none"> (a) the proportion that contract <i>costs</i> incurred for work performed to date (ie, excluding <i>costs</i> that relate to future activity under the contract) bear to the estimated total contract <i>costs</i>; (b) surveys of work performed; or (c) completion of a physical proportion of the contract work. <p>Progress payments and advances received from customers will frequently not reflect the stage of completion.</p>		
	<p>Recognised losses</p>		
11p36	<p>39. Expected losses are recognised as an expense if it is probable</p>		
11p37	<p>that total contract <i>costs</i> will exceed total <i>contract revenue</i>, regardless of the contract activity's stage of completion.</p>		

		Y-NA-NM	REF
	(i) Reinsurance contracts		
IFRS4p13	40. There are no specified criteria for the initial measurement of a <i>reinsurance contract</i> held by an insurer. An insurer is exempted from applying IAS 8p10-12 and may therefore measure reinsurance assets on initial recognition according to its existing accounting policy (see Section A8.67 for subsequent measurement).		
	Subsequent measurement		
	(a) Investments in subsidiaries		
IFRS3p33 27p37	41. When <i>separate financial statements</i> are prepared, investments in <i>subsidiaries</i> that are not held for sale are measured either: (a) at <i>cost</i> (including revisions to estimated contingent consideration), less any <i>impairment losses</i> (see Section A10 on non-financial assets); or (b) in accordance with IAS 39 based on their classification as: at <i>fair value through profit or loss</i> , or <i>available-for-sale financial assets</i> (see Section A8.51). The same measurement basis is used for all investments in subsidiaries.		
	(b) Investments in associates		
27p37	42. When separate financial statements are prepared, investments in associates that are not held for sale are measured either: (a) at cost (including revisions to estimated contingent consideration), less any impairment losses (see Section A10 on non-financial assets); or (b) in accordance with IAS 39 based on their classification either as fair value through profit or loss, or available-for-sale financial assets (see Section A8.55).		
28p1	43. Investments in <i>associates</i> held by: (a) venture capital organisations, or (b) mutual funds, unit trusts and similar entities, that are designated as <i>financial assets at fair value through profit or loss</i> upon initial recognition, or classified as <i>held for trading</i> , are measured at <i>fair value</i> in accordance with IAS 39 (see Section A8.51).		
28p13 28p35	44. Investments in <i>associates</i> that are included in the consolidated financial statements and to which Section A8.39 does not apply are accounted for using the equity method.		
28p31 28p32 28p33	45. An entity that follows the equity method reduces the carrying amount of its investment in <i>associates</i> by the amount of any <i>impairment losses</i> calculated in accordance with the basis set out in Section A10 on non-financial assets.		

		Y-NA-NM	REF
	(c) Interests in joint ventures		
27p37 31p46	46. When separate financial statements are prepared, investments in <i>jointly controlled</i> entities are measured either: <ul style="list-style-type: none"> (a) at cost (including revisions to estimated contingent consideration), less any impairment losses (see Section A10 on non-financial assets); or (b) in accordance with IAS 39 based on their classification either as <i>fair value through profit or loss</i>, or <i>available-for-sale financial assets</i> (see Section A8.55). 		
31p1	47. Investments in <i>joint ventures</i> held by: <ul style="list-style-type: none"> (a) venture capital organisations, or (b) mutual funds, unit trusts and similar entities, that are designated as <i>financial assets at fair value through profit or loss</i> upon initial recognition, or classified as <i>held for trading</i>, are measured at <i>fair value</i> in accordance with IAS 39 (see Section A8.55). 		
31p15	48. An entity accounts for its interest in a <i>jointly controlled operation</i> (to which Section A8.46 does not apply) to the extent of the <i>assets that it controls</i> and the <i>liabilities that it incurs</i> , measured in accordance with the bases applicable to the particular <i>assets</i> or <i>liabilities</i> concerned.		
31p21	49. An entity accounts for its interest in <i>jointly controlled assets</i> (to which Section A8.46 does not apply) by recognising: <ul style="list-style-type: none"> (a) its share of the <i>jointly controlled assets</i>; (b) any <i>liabilities</i> that it has incurred; and (c) its share of any <i>liabilities</i> incurred jointly with other ventures in relation to the <i>joint venture</i>. <p>The <i>assets</i> and <i>liabilities</i> recognised are measured in accordance with the bases applicable to the particular <i>assets</i> and <i>liabilities</i> concerned.</p>		
31p30, 31p38 31p46 8p13	50. In consolidated financial statements, a venturer's interest in a <i>jointly controlled entity</i> (to which Section A8.46 does not apply) is accounted for using either: <ul style="list-style-type: none"> (a) proportionate consolidation; or (b) the equity method. <p>The choice of accounting method depends on the venturer's accounting policy (which must be applied consistently).</p>		
31p28 28p31 28p32	51. An entity that follows the equity method according to Section A8.49 reduces the carrying amount of its interest in a <i>jointly controlled entity</i> by the amount of any <i>impairment losses</i> calculated in accordance with the basis set out in Section A10 on non-financial assets.		
	(d) A lessor's rights under a lease		
17p40 39p2(b)(i) 39p58 39p63	52. A lessor's rights under a <i>finance lease</i> are measured at the net investment in the <i>lease</i> initially recognised (as defined in Section A8.14), less the principal element of cumulative lease payments (excluding <i>costs for services</i>) and <i>impairment losses</i> , if any (see Section A10 on <i>financial assets</i>). The principal repayments represent total lease payments, less finance income earned.		

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17p39 17p40	53. The allocation of finance income over the lease term is based on a systematic and rational basis, reflecting a constant periodic return on the lessor's net investment in the <i>lease</i> .		
17p41	54. Estimated unguaranteed residual values used to determine the lessor's gross investment in a <i>finance lease</i> are reviewed regularly. If there has been a reduction in the estimated unguaranteed residual value, the finance income allocation over the <i>lease term</i> is revised and any reduction in respect of finance income accrued is recognised immediately.		
SIC15p4	55. Incentives provided by a lessor in negotiating a new or renewed operating lease are measured at the <i>cost</i> of incentives provided, less cumulative amortisation. The amortisation is determined so as to reduce rental income on a straight-line basis over the <i>lease term</i> , unless another systematic basis is representative of the time pattern over which the benefit of the leased <i>asset</i> is diminished.		
	(e) Financial assets at fair value through profit or loss, including derivatives, and available-for-sale financial assets		
39p46	56. Financial assets at fair value through profit or loss, including derivatives, and available-for-sale financial assets are measured at fair value without deduction for <i>transaction costs</i> that may be incurred on sale or other disposal.		
39p11 39AG28	57. An embedded derivative that is separated from its host contract in accordance with IAS 39p11 is measured at fair value through profit or loss in the same manner as a stand-alone derivative that has the same terms and conditions. The terms used to determine the <i>fair value</i> of a non-option <i>derivative</i> are those that resulted in it having a <i>fair value</i> of nil on initial recognition.		
39p13	58. If the <i>fair value</i> of an <i>embedded derivative</i> is not <i>reliably measurable</i> as a stand-alone instrument, the <i>fair value</i> is the difference between the <i>fair value</i> of the hybrid instrument and the <i>fair value</i> of the host contract, if determinable (the 'residual approach').		
39p12	59. If the <i>fair value</i> of an <i>embedded derivative</i> is not <i>reliably measurable</i> using either the stand-alone <i>derivative</i> or the residual approach, the entire combined contract is treated as a <i>financial asset</i> that is <i>held for trading</i> .		
	(f) Held-to-maturity investments and loans and receivables		
39p46	60. Held-to-maturity investments and loans and receivables are measured at amortised cost (using the <i>effective interest method</i>), less any <i>impairment losses</i> (see Section A10 on <i>financial assets</i>). Loans and receivables can be valued at nominal value if the difference from amortised cost is not significant.		

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	(g) Unquoted equity instruments whose fair value is not reliably measurable		
39p46	61. Investments in equity instruments that: <ul style="list-style-type: none"> (a) do not have a quoted market price in an active market; and (b) whose <i>fair value</i> is not <i>reliably measurable</i> (and <i>derivatives</i> that are linked to and must be settled by delivery of such unquoted <i>equity instruments</i>) are measured at <i>cost</i>, less any <i>impairment losses</i> (see Section A10 on financial assets). 		
	(h) A financial asset designated as a hedged item in a fair value hedge		
39p89	62. The carrying amounts of <i>financial assets</i> that are: <ul style="list-style-type: none"> (a) designated as hedged items in a fair value hedge, and (b) otherwise measured at <i>cost</i> (including <i>amortised cost</i>), are adjusted for the gains or losses arising from changes in the <i>fair values</i> of the <i>hedged item</i> in respect of the hedged risk. 		
39p93	63. When the <i>hedged item</i> is an unrecognised <i>firm commitment</i> , the subsequent cumulative change in the <i>fair value</i> of the <i>firm commitment</i> attributable to the hedged risk is recognised as an <i>asset</i> (or <i>liability</i> – see Section B4.53).		
39p92	64. Any adjustment under section A8.61 to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss on the basis of a recalculated effective interest rate at the date on which amortisation begins. Amortisation may begin as soon as an adjustment exists, but it must begin no later than when the <i>hedged item</i> ceases to be adjusted for changes in the <i>fair value</i> attributable to the risk being hedged.		
39p92	65. If amortisation using a recalculated <i>effective interest rate</i> is not practicable for a <i>fair value hedge</i> of the interest rate exposure of a portfolio of <i>financial assets</i> , the adjustment is amortised using a straight-line method.		
	(i) Continuing involvement in transferred assets		
39p30	66. An entity has a continuing involvement in a transferred <i>financial asset</i> to the extent that: <ul style="list-style-type: none"> (a) it neither transfers nor retains substantially all of the risks and rewards of ownership of the transferred <i>asset</i>; and (b) retains control of the transferred <i>asset</i>. <p>The measurement of the continuing involvement in the transferred asset reflects the extent to which an entity is exposed to changes in the value of the transferred asset.</p> <p>For example, a continuous involvement that results from:</p> <ul style="list-style-type: none"> (a) a guarantee of the transferred <i>asset</i> is measured at the lower of: <ul style="list-style-type: none"> (i) the amount of the <i>asset</i> transferred; and (ii) the maximum amount of the consideration received that the entity could be required to repay; 		

- (b) a written or purchased option on the transferred *asset* is measured at the amount of the transferred *asset* that the entity may repurchase except that the continuous involvement that results from a written option on an *asset* measured at *fair value* cannot exceed the *fair value* of the *asset*; and
- (c) a cash-settled option on the transferred *asset* is measured in the same way as that which results from non-cash settled options, as set out in (b) above.

(j) Reinsurance assets

IFRS4p20

67. **A cedant reduces the carrying amount of its reinsurance assets if they are impaired.** A *reinsurance asset* is impaired if, based upon objective evidence, the *cedant* may not receive all amounts due to it under the *reinsurance contract* due to an event that occurred after initial recognition of the *reinsurance asset* that has a *reliably measurable* impact on the amounts receivable from the reinsurer.

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A9 Non-current assets held for sale

Non-current assets, and *disposal groups*, that are *held for sale* are measured in accordance with IFRS 5, except that the following *assets* (both individually and as part of a *disposal group*) continue to be measured in accordance with the relevant IFRS:

- (a) deferred tax assets (IAS 12) (Section A4);
- (b) *assets* arising from employee benefits (IAS 19) (Section A5);
- (c) *financial assets* within the scope of IAS 39 (Section A8);
- (d) *non-current assets* accounted for using the fair value model in IAS 40 (Section A2);
- (e) *non-current assets* measured at *fair value less estimated point-of-sale costs* under IAS 41 (Section A7); and
- (f) contractual rights under *insurance contracts* as defined in IFRS 4 (Section A8).

Initial measurement

- IFRS5p15
IFRS5p18
1. The carrying amounts of the *asset* (or disposal groups) should be measured in accordance with applicable IFRS immediately before the initial classification of the *asset* (or disposal group) as *held for sale*. This includes impairment testing. **The non-current assets (or disposal groups) are measured on initial classification as *held for sale* at the lower of:**
- (a) their carrying amounts; and
 - (b) *fair value less costs to sell*.
- IFRS5p17
IFRS5p9
- Costs to sell* should be measured at their present value when the sale is expected to occur after one year. A sale is expected to be completed within one year from the classification date. Events or circumstances that may extend the period to complete the sale beyond one year are strictly defined.
- IFRS5p16
IFRS5BC44
2. **Held for sale assets (or disposal groups) acquired as part of a business combination that meet the criteria to be classified as held for sale on acquisition should be measured at *fair value less costs to sell* at the date of acquisition.**

Subsequent measurement

- IFRS5p15
3. At each reporting date, **a non-current asset (or disposal group) that is held for sale is measured at the lower of:**
- (a) its carrying amount; and
 - (b) *fair value less costs to sell*.
- IFRS5p20
IFRS5p23
4. **Any excess of carrying value over *fair value less costs to sell* is an impairment loss.** The impairment loss is allocated first to goodwill and then pro rata to the other *assets* within the disposal group.
- IFRS5p21
IAS36p110
- Increases that reverse previous impairments of goodwill are not recognised. All other increases are recognised in the income statement up to the amount of cumulative impairment losses (less goodwill) recognised under IFRS 5 and IAS 36.
- IFRS5p19
IFRS5p22
5. The carrying amounts of *assets* and *liabilities* not within the scope of the measurement requirements of IFRS 5 (see introduction to Section A9) are remeasured in accordance with the applicable IFRSs before remeasuring the *fair value less costs to sell* of any *disposal group* of which they form a part. Any increase in the value of these *assets* (or decrease in the value of *liabilities*) is excluded from the recognised gain in respect of any increase in the *disposal group's fair value less costs to sell*.
- IFRS5p25
6. **No depreciation or amortisation of non-current assets is recognised** while the *asset* is either classified as *held for sale* or is part of a *disposal group* that is *held for sale*.
- IFRS5p27
7. **Non-current assets that no longer meet the definition of held for sale** (either individually or as part of a *disposal group*) **are measured at the lower of:**
- (a) their carrying amounts prior to being classified as *held for sale*, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the *asset* (or *disposal group*) not been classified as *held for sale*; and
 - (b) its *recoverable amount* at the date of the subsequent decision not to sell.

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28p15
31p43

8. For the purposes of applying Section A9.7, an interest in:
- (a) an associate previously classified as *held for sale* is accounted for using the equity method as from the date of its classification as held for sale; and
 - (b) a *jointly controlled entity* previously classified as *held for sale* is accounted for using proportionate consolidation or the equity method as from the date of its classification as *held for sale*, according to the entity's accounting policy.

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A10 Impairment

Financial assets

Section A10 covers the impairment of financial assets that are within the scope of IAS 39, and the impairment of lease receivables recognised by a lessor (hereafter referred to as 'financial assets').

IAS 39 provides the following indicators that a financial asset may be impaired:

- (a) significant financial difficulty of the issuer or obligor;
- (b) breach of contract such as default or delinquency;
- (c) concessions granted by the lender to the borrower in light of the borrower's financial difficulty;
- (d) the borrower may enter into bankruptcy;
- (e) disappearance of an active market for the instrument because of financial difficulties;
- (f) observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets since their initial recognition. This applies even where the decrease cannot be identified amongst the individual financial;
- (g) information about significant adverse changes in the investor's operating environment; or
- (h) significant or prolonged decline in the *fair value* of an equity instrument.

IAS 39 impairment indicators are also used to assess whether equity accounted investments in associates and *joint ventures* should be tested for impairment.

An entity assesses at each balance sheet date whether there is any objective evidence that a *financial asset* is impaired. An entity considers whether objective evidence of impairment exists for specific *loans and receivables* and *held-to-maturity investments* carried at *amortised cost* that are individually significant, and individually or collectively for those that are not individually significant. If an entity determines that no objective evidence of impairment exists for an individually-assessed *financial asset*, it includes the *asset* in a group of *financial assets* with similar credit risk characteristics and collectively assesses them for objective evidence of impairment.

Impairment losses are incurred only if:

- (a) there is objective evidence of impairment as a result of one or more events occurring after initial recognition of the *financial asset* (loss events); and
- (b) the loss event has an impact on the estimated future *cash flows* of the *financial asset* or group of *financial assets* that can be reliably estimated.

Non-financial assets

Section A10 also covers the impairment of all non-financial *assets*, except:

- (a) *investment property* measured at *fair value* (see Section A2);
- (b) deferred acquisition *costs* and intangible assets arising from an *insurer's* contractual rights under *insurance contracts* within the scope of IFRS 4 (see Section A3);
- (c) deferred tax assets (see Section A4);
- (d) *assets* arising from employee benefits (see Section A5);
- (e) inventories (see Section A6);
- (f) *biological assets* related to agricultural activity that are measured at *fair value less estimated point-of-sale costs* (see Section A7);
- (g) assets arising from *construction contracts* (see Section A8); and
- (h) *non-current assets* and *disposal groups* classified as *held for sale* under IFRS 5 (see Section A9).

An *asset* is considered to be impaired when its carrying amount exceeds its *recoverable amount*. IAS 36p12-14 describes a number of indicators of when an impairment loss may have occurred and where a formal estimate of *recoverable amount* is therefore required.

An entity must perform an annual impairment test for the following intangible assets:

- (a) intangible assets that have an indefinite useful life;
- (b) intangible assets that are not yet available for use; and
- (c) goodwill.

This annual test is in addition to the assessment required when an indicator of impairment has been identified.

Financial assets

- 39p63
39AG84
1. An **impairment loss on loans and receivables, or held-to-maturity investments measured at amortised cost** represents the excess of:
- (a) the *asset's* carrying value; over
 - (b) the *present value* of estimated future cash flows discounted at the *asset's original effective interest rate* (ie, the *effective interest rate* determined at initial recognition). The estimated future cash flows used:
 - (i) include amounts recoverable from collateral (whether or not foreclosure is probable); but
 - (ii) exclude future credit losses that have not been incurred.
- 39p65
2. If the amount of the *impairment loss* on a *financial asset* carried at *amortised cost* decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised (for example, an improvement in the debtor's credit rating), **the previously recognised impairment loss is reversed**. The reversal should not result in the *asset* being measured at an amount in excess of that which would have been reported had the impairment not been recognised at the date the impairment is reversed.
- 39p66
3. An **impairment loss on an unquoted equity instrument that is not carried at fair value** because its *fair value* is not *reliably measurable* (or a *derivative asset* that is linked to and must be settled by delivery of such an unquoted *equity instrument*) represents the excess of:
- (a) the *asset's* carrying amount; over
 - (b) the *present value* of estimated future cash flows discounted at the **current market rate of return for a similar financial asset**.
- Such impairment losses are not reversed.**
- 39p67
4. If an *available-for-sale asset* is impaired, the cumulative loss that had been recognised directly in equity should be removed from equity and recognised in the income statement.
- 39p69
- Impairment losses* recognised for an equity instrument should not be reversed.
- 39p70
- Impairment losses* recognised for a debt instrument should be reversed through the profit and loss if the increase in *fair value* can be objectively related to an event occurring after the *impairment loss* was recognised.

Non-financial assets

(a) Impairment losses

- 36p6
36p59
5. When an *asset* is tested for impairment, its carrying amount is compared to its **recoverable amount**. The carrying amount is reduced to the **recoverable amount** where it is lower. The *recoverable amount* of a non-financial asset is the higher of its:
- (a) *fair value less costs to sell* (Section A10.12-A10.16); and
 - (b) *value in use* (Section A10.17-A10.25).

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36p21	If there is no reason to believe that an <i>asset's value in use</i> exceeds <i>is fair value less costs to sell</i> , the <i>fair value less costs to sell</i> can be used as the <i>recoverable amount</i> .		
36p66 36p67	<p>6. Where it is not possible to independently estimate the <i>recoverable amount</i> for an individual asset, the <i>recoverable amount</i> of the cash generating unit to which it belongs should be assessed for the purposes of impairment.</p> <p>An <i>asset's recoverable amount</i> may not be capable of independent estimation where:</p> <p>(a) the <i>asset</i> does not generate independent cash flows; and</p> <p>(b) the <i>asset's value in use</i> cannot be estimated to be close to its <i>fair value less costs to sell</i>.</p>		
36p75 36p76	<p>7. The carrying amount of a CGU is determined on a basis that is consistent with the method of assessing its <i>recoverable amount</i>. The carrying amount includes only those assets that:</p> <p>(a) can be attributed directly, or allocated on a reasonable and consistent basis, to the <i>CGU</i>; and</p> <p>(b) will generate future cash inflows used in determining the <i>value in use</i> of the <i>CGU</i>.</p> <p>The <i>CGU's</i> carrying amount excludes the carrying amount of any recognised <i>liability</i>, unless the <i>CGU's recoverable amount</i> cannot be determined without consideration of this <i>liability</i>.</p>		
36p104	<p>8. An impairment of a CGU is applied:</p> <p>(a) first to reduce the carrying value of goodwill; and</p> <p>(b) subsequently to the other <i>assets</i> of the <i>CGU</i>, pro rata, on the basis of each <i>asset's</i> carrying amount.</p>		
36p105	<p>The carrying amount of any <i>asset</i> is not reduced below the highest of:</p> <p>(a) <i>fair value less costs to sell</i> (if determinable);</p> <p>(b) <i>value in use</i> (if determinable); and</p> <p>(c) nil.</p> <p>The amount of any <i>impairment loss</i> that would have been allocated to an asset in the absence of the above requirement is allocated pro rata to the other <i>assets</i> of the <i>CGU</i>.</p>		
36p110 36p114 36p115	<p>9. The entity redetermines the <i>recoverable amount</i> of the <i>asset</i> (or <i>CGU</i>) if there is an indication that an <i>impairment loss</i> recognised for an <i>asset</i> (or <i>CGU</i>) other than goodwill no longer exists or has decreased. An impairment loss is reversed where the <i>recoverable amount</i> of the <i>asset</i> (or <i>CGU</i>) exceeds its carrying amount and this is due to a change in the original estimates used to determine <i>recoverable amount</i>. The reversal of an <i>impairment loss</i> reflects an increase in the service potential of the asset (or <i>CGU</i>) from use or sale.</p>		
36p116	<p>10. An <i>impairment loss</i> is not reversed when the <i>present value</i> of future cash inflows increase as a sole result of the unwinding of the discount applied.</p>		

		Y-NA-NM	REF
36p117 36p122 36p123	<p>11. Any reversal of an <i>impairment loss</i> for a <i>CGU</i> is allocated to the <i>assets</i> of the <i>CGU</i> (except goodwill) pro rata with their carrying amounts. The carrying amount of an <i>asset</i> is not increased above the lower of:</p> <ul style="list-style-type: none"> (a) its <i>recoverable amount</i>, if determinable; and (b) the carrying amount that would have been recorded if no <i>impairment loss</i> had been recognised (i.e. net of amortisation/depreciation). <p>The amount of any <i>impairment loss</i> reversal that would have been allocated to an <i>asset</i> in the absence of the above requirement is allocated pro rata to the other <i>assets</i> of the <i>CGU</i> (except goodwill).</p>		
	(b) Fair value less costs to sell		
36p25	12. The best evidence of <i>fair value</i> is the price in a binding sale agreement in an arm's length transaction.		
36p26	13. Where there is no binding sale agreement, but the <i>asset</i> is traded in an active market, <i>fair value</i> will be the market price of the asset , usually the current bid price.		
36p26	14. If current bid prices are not available, <i>fair value</i> should be based on the most recent transaction provided that there has not been a significant change in economic circumstances between the transaction date and the date at which the <i>fair value</i> estimate is made.		
36p27	15. If there is neither a binding sale agreement nor an active market for an <i>asset</i> , <i>fair value</i> is derived from the best information available to reflect the amount an entity could obtain from the sale of the <i>asset</i> in an arm's length transaction between knowledgeable, willing parties at the balance sheet date.		
36p28	<p>16. Disposal costs are deducted in determining <i>fair value less costs to sell</i>, except for those costs that are recognised separately as <i>liabilities</i>. Costs to sell include:</p> <ul style="list-style-type: none"> (a) legal costs; (b) stamp duty and similar transaction taxes; (c) costs of removing the <i>asset</i>; and (d) direct incremental costs to bring the <i>asset</i> into condition for its sale. <p>Costs to sell exclude non-incremental costs, such as:</p> <ul style="list-style-type: none"> (a) employee termination benefits; and (b) costs associated with reorganising or down-sizing a business following the disposal of an <i>asset</i>. 		
	(c) Value in use		
36p31	<p>17. Estimating an asset's <i>value in use</i> involves:</p> <ul style="list-style-type: none"> (a) estimating the future cash flows to be derived from the continuing use of the <i>asset</i> and from its ultimate disposal; and (b) discounting those future cash flows using an appropriate rate. <p><i>IAS 36, Appendix A, provides guidance on the use of present value techniques (the 'traditional approach' and the 'expected cash flow approach'). IAS 36 anticipates that the 'expected cash flow approach' will usually provide a better estimate of value in use, but it does not mandate this method due to cost-benefit constraints.</i></p>		

		Y-NA-NM	REF
36p30	18. The estimation of <i>value in use</i> should consider the following elements: (a) estimate of future cash flows to be derived from the asset; (b) expectations of variations in timing and amount of future cash flows; (c) time value of money; (d) price of the uncertainty inherent in the asset; and (e) any other factors that will be considered by market participants.		
	Cash flows – basis for estimates		
36p33(a)	19. Cash flow projections are based on reasonable and supportable assumptions that represent management's best estimate of the range of likely outcomes. Greater weight is given to external evidence.		
36p33(b)	20. Cash flow projections are based on the most recent financial budgets or forecasts approved by management.		
36p33(c) 36p35 36p36	21. Specific assumptions in cash flow projections should not extend beyond five years unless management is confident that these projections are reliable and can demonstrate its ability, based on past experience, to forecast cash flows accurately over that longer period. Projected cash flows after five years are extrapolated at a steady or declining growth rate for subsequent years, unless an increase in the rate matches objective information about patterns over a product or industry lifecycle.		
	Cash flows – composition of estimates		
	22. Estimates of future cash flows include:		
36p39 36p40 36p54	(a) cash inflows expected from continuing use of the <i>asset</i> in its current condition; (b) cash outflows expected to be incurred to generate the cash inflows from the <i>asset</i> (including <i>asset</i> maintenance and component replacement, but not enhancement expenditure); (c) net cash flows expected to arise on disposal of the <i>asset</i> ; (d) price increases attributable to general inflation if the discount rate is a nominal rate (ie, includes the effect of inflationary price increases); and (e) foreign currency cash flows translated at the spot rate at the date of determination of <i>value in use</i> .		
	Estimates of future cash flows exclude:		
36p43 36p44 36p50	(a) cash flows from financing activities; (b) income tax cash flows; (c) cash inflows of outflows expected to arise through: (i) a future restructuring to which the entity is not yet committed; or (ii) improving or enhancing the asset's performance; (d) cash inflows from <i>assets</i> that generate cash flows largely independent from those of the <i>asset</i> under review; (e) cash outflows relating to obligations that are recognised as <i>liabilities</i> of the entity; and (f) price increases attributable to general inflation if the discount rate is a real rate (ie, excludes the effect of inflationary price increases).		

		Y-NA-NM	REF
	Discount rate		
36p55	23. The discount rate is a pre-tax rate that incorporates: (a) the time value of money (ie, the risk-free rate); and (b) risks specific to the <i>asset</i> that have not been reflected in the future cash flow estimates.		
36p56 36, AppdxA19	The discount rate excludes: (a) risks and uncertainties for which the future cash flow estimates have been adjusted; and (b) factors relating to the entity's capital structure and the way in which the <i>asset</i> is financed.		
36p56	24. The discount rate is estimated from: (a) the implied rate in current market transactions for similar assets; or (b) the weighted average <i>cost</i> of capital of a listed entity with similar service potential and asset-related risks.		
36, AppdxA17 36, AppdxA18	25. If an asset-specific rate is not directly available from the market, a market estimate is used that takes into account rates such as: (a) the entity's weighted average <i>cost</i> of capital, determined using techniques such as the capital asset pricing model, (b) the entity's incremental borrowing rate, and (c) other market borrowing rates, together with an adjustment to reflect the way that the market would assess asset-specific risks that are not reflected in the estimated cash flows.		

A11 Exploration and evaluation assets

This section applies to the measurement of *exploration and evaluation assets* according to IFRS 6. They should be classified as tangible or intangible according to the nature of the assets acquired.

IFRS 6 is applicable for annual periods beginning on or after 1 January 2006. Earlier application is encouraged. An entity that adopts IFRS before 1 January 2006 and chooses to adopt IFRS 6 before 1 January 2006 need not apply the requirements of IFRS 6 to the comparative information presented in its first IFRS financial statements.

Exploration and evaluation assets are *exploration and evaluation expenditures* recognised as assets in accordance with the entity's accounting policy. *Exploration and evaluation expenditures* are expenditures incurred by an entity in connection with the search for mineral resources, including minerals, oil, natural gas and similar non-regenerative resources, after the entity has obtained legal rights to explore in a specific area and before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Some *exploration and evaluation assets* are treated as intangible (eg, drilling rights); others are tangible (eg, vehicles and drilling rigs). To the extent that a tangible asset is consumed in developing an intangible asset, the amount reflecting that consumption is part of the *cost* of the intangible asset. However, using a tangible asset to develop an intangible asset does not change a tangible asset into an intangible asset.

		Y-NA-NM	REF
	Initial measurement		
IFRS6p8	1. <i>Exploration and evaluation assets should be measured at cost.</i>		
IFRS6p9	2. An entity should determine a policy specifying which expenditures are recognised as <i>exploration and evaluation assets</i> and apply the policy consistently. The entity should consider the degree to which the expenditure can be associated with finding specific mineral resources.		
IFRS 6p9	3. Examples of expenditures that might be included in the initial measurement of exploration and evaluation assets (the list is not exhaustive) are: (a) acquisition of rights to explore; (b) topographical, geological, geochemical and geophysical studies; (c) exploratory drilling; (d) trenching; (e) sampling; and (f) activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.		
IFRS 6BC22	4. An entity can continue to follow the accounting policies for <i>exploration and evaluation expenditures</i> that it was using when it first applied IFRS 6, provided the policies satisfy the requirements of IAS 8p10.		
IAS 8p10	5. The accounting policy must result in information that meets the following qualitative characteristics: (a) relevant to the economic decision-making needs of users; and (b) reliable, in that the financial statements: (i) represent faithfully the financial position, financial performance and cash flows of the entity; (ii) reflect the economic substance of transactions, other events and conditions, and not merely the legal form; (iii) are neutral – ie, free from bias; (iv) are prudent; and (v) are complete in all material respects.		
IFRS 6p13	6. Any changes to an entity's accounting policy for <i>exploration and evaluation expenditures</i> must make the financial statements more relevant and no less reliable, or more reliable and no less relevant – ie, bringing it closer to full compliance with the Framework.		
IFRS6p10	Expenditures related to the development of mineral resources should not be recognised as exploration and evaluation assets. The Framework and IAS 38, Intangible Assets, provide guidance on the recognition of assets arising from development (see Section A3).		
IFRS6p11	An entity recognises any obligations for removal and restoration that are incurred during a particular period as a consequence of having undertaken the exploration for and evaluation of mineral resources in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets (see Section B3).		

		Y-NA-NM	REF
	Subsequent measurement		
IFRS 6p12	<p>7. After initial recognition an entity should apply either:</p> <p>(a) the <i>cost</i> method, or</p> <p>(b) the revaluation model.</p> <p>If the revaluation model is applied (either the model in IAS 16 or the model in IAS 38), it should be consistent with the classification of the assets (see Section A1 and Section A3).</p>		
IFRS 6p18	<p>8. <i>Exploration and evaluation assets</i> should be assessed for impairment when facts and circumstances suggest that the carrying amount of an <i>exploration and evaluation asset</i> may exceed its <i>recoverable amount</i>.</p>		
IFRS 6p20	<p>9. One or more of the following facts and circumstances indicate that an entity should test <i>exploration and evaluation assets</i> for impairment (the list is not exhaustive):</p> <p>(a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;</p> <p>(b) substantive expenditure on further <i>exploration for and evaluation of mineral resources</i> in the specific area is neither budgeted nor planned;</p> <p>(c) <i>exploration for and evaluation of mineral resources</i> in the specific area have not led to the discovery of commercially viable quantities of mineral resources, and the entity has decided to discontinue such activities in the specific area; and</p> <p>(d) sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the <i>exploration and evaluation asset</i> is unlikely to be recovered in full from successful development or by sale.</p>		
IFRS 6p18	<p>10. When facts and circumstances suggest that the carrying amount exceeds the <i>recoverable amount</i>, an entity should measure any resulting impairment loss in accordance with IAS 36 (see Section A10), with the exception that the level at which <i>exploration and evaluation assets</i> are assessed for impairment is different.</p>		
IFRS 6p21	<p>11. An entity should determine an accounting policy for allocating <i>exploration and evaluation assets</i> to cash-generating units (CGUs) or groups of CGUs for the purpose of assessing such assets for impairment. Each CGU or group of CGUs to which an <i>exploration and evaluation asset</i> is allocated should not be larger than a segment based on either the entity's primary or secondary reporting format determined in accordance with IAS 14, Segment Reporting. (There is no requirement to be the smaller of the two.)</p>		
IFRS 6p22	<p>12. The level identified by the entity for the purposes of testing exploration and evaluation assets for impairment may comprise one or more CGUs and should be consistently applied.</p>		

Impairment before reclassification of exploration and evaluation assets

13. Exploration and evaluation assets should be assessed for impairment, and any impairment loss is recognised before the assets are reclassified out of exploration and evaluation assets.

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IFRS Measurement Checklist 2006

Section B
Liabilities



B1 Income tax liabilities

This section applies to the measurement of:

- (a) current tax liabilities (Section B1.1-B1.2); and
- (b) deferred tax liabilities (Section B1.3-B1.8).

A current tax liability is the amount of income tax payable in respect of the taxable profit for a period.

A deferred tax liability represents the amount of income tax payable in future periods in respect of the taxable *temporary differences*.

Specific requirements apply to the recognition of deferred tax liabilities arising from the initial recognition of *assets* and *liabilities* for which taxable *temporary differences* exist; however, the measurement requirements set out in this section apply both on initial recognition of income tax liabilities, including via a business combination, and on their subsequent measurement.

		Y-NA-NM	REF
	(a) Current tax liabilities		
12p46	1. Current tax liabilities are measured at the amount expected to be paid to the taxation authorities using the tax rates (and tax laws) enacted, or <i>substantively enacted</i> , at the balance sheet date.		
12p48			
12p52A	2. Current tax liabilities are measured at the tax rate applicable to undistributed profits in jurisdictions where the tax rate depends on whether or not profits or retained earnings are paid out as a dividend to shareholders.		
	(b) Deferred tax liabilities		
12p47	3. Deferred tax liabilities are measured at the amount of the recognised taxable <i>temporary difference</i> multiplied by the tax rate that is expected to apply in the period in which the liability will be settled using the tax rates (and tax laws) enacted, or <i>substantively enacted</i> , at the balance sheet date. The deferred tax liability is not discounted , even if the <i>asset</i> or <i>liability</i> giving rise to the taxable <i>temporary difference</i> is measured on a discounted basis.		
12p48			
12p53			
12p54			
12p49	4. When different tax rates apply to different levels of taxable income, deferred tax liabilities are measured using the average rates expected to apply in the periods in which the <i>temporary differences</i> are expected to reverse.		
12p51	5. Deferred tax liabilities are measured using the tax rate and tax base consistent with the manner in which the entity expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.		
12p52			
SIC21p4	6. Recognition of depreciation in respect of an <i>asset</i> indicates that the carrying amount of the <i>asset</i> is expected to be recovered through:		
SIC21p6	(a) use to the extent of its depreciable amount; and (b) sale at its residual value. In accordance with Section B1.5, a deferred tax liability arising from any taxable <i>temporary difference</i> in respect of an <i>asset</i> reflects the income tax consequences of any reversal of the <i>temporary difference</i> through: (a) use while being depreciated (or that would be depreciated under IAS 16 if the <i>asset</i> were not accounted for as an investment property at <i>fair value</i>); and (b) sale at the end of its useful life.		
SIC21p4	7. A deferred tax liability arising from any taxable <i>temporary difference</i> in respect of a revalued non-depreciable asset that would be considered non-depreciable if IAS 16 were applied, is measured based on the tax consequences that would follow from recovery of the carrying amount of the <i>asset</i> through sale.		
SIC21p5			
12p52A	8. Deferred tax liabilities are measured at the tax rate applicable to undistributed profits in jurisdictions where the tax rate depends on whether or not profits or retained earnings are paid out as a dividend to shareholders.		

B2 Employee benefit liabilities

Employee benefits represent all forms of consideration that an employer offers to its employees in exchange for services rendered by those employees. This section covers the measurement of all liabilities arising from employee benefits other than in respect of *share-based payment transactions* (refer Section B4).

Employee benefits may be categorised as:

- (a) *short-term employee benefits* (Section B2.1-B2.3);
- (b) *post-employment benefits: defined contribution plans* (Section B2.4);
- (c) *post-employment benefits: defined benefit plans* (Section B2.5-B2.25);
- (d) *other long-term employee benefits* (Section B2.26); or
- (e) termination benefits (Section B2.27).

The measurement requirements set out in this section apply both on initial recognition and subsequent measurement of *liabilities* arising from employee benefits, other than in Section B2.24 regarding the measurement of *liabilities* arising from *defined benefit* plans upon adoption of IFRS, and Section B2.25 regarding *liabilities* acquired in a business combination.

		Y-NA-NM	REF
	(a) Short-term employee benefits		
19p10	1. A short-term employee benefit liability for services rendered by an employee is measured at settlement value , being the undiscounted amount of benefits expected to be paid in exchange for those services, less amounts already paid.		
19p11	2. Accumulating compensated absences are entitlements to paid leave that may be carried forward for use in future periods to the extent that the current period's entitlement is not fully utilised. A <i>liability</i> is recognised for accumulating compensated absences when the employees render service that increases their entitlement to future compensated absences. The <i>liability</i> is measured at the additional amount that is expected to be paid as a result of unused entitlement carried forward at the balance sheet date, taking into account (where appropriate) the possibility that employees may leave before their benefits vest.		
19p13			
19p14			
19p10	3. A liability arising from a profit-sharing or bonus plan that:		
19p18	(a) is recognised in accordance with IAS19p17, and		
19p19	(b) will be paid within 12 months after the end of the period in which the employee rendered the service to which the payments relate, is measured at settlement value , reflecting the possibility that some employees will leave without receiving profit-share payments or a bonus.		
	(b) Post-employment benefits: defined contribution plans		
19p44	4. A liability recognised in respect of contributions due to a defined contribution plan , including <i>multi-employer plans</i> , <i>state plans</i> and insured benefits that are classified as <i>defined contribution plans</i> , is measured at the amount of contributions payable in exchange for employee services rendered, less amounts already paid . Contributions payable that do not fall due wholly within 12 months after the end of the period in which the employee rendered the related service are discounted using the rate specified in Section B2.12-B2.13.		
19p45			
	(c) Post-employment benefits: defined benefit plans		
19p29	5. A multi-employer plan or state plan that is classified as a defined benefit plan, but for which sufficient		
19p30	information is not available to enable defined benefit accounting, is accounted for as a <i>defined contribution plan</i> (see Section B2.4). Where the terms of such a <i>multi-employer plan</i> include a contractual agreement that determines how the surplus in the plan will be distributed to the participants (or the deficit funded), a participant should recognise the <i>asset</i> or <i>liability</i> that arises from the contractual agreement and the resulting income or expense in profit or loss.		
19p36			
19p32A	All other <i>multi-employer plans</i> and <i>state plans</i> that are classified as <i>defined benefit plans</i> are accounted for based on the entity's proportionate share of the <i>present value of the defined benefit obligation</i> , <i>plan assets</i> and costs associated with the plan in the same manner as other <i>defined benefit plans</i> .		

		Y-NA-NM	REF
19p34A	<p>6. A defined benefit plan that shares risks between various entities under common control is not a multi-employer plan. An entity participating in such a plan should obtain information about the plan as a whole measured in accordance with IAS 19 on the basis of assumptions that apply to the plan as a whole. If there is a contractual agreement or stated policy for charging the net <i>defined benefit cost</i> for the plan as a whole measured in accordance with IAS 19 to individual group entities, recognise in separate or individual financial statements the net <i>defined benefit cost</i> so charged. If there is no such agreement or policy, recognise the net <i>defined benefit cost</i> in the separate or individual financial statements of the group entity that is legally the sponsoring employer for the plan. The other group entities should, in their separate or individual financial statements, recognise a cost equal to their contribution payable for the period.</p>		
19p54	<p>7. Other than on initial recognition by way of a business combination (see Section B2.25) or upon initial adoption of IFRS (see Section B2.24), a defined benefit liability is measured at the net total of:</p> <ul style="list-style-type: none"> (a) the <i>present value of the defined benefit obligation</i> (see Section B2.9-B2.15), (b) minus the <i>fair value</i> of any <i>plan assets</i> (see Section B2.16-B2.17) out of which the obligations are to be settled directly, (c) plus any <i>actuarial gains</i> (less any <i>actuarial losses</i>) not recognised (see Section B2.18-B2.19), (d) minus any <i>past service cost</i> not yet recognised (see Section B2.20-B2.21). 		
19p56 19p57	<p>8. The <i>present value of defined benefit obligations</i> and the <i>fair value</i> of any <i>plan assets</i> should be determined with sufficient regularity to ensure that the amounts recognised do not differ materially from the amounts that would be determined at the balance sheet date. A detailed valuation of the obligation may be performed prior to the balance sheet date, but should be updated for material transactions or changes in circumstances up to the balance sheet date.</p>		
19p64 19p65 19p67	<p>Present value of defined benefit obligation</p> <p>9. The present value of an entity's defined benefit obligation is measured using the projected unit credit method. This method attributes an additional unit of benefit entitlement to each period of service and seeks to measure each unit separately to derive a final obligation. The benefit is attributed to periods of service using the plan's benefit formula, unless an employee's service in later years will lead to a materially higher level of benefit than in earlier years. In this case the benefits are attributed on a straight-line basis from:</p> <ul style="list-style-type: none"> (a) the date that service first leads to the benefits under the plan, until (b) the date when further service ceases to accrue any further material benefits under the plan, other than from salary increases. 		
19p69	<p>10. The measurement of the obligation under a <i>defined benefit plan</i> reflects the probability that some employees may not satisfy any vesting conditions that exist, and the probability of a specified event that crystallises the obligation (for example, in respect of post-employment medical benefits).</p>		

		Y-NA-NM	REF
19p72 19p74 19p75 19p77	<p>11. Actuarial assumptions used in the measurement of post-employment benefit obligations should:</p> <p>(a) be neither imprudent nor excessively conservative (unbiased); and</p> <p>(b) reflect the economic relationship between factors such as inflation, rates of salary increase, the return on <i>plan assets</i> and discount rates (mutually compatible).</p> <p>Financial assumptions should be based on market expectations, at the balance sheet date, for the period over which the obligations are expected to be settled.</p>		
19p78	12. The discount rate used to discount <i>post-employment benefit</i> obligations is determined by reference to market yields on high-quality corporate bonds , with a maturity and currency denomination that is consistent with the estimated maturity and currency of the obligation, at the balance sheet date.		
19p78	13. In countries where there is no deep market in high-quality corporate bonds with an appropriate currency , the discount rate is determined by reference to market yields on government bonds with a currency denomination and term that is consistent with those of the <i>post-employment benefit</i> obligation.		
19p81	14. Where the available bonds (government or corporate) do not have sufficiently long maturities, the discount rate is determined by reference to current market rates:		
	(a) used directly to discount shorter term payments; and		
	(b) extrapolated along the yield curve to estimate a discount rate for payments with longer maturities.		
19p83 19p86 19p88 19p89	<p>15. Actuarial assumptions used in the measurement of future salaries, benefits and medical costs as part of the post-employment benefit obligation reflect:</p> <p>(a) estimated future salary increases;</p> <p>(b) benefits set out in the terms of the plan, or resulting from a constructive obligation to provide future benefit improvements;</p> <p>(c) the impact of estimated future changes in the level of any state benefits that:</p> <p>(i) were enacted before the balance sheet date; or</p> <p>(ii) can be forecast predictably as a result of past history or other reliable evidence (for example, in line with specific price indices);</p> <p>(d) estimated future changes in the <i>cost</i> of medical services, including the effect of technological advances and the health status of plan participants, using both:</p> <p>(i) the entities own experience, and</p> <p>(ii) historical data from other entities, insurance companies, medical providers or other sources; and</p> <p>(e) estimated future changes in mortality experience to the extent that these impact the probability of benefits being paid.</p> <p>Actuarial assumptions used do not reflect future benefit changes that are not set out in the formal terms of the plan, or that result from a constructive obligation at the balance sheet date.</p>		

		Y-NA-NM	REF
	Fair value of plan assets		
19p103	<p>16. Plan assets exclude any:</p> <ul style="list-style-type: none"> (a) unpaid contributions due to the fund from the reporting entity; and (b) non-transferable <i>financial instruments</i> issued by the entity and held by the fund. <p>They are net of any of the fund's <i>liabilities</i> that do not relate to employee benefits.</p>		
19p102	<p>17. The fair value of plan assets is their market price. Fair value is estimated using a valuation technique when no market price is available, such as discounted cash flow analysis using a discount rate that reflects:</p> <ul style="list-style-type: none"> (a) the risk associated with the <i>plan assets</i>; and (b) the maturity or expected disposal date of those assets, in accordance with the expected settlement date for the related obligation. 		
	Actuarial gains and losses		
19p54	<p>18. The liability under a defined benefit plan excludes all actuarial gains and losses other than those already recognised as a result of a curtailment or settlement (see Section B2.22-B2.23) or otherwise recognised in accordance with the entity's accounting policy (see Section B2.19).</p>		
19p92	19. The amount of <i>actuarial gains and losses</i> recognised in the		
19p93	accounting period is, as a minimum, the excess (if any) of		
19p95	<i>actuarial gains and losses</i> that existed at the end of the previous reporting period, over the greater of:		
	<ul style="list-style-type: none"> (a) 10% of the <i>present value of the defined benefit obligation</i>, and (b) 10% of the <i>fair value</i> of any <i>plan assets</i>, <p>at that date, divided by the expected average remaining service lives of the employees participating in the plan.</p> <p>Any systematic method that results in faster recognition of <i>actuarial gains and losses</i>, including immediate recognition of all <i>actuarial gains and losses</i>, may be adopted as an accounting policy, provided that the same basis is applied:</p> <ul style="list-style-type: none"> (a) to both gains and losses; and (b) consistently from period to period. 		
19p93A-D	As an alternative, an entity may elect to recognise all actuarial gains and losses immediately outside of profit or loss in the Statement of Recognised Income and Expense.		
	Past service cost		
19p54	20. The liability under a defined benefit plan includes all past service costs other than those that have neither:		
19p96	<ul style="list-style-type: none"> (a) <i>vested</i>, nor (b) been recognised as an expense in accordance with Section B2.21. 		
19p96	21. <i>Past service costs</i> are recognised as an expense on a straight-		
19p99	line basis over the average period until the benefits vest. This period is determined when the benefits are introduced or changed; the amortisation schedule for <i>past service costs</i> is not amended unless a <i>curtailment</i> or <i>settlement</i> occurs (see Section B2.22-B2.23). Benefits that vest immediately after the introduction of or amendment to a <i>defined benefit</i> plan are recognised immediately.		

		Y-NA-NM	REF
	Curtailments and settlements		
19p109	22. A curtailment or settlement of a defined benefit plan accelerates the recognition of actuarial gains and losses and past service costs that had not previously been recognised in accordance with Section B2.18-B2.21.		
19p109 19p115	23. If a <i>curtailment</i> affects all employees, or a defined benefit obligation is settled in full, the entity recognises any related actuarial gains and losses, and <i>past service cost</i> , that were previously unrecognised. If a <i>curtailment</i> affects only some of the employees covered by the plan, or only part of an obligation is settled, a proportionate share of the previously unrecognised actuarial gains and losses, and <i>past service costs</i> are recognised in profit or loss. The proportionate share is determined on the basis of the present value of the defined benefit obligation immediately before and after the <i>curtailment</i> or <i>settlement</i> , unless another basis is more rational in the circumstances.		
	Adoption of IFRS		
IFRS1p20	24. An entity may elect, upon adoption of IFRS, to recognise all cumulative actuarial gains and losses for all its defined benefit plans at the date of transition to IFRS , even if it applies the corridor approach to defer a portion of its <i>actuarial gains and losses</i> arising in subsequent periods. Under this election, the defined benefit liability is measured as the net total on transition to IFRS of: <ul style="list-style-type: none"> (a) the <i>present value of the defined benefit obligation</i> (see Section B2.9-B2.15), less (b) the <i>fair value</i> of any <i>plan assets</i> (see Section B2.16-B2.17) out of which the obligations are to be settled directly, less (c) any <i>past service cost</i> not yet recognised in accordance with Section B2.20-B2.21. 		
	Business combinations		
IFRS3p36 IFRS3, AppdxB16(h)	25. An employee benefit liability acquired in a business combination is measured initially at fair value. The fair value of a net liability for a defined benefit plan is: <ul style="list-style-type: none"> (a) the <i>present value of the defined benefit obligation</i> (see Section B2.9-B2.15), less (b) the <i>fair value</i> of any <i>plan assets</i> (see Section B2.16-B2.17) out of which the obligations are to be settled directly. 		
	(d) Other long-term employee benefits		
19p128	26. A liability for other long-term employee benefits is measured at the net total, at the balance sheet date, of: <ul style="list-style-type: none"> (a) the <i>present value of the defined benefit obligation</i> (see Section B2.9-B2.15), less (b) the <i>fair value</i> of any <i>plan assets</i> (see Section B2.16-B2.17) out of which the obligations are to be settled directly. 		
	(e) Termination benefits		
19p139 19p140	27. A <i>liability</i> recognised in respect of benefits payable on termination of the employment of an employee (or group of employees) is measured at the amount of benefits expected to be payable, discounted using the rate specified in Section B2.12-B2.14 if the benefits fall due more than 12 months after the balance sheet date. A liability for voluntary redundancy costs is measured based on the number of employees expected to accept the offer of voluntary redundancy.		

B3 Provisions and contingent liabilities

This section applies to the measurement of *contingent liabilities* arising from a business combination and *provisions*, except those arising from *executory contracts* that are not onerous, and those that are covered by another section, as follows:

- (a) income tax liabilities (Section B1);
- (b) employee benefit liabilities (Section B2);
- (c) *financial liabilities*, obligations under *finance leases* (Section B4);
- (d) *government grants* (Section B5);
- (e) *construction contracts* (Section B5); and
- (f) deferred revenue (Section B5).

The measurement requirements set out in this section apply both on initial recognition and subsequent measurement of *provisions* and *contingent liabilities*, other than in respect of the measurement of *provisions* upon adoption of IFRS, and *provisions* and *contingent liabilities* assumed in a business combination. For measurement purposes, this section adopts the following classifications:

- (a) *provisions* arising on adoption of IFRS (Section B3.1-B3.2);
- (b) *provisions* and *contingent liabilities* assumed in a business combination (Section B3.3-B3.6);
- (c) decommissioning, restoration and environmental rehabilitation funds (Section B3.7-B3.9); and
- (d) other *provisions* (Section B3.10-B3.12).

		Y-NA-NM	REF
	(a) Provisions arising on adoption of IFRS		
IFRS1p10 IFRS1p31 37p1	1. <i>Provisions</i> are measured in accordance with IAS 37 on adoption of IFRS. However, estimates applied in measuring provisions should be consistent with estimates made for the same date under previous GAAP , unless there is objective evidence that those estimates were made in error.		
IFRS1p33	2. Estimates used in the measurement of <i>provisions</i> that were not required by an entity's previous GAAP reflect conditions that existed at the date of transition to IFRS.		
	(b) Provisions and contingent liabilities assumed in a business combination		
IFRS3p36	3. Provisions and contingent liabilities assumed by way of a business combination are measured initially at their fair value at the acquisition date.		
IFRS3, AppdxB16(j)-(k)	4. The fair value of a provision is the <i>present value</i> of the amount to be paid in settling the <i>liability</i> , determined at appropriate current interest rates.		
IFRS3, AppdxB16(l)	5. The fair value of a contingent liability is the amount that a third party would charge to assume that <i>contingent liability</i> . The amount should reflect all expectations about possible cash flows and not the single most likely or the expected maximum or minimum cash flow.		
IFRS3p48	6. Contingent liabilities assumed as part of a business combination are measured subsequent to initial recognition at the higher of: (a) the amount recognised in accordance with IAS 37 (see Section B3.7-B3.10); and (b) the amount recognised initially, less, where appropriate, cumulative amortisation recognised in accordance with IAS 18.		
	(c) Decommissioning, restoration and environmental rehabilitation funds		
IFRIC5p10	7. Potential additional contributions (eg, in the event of the bankruptcy of another contributor or if the investment assets held by the fund are insufficient to fulfil the fund's reimbursement obligations) that are likely to be made , are recognised as <i>provisions</i> and measured in accordance with IAS 37.		
IFRIC5p9	8. If a contributor does not have control, joint control or significant influence over the fund, the right to receive reimbursement from the fund is measured at the lower of: (a) the amount of the decommissioning obligation recognised; and (b) the contributor's share of the <i>fair value</i> of the net assets of the fund attributable to contributors.		
IFRIC5p5	9. If a contributor has a contractual right to the residual interest in the fund that extends beyond a right to reimbursement, the contractual right is measured in accordance with IAS 39. (See Section A8.)		

		Y-NA-NM	REF
	(d) Other provisions		
37p36 37p37	10. Provisions are measured at the best estimate of the expenditure required to settle the <i>liability</i> at the balance sheet date. The best estimate is the amount that an entity would rationally pay to settle the related obligation or transfer the obligation to a third party, at the balance sheet date.		
37p38 37p39 37p40 37p42 37p43 37p48	11. The estimates used to measure the amount that an entity would rationally pay reflect: <ul style="list-style-type: none"> (a) management's judgement, experience of similar transactions and, in some cases, reports from independent experts; (b) evidence provided by events after the balance sheet date on the uncertainties existing at the balance sheet date; (c) future events that may affect the amount required to settle the obligation if there is sufficient objective evidence that they will occur; (d) the expected value of all possible outcomes; and (e) risks and uncertainties that surround the events and circumstances of the obligation, either through adopting an increased probability of an adverse outcome, or a prudent estimate of the <i>cost</i> of such an outcome (but not to the extent of creating excessive provisions or deliberately overstating <i>liabilities</i>). <p>The estimates used to measure a provision do not reflect:</p> <ul style="list-style-type: none"> (a) the tax consequences of the <i>provision</i>; (b) gains from the expected disposal of any related <i>assets</i>; (c) any reimbursement of a part or all of the expenditure required to settle the <i>provision</i>; (d) future operating losses, unless they relate to a <i>provision</i> recognised in respect of an <i>onerous contract</i>; or (e) the individual, most likely outcome, even if a single obligation is being measured. The entity considers other possible outcomes that are either mostly higher or mostly lower than the most likely outcome. 		
37p41 37p51 37p53 37p63 37p22			
37p40			
37p49 37p50	12. Future events that may affect the amount required to settle an obligation , and for which evidence of occurrence is sufficiently objective, include expected <i>cost</i> reductions associated with: <ul style="list-style-type: none"> (a) increased experience of applying existing technology; (b) applying existing technology to a larger or more complex solution; and (c) new legislation that is virtually certain to be enacted as drafted. <p>They do not include future events anticipated from the development of completely new technologies not supported by sufficient objective evidence.</p>		
37p45 37p47	13. The amount that an entity would rationally pay to settle or transfer an obligation at the balance sheet date takes account of the time value of money, where material. The cash outflows are discounted to present value using a pre-tax discount rate that reflects: <ul style="list-style-type: none"> (a) the current time value of money; and (b) the current risks specific to the <i>liability</i> for which the cash flow estimates have not been adjusted. 		

- 37p80** 14. *Restructuring provisions* include only direct expenditure arising from the *restructuring*, which are those that are both:
- (a) necessarily brought about by the restructuring; and
 - (b) not associated with the entity's ongoing activities.
- 37p81** 15. *Restructuring provisions* do not include:
- 37p82** (a) expenditure relating to the future conduct of the
- 37p83** business, including:
- (i) retraining or relocating continuing employees;
 - (ii) marketing; and
 - (iii) investment in new systems and distributions networks
- (b) future operating losses up to the date of a restructuring, unless they relate to an *onerous contract*; or
 - (c) gains on the expected disposal of assets.

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B4 Financial liabilities

The definition of a *financial liability* includes any *liability* arising from a contractual obligation to deliver cash or another financial asset to another party, or to exchange *financial assets* or *financial liabilities* on potentially unfavourable terms. The definition also includes certain contracts that will or may be settled in a variable number of the entity's own *equity instruments*.

This section covers the measurement of all *financial liabilities* other than an employer's obligations under employee benefit plans. These are covered in Section B2.

Initial measurement

A number of categories of *financial liabilities* exist including:

- (a) a commitment to provide a loan (Section B4.1-B4.3);
- (b) consideration received for the transfer of a *financial asset* that does not result in derecognition (Section B4.4);
- (c) continuing involvement in transferred *assets* – see IAS 39p20 and IAS 39AG36 regarding derecognition criteria (Section B4.5-B4.9);
- (d) a lessee's obligations under a *lease* (Section B4.10-B4.11);
- (e) *financial liabilities at fair value through profit or loss*, including *derivatives* (Section B4.12-B4.15);
- (f) an entity's obligation to purchase its own *equity instruments* (Section B4.16);
- (g) *cash-settled share-based payment liabilities* (Section B4.17);
- (h) compound financial instruments (Section B4.18);
- (i) *insurance contracts* (Section B4.19);
- (j) *liabilities* arising or adopted in a business combination (Section B4.20-B4.26);
- (k) financial guarantee (Section B4.27-B4.28); and
- (l) all other *financial liabilities*, except employers' obligations under employee benefit plans (Section B4.29).

Subsequent measurement

- (a) a commitment to provide a loan (Section B4.30-B4.33);
- (b) continuing involvement in transferred *assets* (Section B4.34-B4.38);
- (c) a lessee's obligations under a *lease* (Section B4.39-B4.40);
- (d) *financial liabilities at fair value through profit or loss*, including *derivatives* (Section B4.41-B4.46);
- (e) *cash-settled share-based payment liabilities* (Section B4.47-B4.49);
- (f) *insurance contracts* (Section B4.50-B4.51);
- (g) a *financial liability* designated as a *hedged item* in a *fair value hedge* (Section B4.52-B4.55);
- (h) financial guarantee contracts (applicable on or after 1 January 2006) (Section B4.56-B4.57); and
- (i) all other *financial liabilities*, except employers' obligations under employee benefit plans (Section B4.58).

Fair value measurement of financial liabilities

The following hierarchy is applied for the purposes of determining *fair value*, where applicable, of *financial liabilities* within the scope of this section.

39AG71-72

(a) Active market: quoted price

The *fair value* of a *financial liability* that is *quoted in an active market* is usually its current asking price in the most advantageous active market to which the entity has immediate access. When an entity has *assets* and *liabilities* with offsetting market risks, it may determine *fair value* on the basis of mid-market prices for the offsetting risk positions.

39AG72

(b) Active market: recent price

When current prices are unavailable, the price of the most recent transaction provides evidence of the current *fair value* of a *financial liability* unless there has been a significant change in economic circumstances since the time of the transaction. If conditions have changed in the intervening period, or the entity can demonstrate that the last transaction price is not *fair value*, the *fair value* is estimated by adjusting the most recent price to take account of those changes or events by reference to current prices or rates for similar *financial liabilities*.

39AG74-76

(c) No active market: valuation technique

If the market for a *financial liability* is not active, an entity determines *fair value* using a valuation technique, including:

- (i) recent arm's length market transactions;
- (ii) reference to the current *fair value* of other *financial liabilities* that are substantially the same;
- (iii) discounted cash flow analysis; or
- (iv) option pricing models.

If there is a valuation technique commonly used to price an instrument that has been demonstrated to provide reliable estimates of prices in actual market transactions, that technique is used.

Valuation techniques should be selected so as to make maximum use of market inputs, including market expectations and measures of the risk-return factors in the *financial liability*, and rely as little as possible on entity-specific inputs. An entity should calibrate the valuation technique periodically using prices from an observable market transaction in the same instrument or based upon observable market data.

39AG76A

The valuation technique may result in no gain or loss being recognised on the initial recognition of a financial liability. A gain or loss should be recognised after initial recognition only to the extent that it arises from a change in a factor (including time) that market participants would consider in setting a price.

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Initial measurement

- (a) A commitment to provide a loan
- 39p4 1. **Loan commitments that are designated as *financial liabilities at fair value through profit or loss*** are measured in accordance with Section B4.12.
- 39p4 2. An entity measures all its loan commitments of the same class in accordance with Section B4.12 if it has a past practice of selling *assets* that result from its loan commitments shortly after origination.
- 39p2(h)
37p37 3. **Other loan commitments that cannot be settled net** in cash or another *financial instrument* are measured initially:
- (a) at *fair value* only if the commitment is to provide a loan at a below-market rate of interest; or otherwise
- (b) at the amount that the entity would rationally pay to settle the loan commitment, or to transfer it to a third party, at the date of initial recognition.
- (b) **Consideration received for the transfer of a financial asset that does not result in derecognition**
- 39p29 4. **If an entity transfers a *financial asset* that does not result in derecognition** due to the retention of substantially all the risks and rewards of ownership of the transferred *asset*, the resulting *financial liability* is measured initially at the consideration received.
- (c) **Continuing involvement in transferred assets**
- 39p30 5. An entity has a continuing involvement in a transferred *financial asset* to the extent that it:
- 39p31 (a) neither transfers nor retains substantially all of the risks and records of ownership of the transferred *asset*; and
- 39p35 (b) retains control of the transferred *asset*.
- When an entity has a continuing involvement in an *asset* (which is measured in accordance with Section A8.65), it also recognises **an associated *liability* that is measured so that the net carrying amount of the transferred *asset* and associated *liability* is:**
- (a) the *amortised cost* of the rights and obligations retained by the entity, if the transferred *asset* is measured at *amortised cost* (the entity cannot designate the associated *liability* as a *financial liability at fair value through profit or loss*); or
- (b) equal to the *fair value* of the rights and obligations retained by the entity, if the transferred *asset* is measured at *fair value*.
- The measurement of *liabilities* arising in specific situations is covered in Section B4.6-B4.9.
- 39AG48(a) 6. The *liability* arising from a guarantee that results in continuous movement is measured at the guarantee amount (the maximum amount the entity could be required to pay) plus the *fair value* of the guarantee (normally the consideration received for the guarantee).

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		Y-NA-NM	REF
39AG48(b)	7. The <i>liability</i> associated with a transferred <i>asset</i> that is measured at <i>amortised cost</i> and that continues to be recognised as a result of either a put option written or a call option held over the transferred <i>asset</i> is measured at <i>cost</i> (ie, the consideration received).		
39AG48(c)	8. The <i>liability</i> associated with a transferred <i>asset</i> that is measured at <i>fair value</i> and that continues to be recognised as a result of a call option retained over the transferred <i>asset</i> is measured at: <ul style="list-style-type: none"> (a) the option exercise price, less the time value of the option if it is in or at the money; or (b) the <i>fair value</i> of the transferred <i>asset</i>, less the time value of the option if it is out of the money. 		
39AG48(d)	9. The <i>liability</i> associated with a transferred <i>asset</i> that is measured at <i>fair value</i> and that continues to be recognised as a result of a put option written in respect of the transferred <i>asset</i> is measured at the option's exercise price plus the time value of the option.		
	(d) A lessee's obligations under a lease		
17p20	10. A lessee measures its <i>liability</i> under a <i>finance lease</i> at the lower of: <ul style="list-style-type: none"> (a) the <i>fair value</i> of the leased property; and (b) the <i>present value</i> of the <i>minimum lease payments</i> using the interest rate implicit in the <i>lease</i> (or the incremental borrowing rate if the implicit rate cannot practicably be determined) as the discount rate, each determined at the inception of the <i>lease</i>. 		
SIC15p3	11. Incentives provided by a lessor in negotiating a new or renewed <i>operating lease</i> (including up-front cash payments, or the reimbursement or assumption of the lessee's <i>costs</i>) are an integral part of the net consideration agreed for the leased <i>asset</i> . The <i>provision</i> of these incentives gives rise to a <i>financial liability</i> of the lessee that is measured at the aggregate benefit to the lessee of incentives received.		
	(e) Financial liabilities at fair value through profit or loss, including derivatives		
39p43 39p49	12. A <i>financial liability</i> designated as <i>at fair value through profit or loss</i>, and any <i>derivative</i> that is a <i>liability</i>, is initially measured at <i>fair value</i>. The <i>fair value</i> of a <i>financial liability</i> with a demand feature (for example, a demand deposit) is not less than the <i>present value</i> of the amount payable on demand, discounted from the first date on which the amount could be required to be paid.		
39p11 39AG28	13. A non-option <i>embedded derivative</i> (for example, an embedded forward or swap) that is separated from its host contract in accordance with IAS 39p11 is separated so as to result in it having a <i>fair value of nil</i> on initial recognition. An option-based <i>embedded derivative</i> (for example, an embedded put, call, cap, floor or swaption) that is separated from a host contract in accordance with IAS 39p11 is measured at <i>fair value through profit or loss</i> in the same manner as a stand-alone derivative. The carrying amount of the host instrument is the residual amount after separating the <i>embedded derivative</i>.		

		Y-NA-NM	REF
39p13	14. If the <i>fair value</i> of an <i>embedded derivative</i> is not <i>reliably measurable</i> as a stand-alone instrument, the <i>fair value</i> is the difference between the <i>fair value</i> of the hybrid instrument and the <i>fair value</i> of the host contract, if determinable (the 'residual approach').		
39p12	15. If the <i>fair value</i> of an <i>embedded derivative</i> is not <i>reliably measurable</i> using either the stand-alone <i>derivative</i> or the residual approach, the entire combined contract is treated as a <i>financial asset</i> or <i>financial liability</i> that is <i>held for trading</i> .		
	(f) An entity's obligation to purchase its own equity instruments		
32p23 32AG27(b)	16. A contract that contains an obligation for an entity to purchase its own equity instruments for cash or another <i>financial asset</i> (for example, a forward purchase or written put) creates a <i>financial liability</i> , even if the number of shares that the entity is obliged to repurchase is not fixed, or if the obligation to purchase is conditional on the counterparty exercising a right to redeem. The <i>financial liability</i> is initially measured at fair value, being the present value of the redemption amount (for example, the <i>present value</i> of the forward repurchase price, option exercise price or other redemption amount).		
	(g) Cash-settled share-based payment liabilities		
IFRS2p30 IFRS2p33 IFRS2p35 IFRS2p37 IFRS2p42	17. The liability incurred as a result of a cash-settled share-based payment transaction , including the debt component of a transaction with a cash alternative, is measured at fair value (see Section B4.47-B4.49). The <i>liability</i> takes account of the extent to which the counterparty has rendered services at the balance sheet date.		
	(h) Compound financial instruments		
32p31 32p32 32p38 39p43	18. The initial carrying amount of the liability component of a compound financial instrument is determined by reference to: <ul style="list-style-type: none"> (a) the <i>fair value</i> of a similar <i>liability</i> that does not have an associated <i>equity</i> component; plus (b) a proportion of the <i>transaction costs</i> that are directly attributable to the acquisition of the compound financial instrument, if the <i>liability</i> is not designated as a <i>financial liability at fair value through profit or loss</i>. <p>The relevant proportion of <i>transaction costs</i> is determined in accordance with the relative allocation of proceeds between the debt and <i>equity</i> components.</p>		
	(i) Insurance contracts		
IFRS4p13	19. There are no specified criteria for the initial measurement of an <i>insurance contract</i> issued by an entity. An issuer is exempted from applying IAS 8p10-12 and may therefore measure <i>insurance liabilities</i> on initial recognition according to its existing accounting policy (see Section B4.50-B4.51 for subsequent measurement).		

		Y-NA-NM	REF
	(j) Liabilities arising or adopted in a business combination		
IFRS3p36	20. A <i>financial liability</i> acquired by way of a business combination is measured initially at <i>fair value</i> .		
IFRS3, AppdxB16(a)	21. <i>Fair value</i> is the current <i>market value</i> for <i>financial liabilities</i> quoted in an active market.		
IFRS3, AppdxB16(j)	22. The <i>fair value</i> of accounts payable, notes payable, long-term debt, <i>liabilities</i> , accruals and other claims payable is the <i>present value</i> of the amounts to be disbursed in settling the <i>liabilities</i> , determined at appropriate current interest rates. Discounting is not required for short-term <i>liabilities</i> if the discount is not material.		
IFRS3, AppdxB16(b)	23. The <i>fair value</i> of other <i>financial liabilities</i> that are not <i>quoted in an active market</i> is estimated by taking into consideration features of comparable instruments of entities with similar characteristics, such as: (a) price-earnings ratios; (b) dividend yields; and (c) expected growth rates.		
IFRS3p26	24. <i>Liabilities</i> incurred or assumed in exchange for control in a business combination are measured at their <i>fair value</i> at the date of exchange. Deferred consideration is determined by discounting the amounts payable to their <i>present value</i> at the date of exchange, taking into account any premium or discount likely to be incurred in <i>settlement</i> .		
IFRS3p32	25. <i>Liabilities</i> arising in respect of consideration contingently payable in exchange for control in a business combination are measured initially at the amount payable if it is probable that contingent consideration will be paid and the amount is <i>reliably measurable</i> .		
IFRS3p35	26. A payment made by the acquirer to the seller as compensation for a reduction in the value of <i>liabilities</i> incurred or assumed by the acquirer in exchange for control of the acquiree is regarded as a reduction in the premium or an increase in the discount on initial issue.		
	(k) Financial guarantee contracts (applicable on or after 1 January 2006)		
39p43	27. If IAS 39 is applied, initial recognition is at <i>fair value</i> plus <i>transaction costs</i> that are directly attributable to the issue of the financial guarantee if the financial liability is not classified at <i>fair value through profit or loss</i> .		
IFRS 4p13	28. If IFRS 4 is applied, initial recognition is according to the preparer's existing accounting policy.		
	(l) All other financial liabilities, except employers' obligations under employee benefit plans		
39p43	29. All <i>financial liabilities</i> other than an employers' obligations under employee benefit plans (see Section B2), and those <i>financial liabilities</i> measured in accordance with Section B4.1-B4.28, are measured initially at: (a) <i>fair value</i> , plus (b) <i>transaction costs</i> that are directly attributable to the acquisition or issue of the <i>financial liability</i> .		

Subsequent measurement

(a) A commitment to provide a loan

30. **Loan commitments that are designated as *financial liabilities at fair value through profit or loss*** are measured in accordance with Section B4.41-B4.42.

39p4

31. An entity measures all its loan commitments of the same class in accordance with Section B4.41-B4.42 if it has a past practice of selling assets that result from its loan commitments shortly after origination.

39p2(h)
37p37

32. **A commitment to provide a loan at a below-market rate of interest is measured at the higher of:**

- (a) the amount that an entity would rationally pay to settle the loan commitment, or transfer it to a third party, at the balance sheet date; and
- (b) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with IAS 18.

39p2(h)
37p37

33. **All other loan commitments** are measured at the amount that the entity would rationally pay to settle the loan commitment, or transfer it to a third party, at the balance sheet date.

(b) Continuing involvement in transferred assets

39p30
39p31
39p35

34. **The *liability* associated with a continuing involvement in a transferred asset** is measured so that the net carrying amount of the transferred *asset* and associated *liability* is:

- (a) the *amortised cost* of the rights and obligations retained by the entity, if the transferred asset is measured at *amortised cost* (the entity cannot designate the associated *liability* as a *financial liability at fair value through profit or loss*); or
- (b) equal to the *fair value* of the rights and obligations retained by the entity, if the transferred *asset* is measured at *fair value*.

The measurement of *liabilities* arising in specific situations is covered in Section B4.35-B4.38.

39AG48(a)

35. The *liability* arising from a guarantee that prevents an *asset* from being derecognised is measured at the amount initially recognised (see Section B4.6), less amortisation of the initial *fair value* of the guarantee on a time-proportion basis.

39AG48(b)

36. The *liability* associated with a transferred *asset* that is measured at *amortised cost*, and that continues to be recognised as a result of either a put option written or a call option retained over the transferred *asset*, is measured at *cost* (ie, the consideration received) adjusted for the amortisation of any difference between that *cost* and the *amortised cost* of the transferred *asset* at the option's expiry date.

39AG48(c)

37. The *liability* associated with a transferred *asset* that is measured at *fair value* and that continues to be recognised as a result of a call option retained over the transferred *asset* is measured at:

- (a) the option exercise price, less the time value of the option if it is in or at the money; or
- (b) the *fair value* of the transferred *asset*, less the time value of the option if it is out of the money.

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		Y-NA-NM	REF
39AG48(d)	38. The <i>liability</i> associated with a transferred <i>asset</i> that is measured at <i>fair value</i> and that continues to be recognised as a result of a put option written in respect of the transferred <i>asset</i> is measured at the option's exercise price, plus the time value of the option.		
	(c) A lessee's obligations under a lease		
17p25	39. <i>Minimum lease payments</i> are apportioned between the finance charge and the principal repayment so as to allocate the finance charge during the <i>lease term</i> at a constant periodic rate of interest on the outstanding balance of the <i>liability</i> . A lessee's obligations under a finance lease are measured at the amount recognised initially (see Section B4.10), less the principal element of cumulative lease payments.		
SIC-15p5	40. Incentives provided to a lessee in negotiating a new or renewed operating lease are measured at the aggregate benefit of incentives received, less cumulative amortisation. Amortisation is determined so as to reduce rental expense over the <i>lease term</i> on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased <i>asset</i> .		
	(d) Financial liabilities at fair value through profit or loss, including derivatives		
39p47(a)	41. <i>Financial liabilities at fair value through profit or loss, including derivatives that are liabilities, are measured at fair value.</i>		
39p49	42. The fair value of a financial liability with a demand feature (for example, a demand deposit) is not less than the <i>present value</i> of the amount payable on demand, discounted from the first date on which the amount could be required to be paid.		
39p47(a)	43. A <i>derivative liability</i> that is linked to and must be settled by delivery of an unquoted <i>equity instrument</i> whose <i>fair value</i> is not <i>reliably measurable</i> is measured at <i>cost</i> .		
39p11 39AG28	44. An embedded derivative that is separated from its host contract in accordance with IAS 39p11 is measured at fair value through profit or loss in the same way as a stand-alone <i>derivative</i> with the same terms and conditions. The terms used to determine the <i>fair value</i> of a non-option <i>derivative</i> are those that resulted in it having a <i>fair value</i> of nil on initial recognition.		
39p13	45. If the <i>fair value</i> of an <i>embedded derivative</i> is not <i>reliably measurable</i> as a stand-alone instrument, the <i>fair value</i> is the difference between the <i>fair value</i> of the hybrid instrument and the <i>fair value</i> of the host contract, if determinable (the 'residual approach').		
39p12	46. If the <i>fair value</i> of an <i>embedded derivative</i> is not <i>reliably measurable</i> using either the stand-alone <i>derivative</i> or the residual approach, the entire combined contract is treated as a <i>financial liability</i> that is <i>held for trading</i> .		

		Y-NA-NM	REF
	(e) Cash-settled share-based payment liabilities		
IFRS2p30 IFRS2p35 IFRS2p37 IFRS2p42	47. The <i>liability</i> arising from a <i>cash-settled share-based payment transaction</i> , including the debt component of a transaction with a cash alternative, is measured at its fair value at each reporting date and at the date of settlement.		
IFRS2p15 IFRS2p32	48. The <i>fair value of the liability</i> reflects the extent to which the services are received (ie, the <i>liability</i> is accrued on a straight-line basis over the service period, which is presumed to be the vesting period, if any).		
IFRS2p33	49. The <i>fair value</i> of share appreciation rights is determined using an option pricing model (see IFRS 2, Appdx B5-B41 for requirements of the model to be used).		
	(f) Insurance contracts		
IFRS4p16	50. There are no further measurement requirements regarding an insurer's insurance liabilities if the entity: (a) applies a <i>liability adequacy</i> test to assess the measurement of its <i>liabilities</i> that considers current estimates of: (i) all contractual cash flows; (ii) related cash flows such as claims handling <i>costs</i> ; and (iii) cash flows resulting from embedded options and guarantees; and (b) compares the amount determined under (a) against its <i>insurance liabilities</i> , less related <i>deferred acquisition costs</i> and related intangible assets (but excluding related <i>reinsurance assets</i> – see Section A8) and, if this test shows that the net <i>liability</i> is inadequate, the entire deficiency is recognised in profit or loss.		
IFRS4p17	51. If the <i>insurer's</i> accounting policies do not require a <i>liability adequacy test</i> that meets the requirements of Section B4.48, its <i>insurance liabilities</i> , less related deferred acquisition <i>costs</i> and related intangible assets (but excluding related <i>reinsurance assets</i> (see Section A8) are measured at not less than the amount that would be required if the relevant insurance liabilities were within the scope of IAS 37 (see Section B3 for the measurement of such <i>liabilities</i>).		
	(g) A financial liability designated as a hedged item in a fair value hedge		
39p89	52. The carrying amounts of <i>financial liabilities</i> that are: (a) designated as <i>hedged items in a fair value hedge</i> ; and (b) otherwise measured at <i>cost</i> (including <i>amortised cost</i>) are adjusted for the gains or losses arising from changes in the <i>fair values</i> of the <i>hedged item</i> in respect of the hedged risk. 53. When the <i>hedged item</i> is an unrecognised firm commitment, the subsequent cumulative change in the <i>fair value</i> of the <i>firm commitment</i> attributable to the hedged risk is recognised as a <i>liability</i> (or <i>asset</i> , see Section A8.62).		

		Y-NA-NM	REF
39p92	54. Any adjustment under Section B4.52 to the carrying amount of a <i>hedged item</i> for which the <i>effective interest method</i> is used is amortised to profit or loss on the basis of a recalculated effective interest rate at the date on which amortisation begins. Amortisation may begin as soon as an adjustment exists, but it must begin no later than when the <i>hedged item</i> ceases to be adjusted for changes in the <i>fair value</i> attributable to the risk being hedged.		
39p92	55. If amortisation using a recalculated <i>effective interest rate</i> is not practicable for a <i>fair value hedge</i> of the interest rate exposure of a portfolio of <i>financial liabilities</i> , the adjustment is amortised using a straight-line method.		
	(h) Financial guarantee contracts (applicable on or after 1 January 2006)		
IAS 39p47	56. If IAS 39 is applied, subsequent measurement is at the higher of: <ul style="list-style-type: none"> (a) the amount determined in accordance with IAS 37, Provision, Contingent Liabilities and Contingent Assets; and (b) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18, Revenue. 		
IFRS 4p15 IFRS 4p16 IFRS 4p17	57. If IFRS 4 is applied, subsequent measurement of financial guarantee contract liabilities (net of any associated intangible assets) should be recognised at a net liability amount, which is at least equal to the amount required in the <i>liability adequacy test</i> . The test considers current estimates of all contractual cash flows as a minimum requirement, and of related cash flows such as claims handling <i>costs</i> , as well as cash flows resulting from embedded options and guarantees. If the entity does not have an accounting policy for financial <i>guarantee contracts</i> with a <i>liability adequacy test</i> that meets the minimum requirements noted above, the entity should remeasure its liabilities for financial contracts under IAS 37 to establish that the net liability is adequate (see Section B3).		
	(i) All other financial liabilities, except employers' obligations under employee benefit plans		
39p47	58. All <i>financial liabilities</i> other than employers' obligations under an employee benefit plans (see Section B2), and those <i>financial liabilities</i> measured subsequent to initial recognition in accordance with Section B4.30-B4.57, are measured at <i>amortised cost</i> using the <i>effective interest method</i> after initial recognition.		

B5 Obligations to provide goods and services in the future

Obligations to provide goods and services in the future arise principally from transactions involving:

- (a) *government grants* related to *biological assets* (Section B5.1-B5.2);
- (b) other *government grants* (Section B5.3-B5.5);
- (c) *construction contracts* (Section B5.6); or
- (d) other deferred revenue (Section B5.7).

Obligations to provide goods and services in the future are measured consistently both on initial recognition and subsequently, other than in respect of *government grants* that are not related to *biological assets* (see Section B5.4-B5.5).

		Y-NA-NM	REF
	(a) Government grants related to biological assets		
41p37	1. A liability in respect of a <i>government grant</i> that relates to a biological asset measured at cost, less any accumulated depreciation and impairment losses , is measured in accordance with Section B5.3-B5.5.		
41p34 41p35	2. A liability in respect of a conditional government grant , including a grant that requires an entity not to engage in specified agricultural activity, is measured at: <ul style="list-style-type: none"> (a) the <i>fair value</i> of consideration received, less (b) amounts recognised as income as the conditions attaching to the <i>government grant</i> are met. <p>No <i>liability</i> arises in respect of an unconditional <i>government grant</i>.</p>		
	(b) Other government grants		
41p1(c) 41p35 41p38	3. A <i>liability</i> in respect of a <i>government grant</i> that requires an entity not to engage in specified agricultural activity is measured in accordance with Section B5.2.		
20p24 20p26 20p32	4. Any <i>liability</i> recognised under an entity's accounting policy for government grants that relate to assets , including non-monetary grants at <i>fair value</i> , is measured at: <ul style="list-style-type: none"> (a) the <i>fair value</i> of the consideration received, less (b) amounts recognised as income on a systematic and rational basis over the useful life of the <i>asset</i>, less (c) the amount of any repayment of the <i>government grant</i> (up to the amount of any unamortised deferred credit remaining from (a) and (b) above). 		
20p12 20p17 20p32	5. Any <i>liability</i> recognised under an entity's accounting policy for government grants that relate to income is measured at: <ul style="list-style-type: none"> (a) the <i>fair value</i> of the consideration received, less (b) amounts recognised as income on a systematic basis over the periods necessary to match the grant with the related costs that it is intended to compensate, less (c) the amount of any repayment of the <i>government grant</i> (up to the amount of any unamortised deferred credit remaining from (a) and (b) above). 		
	(c) Construction contracts		
11p44 11p21	6. A liability in respect of amounts due to customers for work to be performed under a construction contract is measured at: <ul style="list-style-type: none"> (a) progress billings plus recognised losses, less (b) contract <i>costs</i> incurred from the date of securing the contract to the finalisation of the contract, plus recognised profits, where contract costs and recognised profits and losses are determined in accordance with Section A8.27-A8.37. 		
	(d) Other deferred revenue		
18p9 18p13	7. A liability recognised in respect of an entity's obligations to provide goods and services in the future that arises from an incomplete revenue transaction is measured at: <ul style="list-style-type: none"> (a) the <i>fair value</i> of consideration received or receivable, less (b) the amount of any revenue recognised in respect of the transaction. 		

IFRS Measurement Checklist 2006

Section C
Equity



C1 Own equity instruments

This section applies to the measurement of an entity's own *equity instruments* that are:

- (a) issued as part of a business combination (excluding the cancellation, replacement or other modification of existing *share-based payment arrangements* arising as a result of the business combination); and
- (b) contracts to buy or sell a non-financial item that can be settled net in cash or another *financial instrument*, or by exchanging *financial instruments* as if the contracts were *financial instruments* (except for a contract other than a written option that was entered into in accordance with the entity's expected purchase, sale or usage requirements).

Such *equity instruments* may be classified as:

- (a) a stand-alone *equity instrument*;
- (b) an *equity* component of a compound financial instrument; or
- (c) *equity instruments* issued as consideration in a business combination.

The measurement requirements set out in this section apply both on initial recognition and subsequent remeasurement of *equity instruments* other than as set out in Section C1.11 in respect of guarantees regarding contingent consideration that arises from a business combination.

		Y-NA-NM	REF
	(a) A stand-alone equity instrument		
32p22	1. A contract that will be settled by the receipt or delivery of a fixed number of an entity's own <i>equity instruments</i> in exchange for a fixed amount of cash or another <i>financial asset</i> is an <i>equity instrument</i>, while any: (a) consideration received (such as the premium received for a written option or warrant on the entity's own shares) is added directly to <i>equity</i> ; or (b) consideration paid (such as the premium paid for a purchased option) is deducted directly from <i>equity</i> .		
32p33	2. The deduction from <i>equity</i> that is recognised when an entity reacquires its own <i>equity instruments</i> (" treasury shares ") is measured at the <i>cost</i> of those instruments.		
32p35 32p37	3. <i>Transaction costs associated with an equity transaction</i> (other than the <i>costs</i> of issuing an <i>equity instrument</i> that are directly attributable to a business combination – see Section C1.10) that: (a) are incremental <i>costs</i> , (b) are directly attributable to the equity transaction, and (c) would otherwise have been avoided, are deducted directly from <i>equity</i> , net of any related income tax benefit. The <i>costs</i> of an equity transaction that does not proceed are recognised as an expense.		
	(b) An equity component of a compound financial instrument		
32p31	4. The <i>equity</i> component of a compound financial instrument (which is a <i>financial instrument</i> that contains both a <i>liability</i> and an <i>equity</i> component) is measured at the difference between: (a) the <i>fair value</i> of the instrument as a whole; and (b) the amount allocated to the <i>liability</i> component (including the value of any <i>derivative</i> features embedded in the compound financial instrument other than the <i>equity</i> component) in accordance with IAS 39 – see Section B4.		
32p38	5. <i>Transaction costs arising from the issue of a compound financial instrument</i> are allocated to the <i>liability</i> and <i>equity</i> components of the instrument in proportion to the allocation of proceeds.		
12p61 12, AppdxB, Example 4	6. A deferred tax charge that arises from the recognition of a deferred tax liability in respect of the amount attributed to the <i>equity</i> component of a compound financial instrument is deducted directly from <i>equity</i> when the imputed discount on the <i>liability</i> component: (a) will be recognised as an interest expense over the term of the <i>financial liability</i> ; and (b) the tax authorities do not allow the entity to claim any deduction for the imputed discount on the <i>liability</i> component. See Section B1 for the measurement of deferred tax liabilities.		

		Y-NA-NM	REF
	(c) Equity instruments issued as consideration in a business combination		
IFRS3p24	7. Equity instruments issued by the acquirer as (a part of) the consideration paid in exchange for control of the acquiree are measured at their <i>fair value</i> at the date of exchange (ie, the date on which the investment is recognised in the acquirer's financial statements).		
IFRS3p27	8. The published price of a quoted equity instrument is its fair value at the date of exchange unless, in rare circumstances, the acquirer can demonstrate that the published price of a quoted <i>equity instrument</i> has been affected on the date of exchange by the thinness of the market.		
IFRS3p27	9. If the published price on the date of exchange is: (a) an unreliable indicator of <i>fair value</i> ; or (b) a published price does not exist for <i>equity instruments</i> issued by the acquirer, the <i>fair value</i> of the instruments may be estimated by reference to the proportional interest in the <i>fair value</i> of the acquirer or by reference to the proportional interest in the acquiree obtained, whichever is the more evident.		
IFRS3p31	10. The costs of issuing equity instruments to effect a business combination are deducted directly from the fair value of equity instruments issued.		
IFRS3p35	11. If the acquirer is required to make a subsequent payment to the vendor as compensation for a reduction in the value of <i>equity instruments issued</i> in exchange for control of the acquiree, the instruments issued initially are re-measured at: (a) the amount attributed initially to the instruments upon their issue, less (b) the <i>fair value</i> of the additional payment.		

C2 Equity-settled share-based payments

The measurement of amounts recognised as a separate component of *equity*¹ in respect of *equity-settled share-based payments* is set out in IFRS 2. IFRS 2 is applied to all *share-based payment transactions* other than:

- (a) *equity instruments* issued as part of a business combination (excluding the cancellation, replacement or other modification of existing *share-based payment arrangements* arising as a result of the business combination); and
- (b) contracts to buy or sell a non-financial item that can be settled net in cash or another *financial instrument*, or by exchanging *financial instruments*, as if the contracts were *financial instruments* (except a contract other than a written option that was entered into in accordance with the entity's expected purchase, sale or usage requirements).

These exceptions are covered by Section C1.

Equity-settled share-based payments may be categorised as:

- (a) transactions with employees² (Section C2.1-C2.14);
- (b) transactions with parties other than employees (Section C2.15-C2.18);
- (c) cancellations and *settlements* (Section C2.19-C2.22);
- (d) other modifications to the terms and conditions on which *equity instruments* were granted (Section C2.23-C2.26); and
- (e) *share-based payment transactions* with cash alternatives (Section C2.27-C2.31).
- (f) *share-based payment transactions* in which the entity cannot specifically identify some or all of the goods and services received (Section C2.32-C2.35).

¹ The changes in this separate component of *equity* are typically reflected in profit or loss. Total *equity* may therefore remain unaffected by *equity-settled share-based payments*.

² References to employees include others producing similar services.

		Y-NA-NM	REF
	(a) Transactions with employees		
IFRS2p10 IFRS2p11 IFRS2p12	1. Employee services received , and hence the resulting credit directly to <i>equity</i> , are measured by reference to the fair value on the grant date of equity instruments granted.		
IFRS2IG11	2. <i>Equity instruments</i> granted may vest in instalments over the vesting period (for example, <i>equity instruments</i> granted under a graded vesting stock option plan). The entity should treat each instalment under such a plan as a separate grant of share options , as: (a) each instalment has a different vesting period; and (b) the <i>fair value</i> of each instalment may differ.		
IFRS2p14	3. The increase in equity is measured at the fair value on the grant date of the equity instruments granted if the <i>equity instruments</i> granted <i>vest</i> immediately (ie, the employee is unconditionally entitled to those <i>equity instruments</i>).		
IFRS2p15	4. If the <i>equity instruments</i> granted do not <i>vest</i> until the employee completes a specified period of service (the vesting period), the increase in <i>equity</i> at each reporting date represents the proportion of their <i>fair value, measured at grant date, that is allocated to the completed portion of service provided during the vesting period using a straight-line method.</i>		
IFRS2IG4	5. The grant date fair value of equity instruments is estimated for the purposes of recognising services received prior to grant date if the grant date occurs after employees to whom the <i>equity instruments</i> were granted have begun rendering services (for example, if the grant is subject to shareholder approval). This estimate is revised at each balance sheet date until the grant date has been established, at which point the actual <i>fair value</i> is used for subsequent measurement such that the amounts recognised for services received are ultimately based on the grant date <i>fair value</i> of <i>equity instruments</i> .		
IFRS2p15(b)	6. If the <i>equity instruments</i> granted do not <i>vest</i> until certain performance conditions are satisfied (such as the entity achieving a specified growth in profit, or a specified increase in the entity's share price), the vesting period used for allocating services received (and therefore the amount of the increase in equity recognised) is estimated based upon the most likely outcome of the performance condition. If the performance condition is a <i>market condition</i> , the estimate of the length of the expected vesting period must be consistent with the assumptions used in estimating <i>fair value</i> of the <i>equity instruments</i> granted and is not subsequently revised. If the performance condition is not a <i>market condition</i> , the estimate of the length of the vesting period is revised if subsequent information indicates that the length of the vesting period differs from previous estimates.		
IFRS2p20 IFRS2p21	7. When applying Section C2.4-C2.6 to non-market performance conditions, the entity estimates the number of equity instruments that are expected to vest allowing for such non-market vesting conditions. It revises the estimate if subsequent information indicates that the number of <i>equity instruments</i> expected to vest differs from previous estimates, other than as		

		Y-NA-NM	REF
	a result of <i>market conditions</i> . The amount recognised for employees' services during the vesting period (and the corresponding increase in <i>equity</i>) therefore reflects only the relevant proportion, based on service to date, of the <i>fair value</i> at the grant date of <i>equity instruments</i> that are expected to satisfy the non-market vesting condition. The estimate is revised on the vesting date to equal the number of equity instruments that ultimately vested, or would have vested in the absence of any market condition that was not satisfied.		
IFRS2p23	8. No remeasurement of amounts credited to equity is made after the vesting date , although a reclassification within <i>equity</i> is permitted.		
IFRS2p16	9. The fair value of equity instruments granted is based on market prices, if available , taking into account the terms and conditions upon which the <i>equity instruments</i> were granted (except for performance conditions that are not <i>market conditions</i>).		
IFRS2p17 IFRS2p18	10. The fair value of equity instruments granted is estimated using a valuation technique if market prices are not available. The valuation technique used should be consistent with generally accepted valuation methodologies for pricing <i>financial instruments</i> and should incorporate all factors and assumptions that knowledgeable, willing market participants would consider in setting the price (except for performance conditions that are not <i>market conditions</i>). IFRS 2, Appdx B5-B41 contains guidance on the use of option pricing models to determine the <i>fair value</i> of share options.		
IFRS2p21	11. Market conditions , such as a target share price on which <i>vesting</i> (or <i>exercisability</i>) is conditional, are taken into account when estimating the fair value and vesting period of equity instruments granted.		
IFRS2p22	12. A reload feature in an option is not taken into account when estimating the fair value of equity instruments granted at the grant date ; it is accounted for as an award of new options if a reload option is subsequently granted.		
IFRS2p24	13. In the rare instances that the fair value of equity instruments granted is not reliably measurable, the equity instruments are measured at their intrinsic value , initially at the date on which the employee renders service, and remeasured subsequently at each reporting date and at the date of final <i>settlement</i> . For the grant of share options, the <i>share-based payment arrangement</i> is finally settled when the options are exercised, forfeited or lapse.		
12p68C	14. Income tax recognised as a deduction from <i>equity</i> in respect of an <i>equity-settled share-based payment transaction</i> is the excess of: (a) the amount of any tax deduction, or estimated future tax deduction, to be obtained in respect of the transaction, over (b) the cumulative remuneration expense, measured at the appropriate rate of tax (see Section A4 regarding determination of the appropriate tax rate).		

		Y-NA-NM	REF
	(b) Transactions with parties other than employees		
IFRS2p10 IFRS2p13	15. Goods and services received, and the corresponding increase in equity, are measured directly at the fair value of the goods or services received at the date on which the entity obtains the goods or the counterparty renders the service. If the <i>fair value</i> of the instruments exceeds the <i>fair value</i> of the goods or services received (see Section C2.32-C2.33) or the entity rebuts the presumption that the <i>fair value</i> of the goods and services received can be estimated reliably, their <i>fair value</i> is measured indirectly by reference to the <i>fair value</i> of the <i>equity instruments</i> granted. If unidentifiable goods or services are received, measurement is at the grant date (see Section C2.34). If the presumption has been rebutted, measurement is at the date that goods or services are received (see Section C2.9-C2.13).		
IFRS2p14	16. If the equity instruments granted vest immediately , the entity presumes, in the absence of evidence to the contrary, that services rendered by the counterparty as consideration for the <i>equity instruments</i> have been received, and the increase in equity is recognised in full on the grant date.		
IFRS2p15	17. If the <i>equity instruments</i> granted do not vest until the counterparty completes a specified period of service (the vesting period), the increase in equity at each reporting date represents the fair value of cumulative services rendered by the counterparty under the terms of the share-based payment arrangement.		
12p68C	18. Income tax recognised as a deduction from <i>equity</i> in respect of an <i>equity-settled share-based payment transaction</i> is the excess of: (a) the amount of any tax deduction, or estimated future tax deduction, to be obtained in respect of the transaction, over (b) the cumulative remuneration expense, measured at the appropriate rate of tax (see Section A4 regarding determination of the appropriate tax rate).		
	(c) Cancellations and settlements		
IFRS2p28	19. A cancellation or <i>settlement</i> of a grant of equity instruments during the vesting period (other than by forfeiture when the vesting conditions are not satisfied) is accounted for as an acceleration of vesting . The amount that would otherwise have been recognised for services received over the remainder of the vesting period is credited immediately to <i>equity</i> .		
IFRS2p28(b)	20. If a payment is made to the counterparty on the cancellation or settlement of the grant, the lower of: (a) the amount of the payment, and (b) the <i>fair value</i> of the cancelled or settled <i>equity instruments</i> at the repurchase date, is deducted directly from equity.		
IFRS2p28(c)	21. If new <i>equity instruments</i> are granted to the counterparty, and identified as replacement equity instruments at the date of grant, the cancellation and new grant is accounted for as a modification in accordance with Section C2.23-C2.26. The incremental <i>fair value</i> granted by the modification is the difference between:		

		Y-NA-NM	REF
	(a) the <i>fair value</i> of the replacement <i>equity instruments</i> , and (b) the <i>fair value</i> of the cancelled <i>equity instruments</i> , both measured at the date on which the replacement instruments are granted, less the amount of any payment made to the counterparty on cancellation of the <i>equity instrument</i> that is accounted for as a deduction from <i>equity</i> in accordance with Section C2.20. Any new <i>equity instruments</i> granted that are not identified as replacement <i>equity instruments</i> are accounted for as a new grant.		
IFRS2p25(b)	22. If a payment is made to the counterparty on settlement of an equity instrument that is measured at intrinsic value in accordance with Section C2.13, the lower of: (a) the amount of the payment, and (b) the <i>intrinsic value</i> of the <i>equity instruments</i> measured at the repurchase date, is deducted directly from equity.		
	(d) Other modifications to the terms and conditions on which equity instruments were granted		
IFRS2p27 IFRS2, AppdxB43	23. If a modification to the terms and conditions on which <i>equity instruments</i> were granted (other than a cancellation or <i>settlement</i>) increases the <i>fair value</i> of the <i>equity instruments</i> granted measured immediately before and after the modification, the incremental fair value granted (or the fair value of additional equity instruments granted) is recognised over the relevant vesting period for those instruments , or immediately if no additional vesting period is specified.		
IFRS2,	24. The incremental fair value granted is the difference between: (a) the <i>fair value</i> of the modified <i>equity instrument</i> ; and (b) the <i>fair value</i> of the original <i>equity instrument</i> . Both are measured as at the date of the modification.		
IFRS2, AppdxB43	25. The unrecognised amount, if any, of the grant date fair value of the original equity instruments continues to be recognised over the remainder of the original vesting period in addition to any incremental <i>fair value</i> granted (which is accounted for in accordance with Section C2.21).		
IFRS2, AppdxB44	26. Any modification to the terms and conditions of the <i>equity instruments</i> granted that decreases the total fair value of those instruments, or is not otherwise beneficial to the counterparty, is not reflected in the accounting for the share-based payment transaction unless it represents a reduction in the number of <i>equity instruments</i> granted that is accounted for as a cancellation of that portion of the grant.		
	(e) Share-based payment transactions with cash alternatives		
IFRS1p41 IFRS2p42 IFRS2p43	27. If an entity has a choice under the terms of a share-based payment transaction to either settle in cash or by issuing equity instruments , the transaction is accounted for: (a) as a <i>cash-settled share-based payment transaction</i> in accordance with Section B4 if there is a present obligation to settle in cash; or (b) as an <i>equity-settled share-based payment transaction</i> in all other cases.		

		Y-NA-NM	REF
IFRS2p41 IFRS2p43	28. If an entity that: (a) has a choice under the terms of a <i>share-based payment arrangement</i> to either settle in cash or by issuing <i>equity instruments</i> ; and (b) accounts for the transaction as an <i>equity-settled share-based payment transaction</i> in accordance with Section C2.27(b) settles the transaction: (a) in cash, the payment is accounted for as a repurchase of an <i>equity interest</i> (ie, as a deduction from <i>equity</i>), except as noted in (c) below; (b) by issuing <i>equity instruments</i> , no further accounting is required, except as noted in (c) below; or (c) by electing the settlement alternative with the higher <i>fair value</i> , the excess value given (ie, the difference between the cash- <i>settlement</i> and equity- <i>settlement</i> options) is recognised as an expense.		
IFRS2p35	29. An option granted under the terms of a <i>share-based payment arrangement</i> that entitles the counterparty to choose to receive <i>settlement</i> in cash or <i>equity instruments</i> is a compound financial instrument comprising both a debt and an <i>equity</i> component. For transactions with parties other than employees in which the goods or services received are measured directly at their fair value, the equity component is measured as the residual difference, at the date on which the goods and services are received, between the fair value of the goods and services received and the fair value of the debt component (see Section B4.47-B4.49).		
IFRS2p37 IFRS2IG, Example 13	30. For other transactions, including transactions with employees, the equity component is measured as the excess, on the measurement date, of: (a) the <i>fair value</i> of the compound instrument, less (b) the <i>fair value</i> of the debt component.		
IFRS2p39	31. If the counterparty elects to receive <i>equity instruments</i> on <i>settlement</i> , the <i>liability</i> is transferred directly to <i>equity</i> as consideration for the <i>equity instruments</i> issued.		
	(f) Share-based payment transactions in which the entity cannot specifically identify some or all of the goods or services received		
IFRIC8p9	32. If the identifiable consideration received (if any) appears to be less than the fair value of the equity instrument granted or liability incurred, this may indicate that other consideration (ie, unidentifiable goods or services) has been (or will be) received.		
IFRIC8p10 IFRIC8p11	33. If there are any unidentifiable goods or services, measure: (a) the identifiable goods or services received in accordance with IFRS 2; and (b) the unidentifiable goods or services received (or to be received) as the difference between the <i>fair value</i> of the <i>share-based payment</i> and the <i>fair value</i> of any identifiable goods or services received (or to be received).		
IFRIC8p12	34. Measure the unidentifiable goods or services at the grant date.		
IFRIC8p12	35. For <i>cash-settled transactions</i> , remeasure the <i>liability</i> at each reporting date until it is settled.		

C3 Minority interests

A minority interest in a *subsidiary's* net assets represents the portion attributable to the *equity* interests in the *subsidiary* that are not owned, directly or indirectly, by the parent (IAS27p4).

A minority interest also arises when, in a reverse acquisition, some owners of the legal *subsidiary* do not exchange their *equity instruments* for instruments of the legal parent. The entity in which they hold *equity instruments* is the acquirer for the purposes of accounting for the business combination; however, those owners of the legal *subsidiary* are treated as a minority interest in the consolidated financial statements prepared after the reverse acquisition (IFRS 3, Appendix B10).

Initial measurement

- IFRS3p40** 1. A minority interest in the acquiree in a business combination that is not a reverse acquisition is measured initially at the **minority's proportion of the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities** that meet the recognition criteria in IFRS 3.
- IFRS3, AppdxB11** 2. The **minority interest arising from a reverse acquisition** is measured initially at the minority's proportionate interest in the pre-combination carrying amounts of the legal *subsidiary's* (acquirer's) net assets.

Subsequent measurement

- 27p22(c)** 3. **A minority interest in the net assets of a *subsidiary* is subsequently measured at:**
- (a) the amount initially recognised at the date of the original business combination, in accordance with Section C3.1-C3.2; and
 - (b) the minority's share of changes in *equity* since the date of the combination.

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IFRS Measurement Checklist 2006

Measurement bases

Measurement bases

Amortised cost	The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.	39p9
Cost	<p>The amount of cash or cash equivalents paid, or the fair value of the consideration given, to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other IFRS (for example, IFRS 2).</p> <p>Liabilities are recorded at the amount of proceeds received in exchange for the obligation, or in some circumstances (for example, income taxes), at the amount of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.</p>	<p>16p6, 38p8, 40p5</p> <p>Framework p100(a)</p>
Cost approach (valuation)	<p>Establishes value by estimating the costs of acquiring land and building a new property with equal utility, or adapting an old property to the same use with no undue expense resulting from delay.</p> <p>For an older property, some allowance for various forms of accrued depreciation (physical deterioration, functional or technical, obsolescence, and economic or external, obsolescence) is deducted to estimate a price that approximates market value.</p> <p>For an asset, the cost approach considers the amount that currently would be required to replace its service capacity (often referred to as current replacement cost). The measurement assumes that the price that would be received for the asset would not exceed the cost to a market participant to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence. Obsolescence encompasses physical depreciation, functional obsolescence and economic obsolescence. It is broader than depreciation for financial reporting purposes (an allocation of historical cost) or tax purposes (based on specified service lives).</p>	<p>IVS Guidance Note 1p5.13</p> <p>FASB proposed statement of financial accounting standards 'Fair Value Measurements', p19(c)</p>
Current cost	<p>Assets are carried at the amount of cash or cash equivalents that would have to be paid if the same or an equivalent asset was acquired currently. Liabilities are carried at the undiscounted amount of cash or cash equivalents that would be required to settle the obligation currently.</p> <p><i>See also 'Cost approach' above.</i></p>	Framework p100(b)
Deemed cost	An amount used as a surrogate for cost or depreciated cost at a given date. Subsequent depreciation or amortisation assumes that the entity had initially recognised the asset or liability at the given date and that its cost was equal to deemed cost.	IFRS 1, Appdx A

Entity-specific value	<p><i>Entity-specific value, reflects the value to a particular investor (buyer or seller) rather than to a hypothetical market participant. It is:</i></p> <p>‘The present value of the cash flows an entity expects to arise from the continuing use of an asset and from its disposal at the end of its useful life, or expects to incur when settling a liability’.</p>	16p6
Fair value	<p><i>Defined in IFRS 1, 2, 3, 4, 5; and IAS 2, 16, 17, 18, 19, 20, 21, 32, 38, 39, 40 and 41). IAS 16, 20, 38 and 40 only refer to the fair value of assets, and IFRS 2 includes a reference to the fair value of an equity instrument granted. The underlying definition of fair value is:</i></p> <p>‘The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction’.</p> <p>Underlying the definition of fair value is a presumption that an entity is a going concern without an intention or need to liquidate, to curtail materially the scale of its operations or to undertake a transaction on adverse terms. Fair value is not, therefore, the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale.</p> <p><i>When determining if an impairment of an asset has arisen using fair value less costs to sell, the fair value should reflect consideration of the amount receivable in a forced sale if management is compelled to sell immediately.</i></p> <p>The definition of fair value refers to ‘knowledgeable, willing parties’. In this context, ‘knowledgeable’ means that the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the [asset (or liability)] ..., its actual and potential uses and market conditions at the balance sheet date. A willing buyer is motivated, but not compelled, to buy. This buyer is neither over-eager nor determined to buy at any price. The assumed buyer would not pay a higher price than a market comprising knowledgeable, willing buyers and sellers would require.</p> <p>A willing seller is neither an over-eager nor a forced seller, prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in current market conditions. The willing seller is motivated to sell the [asset (or settle the liability)] ... at market terms for the best price obtainable. The factual circumstances of the actual owner [of the asset (or liability)] ... are not a part of this consideration because the willing seller is a hypothetical owner (for example, a willing seller would not take into account the particular tax circumstances of the owner of the asset (or liability)).</p> <p>An arm’s length transaction is one between parties that do not have a particular or special relationship that makes prices of transactions uncharacteristic of market conditions. The transaction is presumed to be between unrelated parties, each acting independently.</p>	<p>39AG69</p> <p>36p27</p> <p>40p42</p> <p>40p43</p> <p>40p44</p>

Fair value less costs to sell	<p>The amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.</p> <p>[Costs to sell are] the incremental costs directly attributable to the disposal of an asset (or disposal group), excluding finance costs and income tax expense.</p> <p><i>IAS 36p6 includes a similar definition of disposal costs that applies to the disposal of an asset or cash-generating unit.</i></p> <p>[Costs to sell include items such as] legal costs, stamp duty and similar transaction taxes, costs of removing the asset and direct incremental costs to bring an asset into condition for its sale.</p> <p><i>Although the definition of point-of-sale costs and costs to sell differ, the resulting amounts of 'fair value less point of sale costs' and 'fair value less costs to sell' for a particular asset should be consistent.</i></p>	<p>36p6</p> <p>IFRS 5, Appdx A</p> <p>36p28</p>
Fair value less estimated point-of-sale costs	<p>Point-of-sale costs include commissions to brokers and dealers, levies by regulatory agencies and commodity exchanges, and transfer taxes and duties. Point-of-sale costs exclude transport and other costs necessary to get assets to a market.</p> <p><i>IAS 41 requires transport and other costs necessary to get assets to a market to be taken into account when assessing the fair value of an asset in its present location and condition.</i></p>	<p>41p14</p>
Income approach	<p>This comparative approach considers income and expense data relating to the property being valued and estimates valued through a capitalisation process. Capitalisation relates income (usually a net income figure) and a defined value type by converting an income amount into a value estimate. This process may consider direct relationships (known as capitalisation rates), yield or discount rates (reflecting measures of return on investment), or both. In general, the principle of substitution holds that the income stream which produces the highest return commensurate with a given level of risk leads to the most probable value figure.</p> <p>The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by market expectations about those future amounts. Those valuation techniques include present value techniques, option-pricing models, such as the Black-Scholes-Merton formula, and a binomial model which incorporate present value techniques, and the multi-period excess earnings method, a discounted cash flow method used to measure the fair value of certain intangible assets.</p>	<p>IVS General Valuation Concepts & Principles, p9.2.1.2</p> <p>FASB proposed statement of financial accounting standards 'Fair Value Measurements', p19(b)</p>

Market approach	<p>This comparative approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate by processes involving comparison.</p> <p>The market approach uses observable prices and other information generated by market transactions involving identical, or comparable assets or liabilities (including a business). The measurement is based on the value indicated by those market transactions.</p> <p><i>The fair value hierarchy present in a number of IFRSs requires entities to use the market approach, wherever possible, to measure assets and liabilities, as it generally provides the best evidence of fair value.</i></p>	<p>IVS Concepts & Principles, 9.2.1.1</p> <p>FASB proposed statement of financial accounting standards 'Fair Value Measurements', p19(a)</p>
Market value	<p><i>A number of IFRSs refer to the use of market value, although this term is not specifically defined in IFRS. Market value is a measurement basis consistent with the concept of fair value; it requires measurement by reference to the price at which knowledgeable, willing parties would transact (see also 'Market approach' above). International Valuation Standards issued by the IVSC define the market value of a property as:</i></p> <p>'The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion'.</p>	IVS1p3.1
Net realisable value	<p>Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.</p> <p>Net realisable value refers to the net amount that an entity expects to realise from the sale of an asset in the ordinary course of business. Fair value reflects the amount for which the asset could be exchanged between knowledgeable and willing buyers in the marketplace. The former is an entity-specific value; the latter is not. Accordingly, net realisable value for [an asset] ... may not equal fair value less costs to sell.</p>	<p>2p6</p> <p>2p7</p>
Present value	<p>Assets are carried at the present discounted value of the future net cash inflows that the item is expected to generate in the normal course of business. Liabilities are carried at the present discounted value of the future net cash outflows that are expected to be required to settle the liabilities in the normal course of business.</p>	Framework p100(d)
Realisable (settlement) value	<p>Assets are carried at the amount of cash or cash equivalents that could currently be obtained by selling the asset in an orderly disposal. Liabilities are carried at their settlement values; that is, the undiscounted amounts of cash or cash equivalents expected to be paid to satisfy the liabilities in the normal course of business.</p> <p><i>IFRS prescribes a number of variants of realisable value, including:</i></p> <p><i>(a) fair value less point of sale costs;</i></p> <p><i>(b) fair value less costs to sell; and</i></p> <p><i>(c) net realisable value.</i></p>	Framework p100(c)

IFRS Measurement Checklist 2006

Glossary

Glossary

Actuarial gains and losses	<p>Actuarial gains and losses comprise:</p> <ul style="list-style-type: none"> (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and (b) the effects of changes in actuarial assumptions. <p>Actuarial gains and losses may result from increases or decreases in either the present value of a defined benefit obligation or the fair value of any related plan assets. Causes of actuarial gains and losses include, for example:</p> <ul style="list-style-type: none"> (a) unexpectedly high or low rates of employee turnover, early retirement or mortality or of increases in salaries, benefits (if the formal or constructive terms of a plan provide for inflationary benefit increases) or medical costs; (b) the effect of changes in estimates of future employee turnover, early retirement or mortality or of increases in salaries, benefits (if the formal or constructive terms of a plan provide for inflationary benefit increases) or medical costs; (c) the effect of changes in the discount rate; and (d) differences between the actual return on plan assets and the expected return on plan assets. 	<p>19p7</p> <p>19p94</p>
Agricultural produce	The harvested product of the entity's biological assets.	41p5
Asset	A resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.	Framework, p49
Associate	An entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.	28p2
Available-for-sale financial assets	<p>Non-derivative financial assets that are designated as available for sale or are not classified as:</p> <ul style="list-style-type: none"> (a) loans and receivables; (b) held-to-maturity investments; or (c) financial assets at fair value through profit or loss. 	39p9
Biological asset	A living animal or plant.	41p5
Borrowing costs	<p>Interest and other costs incurred by an entity in connection with the borrowing of funds.</p> <p>Borrowing costs include:</p> <ul style="list-style-type: none"> (a) interest on bank overdrafts and short-term and long-term borrowings; (b) amortisation of discounts or premiums relating to borrowings; (c) amortisation of ancillary costs incurred in connection with the arrangement of borrowings; (d) finance charges in respect of finance leases recognised in accordance with IAS 17 Leases; and (e) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. 	<p>23p4</p> <p>23p5</p>

Contract revenue	Contract revenue should comprise: (a) the initial amount of revenue agreed in the contract; and (b) variations in contract work, claims and incentive payments: (i) to the extent that it is probable that they will result in revenue; and (ii) they are capable of being reliably measured.	11p11
Corporate asset	An asset other than goodwill that contributes to the future cash flows of both the cash-generating unit under review and other cash-generating units. Corporate assets include group or divisional assets, such as the building of a headquarters or a division of the entity, EDP equipment or a research centre.	36p6 36p100
Current asset	An asset that satisfies any of the following criteria: (a) it is expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle; (b) it is held primarily for the purpose of being traded; (c) it is expected to be realised within twelve months after the balance sheet date; or (d) it is cash or a cash equivalent asset unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date.	IFRS 5, Appdx A, 1p57
Curtailment	Occurs when an entity either: (a) is demonstrably committed to make a material reduction in the number of employees covered by a plan; or (b) amends the terms of a defined benefit plan such that a material element of future service by current employees will no longer qualify for benefits, or will qualify only for reduced benefits. A curtailment may arise from an isolated event, such as the closing of a plant, discontinuance of an operation or termination or suspension of a plan. An event is material enough to qualify as a curtailment if the recognition of a curtailment gain or loss would have a material effect on the financial statements. Curtailments are often linked with a restructuring. Therefore an entity accounts for a curtailment at the same time as for a related restructuring.	19p111
Defined benefit plan	Post-employment benefit plan other than defined contribution plan.	19p7
Defined contribution plan	Post-employment benefit plan under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.	19p7

Embedded derivative	<p>A component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable provided in the case of a non-financial variable that the variable is not specific to a party to the contract. A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative but a separate financial instrument.</p> <p>An embedded derivative shall be separated from the host contract and accounted for as a derivative, under this standard if, and only if:</p> <ul style="list-style-type: none"> (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract (see Appendix A, paragraphs AG30 and AG33); (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss (ie, a derivative that is embedded in a financial asset or financial liability at fair value through profit or loss is not separated). <p>If an embedded derivative is separated, the host contract shall be accounted for under ...[IAS 39] if it is a financial instrument, and in accordance with other appropriate Standards if it is not a financial instrument.</p>	<p>39p10</p> <p>39p11</p>
Equity	The residual interest in the assets of the entity after deducting all its liabilities.	Framework, p49
Equity instrument	Any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.	32p11, IFRS 2, Appdx A
Equity-settled share-based payment transaction	A share-based payment transaction in which the entity receives goods or services as consideration for equity instruments of the entity ² (including shares or share options).	IFRS 2, Appdx A
Executory contract	A contract under which neither party has performed any of its obligations or both parties have partially performed their obligations to an equal extent.	37p3
Exploration and evaluation assets	Exploration and evaluation expenditures recognised as assets in accordance with the entity's accounting policy.	IFRS 6, Appdx A
Exploration and evaluation expenditures	Expenditures incurred by an entity in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.	IFRS 6, Appdx A

² Or another entity within the same group (**IFRS2p3**).

Exploration for and evaluation of mineral resources	The search for mineral resources, including minerals, oil, natural gas and similar non-regenerative resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource.	IFRS 6, Appdx A
Fair value hedge	A hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.	39p86(a)
Finance lease	A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.	17p4
Financial asset	Any asset that is: (a) cash; (b) an equity instrument of another entity; (c) a contractual right: (i) to receive cash or another financial asset from another entity; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or (d) a contract that will or may be settled in the entity's own equity instruments and is: (i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.	32p11
Financial asset or financial liability at fair value through profit or loss	A financial asset or financial liability that meets either of the following conditions: (a) it is classified as held for trading; or (b) upon initial recognition it is designated by the entity as at fair value through profit or loss. Any financial asset or financial liability within the scope of IAS 39 may be designated when initially recognised as a financial asset or financial liability at fair value through profit or loss except for investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.	39p9 39p11A

Financial asset or financial liability at fair value through profit or loss	<p>A financial asset or financial liability that meets either of the following conditions:</p> <p>(a) it is classified as held for trading; or</p> <p>(b) upon initial recognition it is designated by the entity as at fair value through profit or loss. An entity may use this designation only when:</p> <p>(i) a contract contains one or more embedded derivatives unless,</p> <ul style="list-style-type: none"> – the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or – it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited, such as a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortised cost (IAS 39.11A); ; or <p>(ii) when doing so results in more relevant information, because either:</p> <ul style="list-style-type: none"> – it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as ‘an accounting mismatch’) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or – a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity’s key management personnel (as defined in IAS 24, Related Party Disclosures (as revised in 2003)), for example the entity’s board of directors and chief executive officer). 	39p9, 39p11A
Financial guarantee contract	A contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.	39p9
Financial instrument	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.	32p11

Financial liability	<p>Any liability that is:</p> <p>(a) a contractual obligation:</p> <ul style="list-style-type: none"> (i) to deliver cash or another financial asset to another entity; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or <p>(b) a contract that will or may be settled in the entity's own equity instruments and is:</p> <ul style="list-style-type: none"> (i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments. 	32p11
Firm commitment	A firm commitment is a binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.	39p9
Fixed production overhead	The indirect cost of production that remains relatively constant regardless of the volume of production, such as depreciation and maintenance of factory buildings and equipment, and the cost of factory management and administration.	2p12
Government grant	Assistance by government in the form of a transfer of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity.	20p3
Harvest	The detachment of produce from a biological asset or the cessation of a biological asset's life processes.	41p5
Hedged item	<p>An asset, liability, firm commitment, highly probable forecast transaction or net investment in a foreign operation that:</p> <ul style="list-style-type: none"> (a) exposes the entity to risk of changes in fair value or future cash flows; and (b) is designated as being hedged. 	39p9

Held for sale	<p>An entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.</p> <p>For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups), and its sale must be highly probable.</p> <p><i>For the sale to be highly probable:</i></p> <ul style="list-style-type: none"> <i>(a) the appropriate level of management must be committed to a plan to sell the asset (or disposal group);</i> <i>(b) an active programme to locate a buyer and complete the plan must have been initiated;</i> <i>(c) the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value;</i> <i>(d) the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification except where events or circumstances beyond the entity's control extend the period to complete the sale beyond one year and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group); and</i> <i>(e) actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.</i> <p>When an entity acquires a non-current asset (or disposal group) exclusively with a view to its subsequent disposal, it should classify the non-current asset (or disposal group) as held for sale at the acquisition date only if the one-year requirement in paragraph 8 (except as permitted by paragraph 9) is met, and it is highly probable that any other criteria that are not met at that date will be met within a short period following the acquisition (usually within three months).</p>	<p>IFRS 5p6</p> <p>IFRS 5p7</p> <p>IFRS 5p8-9</p> <p>IFRS 5p11</p>
Held for trading	<p>A financial asset or financial liability is classified as held for trading if it is:</p> <ul style="list-style-type: none"> (a) acquired or incurred principally for the purpose of selling or repurchasing it in the near term; (b) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (c) a derivative (except for a derivative that is a designated and effective hedging instrument). 	39p9
Impairment loss	<p>The amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.</p> <p>A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.</p>	<p>36p6</p> <p>39p59</p>

Insurance contract	A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.	IFRS 4, Appdx A
Insurance liability	An insurer's net contractual obligations under an insurance contract.	IFRS 4, Appdx A
Insurer	The party that has an obligation under an insurance contract to compensate a policyholder if an insured event occurs.	IFRS 4, Appdx A
Intrinsic value	The difference between the fair value of the shares to which the counterparty has the (conditional or unconditional) right to subscribe or which it has the right to receive, and the price (if any) the counterparty is (or will be) required to pay for those shares. For example, a share option with an exercise price of CU15, on a share with a fair value of CU20, has an intrinsic value of CU5.	IFRS 2, Appdx A
Joint venture	<p>A contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.</p> <p>Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).</p>	<p>31p3</p> <p>31p3</p>
Jointly controlled asset	<p>Some joint ventures involve the joint control, and often the joint ownership, by the venturers of one or more assets contributed to, or acquired for the purpose of, the joint venture and dedicated to the purposes of the joint venture. The assets are used to obtain benefits for the venturers. Each venturer may take a share of the output from the assets, and each bears an agreed share of the expenses incurred.</p> <p>These joint ventures do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer has control over its share of future economic benefits through its share of the jointly controlled asset.</p> <p>Many activities in the oil, gas and mineral extraction industries involve jointly controlled assets. For example, a number of oil production companies may jointly control and operate an oil pipeline. Each venturer uses the pipeline to transport its own product in return for which it bears an agreed proportion of the expenses of operating the pipeline. Another example of a jointly controlled asset is when two entities jointly control a property, each taking a share of the rents received and bearing a share of the expenses.</p>	<p>31p18</p> <p>31p19</p> <p>31p20</p>

Jointly controlled entity	A joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The entity operates in the same way as other entities, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity.	31p24
	A jointly controlled entity controls the assets of the joint venture, incurs liabilities and expenses and earns income. It may enter into contracts in its own name and raise finance for the purposes of the joint venture activity. Each venturer is entitled to a share of the profits of the jointly controlled entity, although some jointly controlled entities also involve a sharing of the output of the joint venture.	31p25
	A common example of a jointly controlled entity is when two entities combine their activities in a particular line of business by transferring the relevant assets and liabilities into a jointly controlled entity. Another example is when an entity commences a business in a foreign country in conjunction with the government or other agency in that country, by establishing a separate entity that is jointly controlled by the entity and the government or agency.	31p26
Jointly controlled operation	The operation of some joint ventures involves the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer uses its own property, plant and equipment and carries its own inventories. It also incurs its own expenses and liabilities and raises its own finance, which represent its own obligations. The joint venture activities may be carried out by the venturer's employees alongside the venturer's similar activities. The joint venture agreement usually provides a means by which the revenue from the sale of the joint product and any expenses incurred in common are shared among the venturers.	31p13
	An example of a jointly controlled operation is when two or more venturers combine their operations, resources and expertise to manufacture, market and distribute jointly a particular product, such as an aircraft. Different parts of the manufacturing process are carried out by each of the venturers. Each venturer bears its own costs and takes a share of the revenue from the sale of the aircraft, such share being determined in accordance with the contractual arrangement.	31p14
Lease	An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.	17p4
Lease term	The non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.	17p4

Liability	A present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.	Framework, p49
Liability adequacy test	An assessment of whether the carrying amount of an insurance liability needs to be increased (or the carrying amount of related deferred acquisition costs or related intangible assets decreased), based on a review of future cash flows.	IFRS 4, Appdx A
Loans and receivables	<p>Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:</p> <p>(a) those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;</p> <p>(b) those that the entity upon initial recognition designates as available for sale, or</p> <p>(c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.</p> <p>An acquired interest in a pool of assets that are not loans or receivables (for example, an interest in a mutual fund or a similar fund) is not a loan or receivable.</p>	39p9
Market condition	A condition upon which the exercise price, vesting or exercisability of an equity instrument depends that is related to the market price of the entity's equity instruments, such as attaining a specified share price or a specified amount of intrinsic value of a share option, or achieving a specified target that is based on the market price of the entity's equity instruments relative to an index of market prices of equity instruments of other entities.	IFRS 2, Appdx A
Minimum lease payments	<p>Minimum lease payments are the payments over the lease term that the lessee is or can be required to make, excluding contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor, together with:</p> <p>(a) for a lessee, any amounts guaranteed by the lessee or by a party related to the lessee; or</p> <p>(b) for a lessor, any residual value guaranteed to the lessor by:</p> <p>(i) the lessee;</p> <p>(ii) a party related to the lessee; or</p> <p>(iii) a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.</p> <p>However, if the lessee has an option to purchase the asset at a price that is expected to be sufficiently lower than fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised, the minimum lease payments comprise the minimum payments payable over the lease term to the expected date of exercise of this purchase option and the payment required to exercise it.</p>	17p4

Multi-employer plan	<p>A defined contribution plan (other than a state plan) or defined benefit plan (other than a state plan) that:</p> <p>(a) pools the assets contributed by various entities that are not under common control; and</p> <p>(b) uses those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.</p> <p>Defined benefit plans that pool the assets contributed by various entities under common control, for example, a parent and its subsidiaries, are not multi-employer plans.</p>	<p>19p7</p> <p>19p34</p>
Non-current asset	<p>An asset that does not meet the definition of a current asset.</p> <p>For assets classified according to a liquidity presentation, non-current assets are assets that include amounts expected to be recovered more than twelve months after the balance sheet date.</p>	IFRS 5, Appdx A Footnote to IFRS 5p2
Onerous contract	<p>A contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.</p> <p>The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.</p>	<p>37p10</p> <p>37p68</p>
Operating lease	A lease other than a finance lease.	17p4
Other long-term employee benefits	Employee benefits (other than post-employment benefits and termination benefits) that do not fall due wholly within 12 months after the end of the period in which the employees render the related service.	19p7
Past service cost	The increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).	19p7
Plan assets	<p>Plan assets comprise:</p> <p>(a) assets held by a long-term employee benefit fund; and</p> <p>(b) qualifying insurance policies.</p>	19p7
Post-employment benefit	An employee benefit (other than a termination benefit) that is payable after the completion of employment.	19p7
Present value of a defined benefit obligation	The present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.	19p7
Provision	A liability of uncertain timing or amount.	37p10

Qualifying asset	<p>An asset that necessarily takes a substantial period of time to get ready for its intended use or sale.</p> <p>Examples of qualifying assets are inventories that require a substantial period of time to bring them to a saleable condition, manufacturing plants, power-generation facilities and investment properties. Other investments, and those inventories that are routinely manufactured or otherwise produced in large quantities on a repetitive basis over a short period of time, are not qualifying assets. Assets that are ready for their intended use or sale when acquired are not qualifying assets.</p>	<p>23p4</p> <p>23p6</p>
Qualifying insurance policy	<p>An insurance policy issued by an insurer that is not a related party (as defined in IAS 24) of the reporting entity, if the proceeds of the policy:</p> <ul style="list-style-type: none"> (a) can be used only to pay or fund employee benefits under a defined benefit plan; and (b) are not available to the reporting entity's own creditors (even in bankruptcy) and cannot be paid to the reporting entity, unless either: <ul style="list-style-type: none"> (i) the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or (ii) the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid. <p>A qualifying insurance policy is not necessarily an insurance contract, as defined in IFRS 4.</p>	19p7
Quoted in an active market	A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.	39AG71
Recoverable amount	The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.	36p6
Reinsurance asset	A cedant's net contractual rights under a reinsurance contract.	IFRS 4, Appdx A
Reinsurance contract	An insurance contract issued by one insurer (the reinsurer) to compensate another insurer (the cedant) for losses on one or more contracts issued by the cedant.	IFRS 4, Appdx A
Reliably measurable	<p>The fair value of an asset for which comparable market transactions do not exist is reliably measurable if:</p> <ul style="list-style-type: none"> (a) the variability in the range of reasonable fair value estimates is not significant for that asset; or (b) the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value. 	16p26, 38p47, 39AG80, 40p29
Reload feature	A feature that provides for an automatic grant of additional share options when the option holder exercises previously granted options using the entity's shares, rather than cash, to satisfy the exercise price.	IFRS 2, Appdx A

Restructuring	A programme that is planned and controlled by management, and materially changes either: (a) the scope of a business undertaken by an entity; or (b) the manner in which that business is conducted.	37p10
Separate financial statements	Those financial statements presented by a parent, an investor in an associate or a venturer in a jointly controlled entity in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.	27p4, 28p2, 31p3
Settlement	A settlement occurs when an entity enters into a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan, for example, when a lump-sum cash payment is made to, or on behalf of, plan participants in exchange for their rights to receive specified post-employment benefits.	19p112
Settlement date accounting	Settlement date accounting refers to: (a) the recognition of an asset on the day it is received by the entity; and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the entity. When settlement date accounting is applied an entity accounts for any change in the fair value of the asset to be received during the period between the trade date and the settlement date in the same way as it accounts for the acquired asset. In other words, the change in value is not recognised for assets carried at cost or amortised cost; it is recognised in profit or loss for assets classified as financial assets at fair value through profit or loss; and it is recognised in equity for assets classified as available for sale.	39AG56
Share-based payment arrangement	An agreement between the entity and another party (including an employee) to enter into a share-based payment transaction, which thereby entitles the other party to receive cash or other assets of the entity for amounts that are based on the price of the entity's shares or other equity instruments of the entity or to receive equity instruments of the entity, provided the specified vesting conditions, if any, are met.	IFRS 2, Appdx A
Share-based payment transaction	A transaction in which the entity receives goods or services as consideration for equity instruments of the entity (including shares or share options), or acquires goods or services for amounts that are based on the price of the entity's shares or other equity instruments of the entity.	IFRS 2, Appdx A

Short-term employee benefit	An employee benefit (other than a termination benefit) which falls due wholly within twelve months after the end of the period in which the employees render the related service.	19p7
State plan	Established by legislation to cover all entities (or all entities in a particular category, for example, a specific industry) and is operated by national or local government or by another body (for example, an autonomous agency created specifically for this purpose) which is not subject to control or influence by the reporting entity. Some plans established by an entity provide both compulsory benefits which substitute for benefits that would otherwise be covered under a state plan and additional voluntary benefits. Such plans are not state plans.	19p37
Subsidiary	An entity, including an unincorporated entity such as a partnership, that is controlled by another entity (known as the parent).	27p4, 28p2
Substantively enacted	<i>Tax rates (and tax laws) are substantively enacted when an announcement of tax rates (and tax laws) by the government in that jurisdiction has the substantive effect of actual enactment. This may follow the announcement by a period of several months.</i>	12p48
Tax base	The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes	12p5
	The tax base of an asset is the amount that will be deductible for tax purposes against any taxable economic benefits that will flow to an entity when it recovers the carrying amount of the asset. If those economic benefits will not be taxable, the tax base of the asset is equal to its carrying amount.	12p7
	The tax base of a liability is its carrying amount, less any amount that will be deductible for tax purposes in respect of that liability in future periods. In the case of revenue which is received in advance, the tax base of the resulting liability is its carrying amount, less any amount of the revenue that will not be taxable in future periods.	12p8
Temporary difference	<p>The difference between the carrying amount of an asset or liability in the balance sheet and its tax base. Temporary differences may be either:</p> <p>(a) taxable temporary differences, which are temporary differences that will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled; or</p> <p>(b) deductible temporary differences, which are temporary differences that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset of liability is recovered or settled.</p>	12p5

Notes

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