

CICA handbook – accounting, part I

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IFRS 13 Fair Value Measurement

This new standard, issued by the International Accounting Standards Board (IASB) in May 2011, defines fair value, sets out in a single standard a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements.

The main features of the new standard are as follows:

- Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price).
- Fair value measurements are based on the assumptions that market participants would use when pricing the item being measured under current market conditions, including assumptions about risk (i.e., it is a market-based, rather than entity-specific, measurement).
- When measuring the fair value of a non-financial asset, an entity considers the highest and best use of the asset, and whether the asset is used in combination with other assets or on a stand-alone basis.
- A fair value hierarchy categorizes into three levels the inputs to valuation techniques used to measure fair value and gives priority to observable inputs. An entity discloses information about the valuation techniques and inputs it has used, as well as the uncertainty inherent in its fair value measurements.

IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

IAS 19 Employee Benefits

This standard was amended by the IASB in June 2011 to:

- eliminate the option to defer the recognition of gains and losses arising in defined benefit plans (the "corridor approach");
- require gains and losses relating to those plans to be presented in other comprehensive income; and
- improve the disclosure requirements concerning the characteristics of defined benefit plans and the risks arising from those plans.

The amended standard also incorporates changes to the accounting for termination benefits.

IAS 19 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

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