

31 August 2010

International Accounting Standards Board
1st Floor 30 Cannon Street
London EC4M 6XH
United Kingdom

(By email: CommentLetters@iasb.org)

Dear Sirs,

**RESPONSE TO EXPOSURE DRAFT – MEASUREMENT UNCERTAINTY
ANALYSIS DISCLOSURE FOR FAIR VALUE MEASUREMENTS**

The Institute of Certified Public Accountants of Singapore (ICPAS) appreciates the opportunity to comment on the above exposure draft (ED) issued by the International Accounting Standards Board (IASB) in June 2010.

Our comments on the specific questions in the ED are as follows:

Question 1

Are there circumstances in which taking into account the effect of the correlation between unobservable inputs:

(a) Would not be operational (eg for cost-benefit reasons); or

Currently, most of the valuation models employed by the market are single-variant models. Valuations are obtained by changing a single input and the other inputs maintain ceteris paribus. Multi-variant models that consist of correlated variables are rare in practice and we foresee that valuation teams would need to involve more costs in engaging the expertise of statisticians to assess the sensitivity of correlation inputs.

(b) Would not be appropriate? If so, please describe those circumstances.

The correlations analysis could be relevant but may not be information that is used by entities to manage their risks and therefore not useful and relevant to the readers.

Apart from that, the granular correlation of unobservable inputs from various operations and regions could provide little value when consolidated in a group financial statement. Collapsing too much information in a group could dilute the usefulness of information in the disclosure.

Question 2

If the effect of correlation between unobservable inputs were not required, would the measurement uncertainty analysis provide meaningful information? Why or why not?

We are of view that without the effect of correlation between unobservable inputs, the measurement uncertainty analysis would only provide meaningful information up to a certain extend. Conceptually, it makes sense to assess the effect of the correlations of unobservable inputs rather than sensitivity analysis of a single input. A reader can obtain an understanding of which unobservable inputs are correlated and how such correlation will impact the fair value of an entity. However, we are of view that there are some circumstances in which taking into account the effect of the correlation between unobservable inputs would not be operational or appropriate as highlighted in our replies in question 1.

Question 3

Are there alternative disclosures that you believe might provide users of financial statements with information about the measurement uncertainty inherent in fair value measurements categorised within Level 3 of the fair value hierarchy that the Board should consider instead? If so, please provide a description of those disclosures and the reasons why you think that information would be more useful and more cost-beneficial.

We are of the view that alternative disclosures could consist of only the negative impact on the fair value rather than both positive and negative impact. The reason is to strike a balance between concerns of the users, who are usually more worried of the possible negative impact not disclosed) and the preparer's cost and efforts in the preparation of the financial statements.

Other Comments

(a) We are of the view that page 7 paragraph 1(b) of the ED, the word “significant” should not be with regards to unobservable inputs. Rather, “significant” should be referred to the impact of fair value measurement. As such, we are of view that paragraph 1(b) should be: -

“for <significant> fair value measurements using significant unobservable inputs (Level 3), the effect...”

(b) We are also of the view that page 7 paragraph 2(a) of the ED, the phrase should be amended to be aligned with the illustrative example on page 11 of the ED. The illustrative example does not show the “different amounts” of input nor “how it calculated that effect”. As such, we propose the amendments:

“If changing one or more of the unobservable inputs used in a fair value measurement to a different amount that could have reasonably been used in the circumstances would have resulted in a significantly higher or lower fair value measurement, an entity shall disclose the <nature of the different inputs and the> effect of using <such inputs>” ~~these different amounts and how it calculated that effect...~~”

Should you require any further clarification, please feel free to contact Ms Grace Chua, Technical Manager, from ICPAS via email at grace.chua@icpas.org.sg.

Yours faithfully,



Janet Tan
Executive Director