

September 20, 2017

Mr. Hans Hoogervorst, Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Mr. Hoogervorst,

Post-implementation Review of IFRS 13 Fair Value Measurement

We appreciate the opportunity to respond to the above post-implementation review. We have requested some preparers of financial statements from various industries including textile, aquaculture and banking, to provide feedback on this post-implementation review. Please find the responses as given in the attachment (Attachment 1).

If you have any question about our responses, please contact me (via my email: ccliu@management.ntu.edu.tw) or Ms. Margaret Tsui (via her email: margaret@ardf.org.tw).

Sincerely Yours,



Chi-Chun Liu, Ph.D.
Chairman,
Taiwan Financial Reporting Standards Committee,
Accounting Research and Development Foundation, Taiwan

Attachment 1
Post-implementation Review of IFRS 13 Fair Value Measurement

Post-implementation Review of IFRS 13 Fair Value Measurement

Question 1A—Your background

We have requested some preparers of financial statements in Taiwan to provide feedback on this post-implementation review. Please find the background information of the respondents below each question.

Question 4— Application of the concept of highest and best use for non-financial assets

Background

- (a) Principal role in relation to financial reporting: Preparer of financial statements
- (b) Industry: Textile

Response

The assessment of an asset's highest and best use could be challenging when the economic benefit that was expected to generate from the use of an asset was different from the benefit we eventually obtained from the actual use of that asset. For example, when assessing the highest and best use of a land, which was held as an investment property, we thought that the land would maximize its value if it was held to earn rentals instead of holding for capital appreciation. Therefore, we decided that the current use of the land was to lease. However, the land was not fully leased out eventually since the scope of the lease was subject to the lessee's operating condition and we failed to find other suitable parties to rent for the remaining unlet portion.

In such circumstances, the unlet portion of the land was vacant and resulted in no rental income. It was confusing that whether the highest and best use of the land was leasing out the land in part or other use of the land in whole (for example, selling the whole land for capital appreciation).

Question 6A—Education on measuring biological assets at fair value

Background

Attachment 1
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- (a) Principal role in relation to financial reporting: Preparer of financial statements
- (b) Industry: Aquaculture (fish farming)

Response

We have encountered practical difficulties in measuring the fair value of biological assets when there is no market for certain stage of the process of growth of the biological assets. We purchase fingerling and breed the small fishes until they grew up to 1 kilogram, then selling out the 1-kilogram fishes in the market. Alternatively, we might choose not to sell the 1-kilogram fishes but continue to feed them until they grew up to 15 kilograms, and then sold out the 15-kilogram fishes in the market. There is an active market for the fingerling, the 1-kilogram fishes and 15-kilogram fishes, but no market for the fishes which weighted between 2 kilograms and 14 kilograms. In that case, how to measure the fair value of the fishes during the period when they weighted between 2 kilograms and 14 kilograms?

We suggest that providing further guidance or alternative approaches to measuring the fair value of biological assets when there is no market for certain stage of the process of growth of the biological assets might be helpful.

Question 6B—Education on measuring unquoted equity instruments at fair value

Background

- (a) Principal role in relation to financial reporting: Preparer of financial statements
- (b) Industry: Banking

Response

In some cases, unquoted equity instruments are those equity investments in unlisted early-stage firms. We have found it very difficult to measure the fair value of those small, early-stage, emerging, private firms due to the lack of reliable information:

- (a) When using market approach, due to the nature of early-stage firms, it is difficult to find comparable business firms in the same industry that have available data in the public stock market, especially for companies in the cultural and creative industry.
- (b) When using income approach, it is difficult to forecast future income or future cash flows to be discounted. We also find it difficult to determine appropriate discount rate.

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We believe that providing additional guidance on addressing the special issue of fair value measurement of unquoted equity investments in early-stage firms would be helpful.