

## Definition of FV

The **price** that would be **received to sell** an asset / **paid to transfer a liability** in an **orderly transaction** between **market participants** at the **measurement date**.

## Measurement

1. Take in account the **characteristics** of the asset / liability if **market participants** would take it into account.
2. **Orderly transaction** - In the **principal** / most **advantageous** market.
3. **Highest and Best use** - Non-financial assets

## Highest and Best Use

Use of the asset that is **physically possible**, **legally permissible** and **financially feasible**:

- Assess physical characteristics
- Assess legal restrictions.
- Assess cashflows

## Hierarchy

1. Level 1 - Quoted prices in **active** markets for **identical assets** / **liabilities**
2. Level 2 - Other than level 1 inputs but are directly / indirectly **observable**.
3. Level 3 - **Unobservable** inputs

## Fair value at recognition

1. **Entry price** - Price paid
2. **Exit price** - Price received to sell

In an asset exchange transaction where asset **acquired** don't have measurable **FV**, use **FV of asset given up**

## Key Tips

1. Apply The **FV** definition to each value in a scenario.
2. Assess which level in the **hierarchy** applies to determine the **level** of **disclosure**.

# IFRS 13 FV