



## **STAFF REQUEST FOR INFORMATION ABOUT FINANCIAL ANALYSIS OF COMPANIES THAT REPORT SOME OR ALL FINANCIAL INSTRUMENTS AT FAIR VALUE**

**6 March 2006**

The Financial Accounting Standards Board and International Accounting Standards Board (the Boards) are seeking input from users of financial statements about information on financial instruments that is useful to those making investment or credit decisions or advising others on investment or credit decisions.

The Boards' definitions of the term *financial instrument* includes not only debt securities, equity securities, and derivatives, but also loans and accounts payable or receivable, and almost any other amount payable or receivable.

Accounting standards have moved towards requiring or permitting more financial instruments to be initially and subsequently measured at fair value (which is a current value, as defined in the attached appendix) in the balance sheet. Current accounting standards of both the IASB and FASB require that some financial instruments be reported at fair value (trading securities and derivatives, for example). Current IASB standards give companies the option of reporting other financial instruments at fair value and the FASB recently issued an Exposure Draft of a Statement that would provide a similar option within U.S. GAAP.

Those past standard-setting efforts focused on recognition and measurement of financial instruments, rather than on issues of display in financial statements and user information needs more broadly. Thus, this request is designed to help the Boards improve existing financial reporting by addressing the following issue – whether current standards provide the information that investors and creditors need to analyze companies that report some or all financial instruments at fair value.

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For example, current accounting standards require little quantitative information about the reasons why the fair values of financial instruments changed. Also, there are few existing requirements for disclosure of exposures to future changes in the fair values of financial instruments. Therefore, a user of the financial statements may need more information to understand the reasons for the changes in fair values of financial instruments and to assess future possible changes. This issue exists today for those financial instruments that are measured at fair value, and will become more important as more instruments are measured at fair value.

There are many types of information that users may find helpful in their analyses. However, the benefit to users of that information must be balanced against the cost of preparing that information. Consequently, the Boards are interested in learning whether requiring more detailed information would improve financial analysis sufficiently to justify its cost and, if so, what types of information would be most useful.

Please answer the questions only in relation to financial instruments that are measured at fair value in the balance sheet. If it helps to frame your answer, consider a scenario in which a company is required to measure all financial instruments at fair value. This request is not designed to seek information about financial instruments with measurements based on historical cost.

This document includes links to the [questionnaire](#) and an [appendix containing some background information](#) you may find useful in responding to the questionnaire.

Please send your responses **by 14 April 2006** to [gfrancis@iasb.org.uk](mailto:gfrancis@iasb.org.uk). Those without email may respond to Gavin Francis at the IASB, 30 Cannon Street, London, EC4M 6XH, United Kingdom. Responses will become part of the Boards' public records.