

## QUESTIONNAIRE

### Responses requested by 14 April 2006

*The following questions address the types of information about changes in fair values of financial instruments users may need. The Financial Accounting Standards Board and the International Accounting Standards Board (the Boards) plan to address the location of each item of information after determining which types of information are desirable and feasible. Consequently, most of these questions do not specifically address the location in which information should be presented, but if you have views on where the information should appear, you are welcome to provide those views.*

#### Question 1: Current use of fair value information about financial instruments

- (a) Which types of companies (or industries) do you analyze?
- (b) What *quantitative* information about fair values of financial instruments and changes in fair values of financial instruments do you currently use? How do you use that information, and where do you obtain it from?
- (c) What *qualitative* information about fair values of financial instruments and changes in fair values of financial instruments do you currently use? How do you use that information, and where do you obtain it from?
- (d) What other types of information or breakdown of information about financial instruments measured at fair value do you wish you had? How would you use that information?

#### Question 2: Understanding the reasons why fair values changed during a period

*You may find it helpful to read the short discussion of factors that can cause changes in fair values in the [appendix](#) to this request before answering these questions.*

- (a) In what circumstances is it important for you to understand why the fair values of financial instruments changed during a period? Are the nature of the company's activities and the significance of financial instruments to its balance sheet and income statement factors? What other circumstances or conditions affect the relative importance of understanding why fair values changed?
- (b) Which factors that cause changes in fair values of financial instruments are most important for you to understand, and why?

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- (c) If you had more information about the reasons why the fair values of financial instruments changed in a period, how would you use that information?
- (d) Currently, companies that hold loans and other types of receivables usually report them at historical cost with an allowance for *bad debts*. If those financial assets were measured at fair value, which would reflect changes in credit quality, would you still require the same type of information about write-offs or potential write-offs of bad debts and, if so, why? (An alternative that the Boards have discussed but found difficult to determine objectively would be an indication of the effect of changes in credit quality on fair value).
- (e) As set out in the [appendix](#), there are many difficulties in quantifying the effects of individual factors on the fair values of financial instruments. How would the fact that some of the assumptions used in producing such information would necessarily be arbitrary affect the usefulness to you of such information?

### Question 3: Reporting interest income and expense for financial instruments measured at fair value

*You may find it helpful to read the short discussion of interest income and expense for financial instruments measured at fair value in the [appendix](#) to this request before answering these questions.*

- (a) How do you currently use interest income and interest expense on loans, securities, and other financial instruments?
- (b) Do you use the current market cost of debt securities issued or loans payable (and current market return on investments in debt securities or loan assets)? If so, how?
- (c) Should interest expense (or income) be reported in the income statement? If so, should the measurement of it reflect the contractual cash flows, the anticipated actual cash flows, or the current market cost of debt securities issued or loans payable (or return on investments in debt securities or loan assets)? Why?
- (d) If interest expense (or income) should reflect the current market cost (or return), how would you calculate that cost (or return)? For example, you might consider using the year-end interest rate, an average rate for the year for an instrument with a similar term to maturity, the current short-term interest rate or an implied forward interest rate. Should the rate reflect the actual credit quality of the instrument, the original credit quality, or a risk-free cost of money?

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### Question 4: Understanding the exposure to future changes in fair values of financial instruments

- (a) How do you currently assess exposure to changes in fair values of financial instruments? How do you use that information in your financial analyses?
- (b) What types of information relating to exposures to future changes in fair values of financial instruments would be useful to you? What would be the most informative way to present such information? Please be as specific as possible about how such information should be prepared. How would you calculate and present any of the suggested information?

### Question 5: Relative importance of different types of information

What are your views on the relative importance of the different types of information that you suggest should be required?

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.