

Minor content changes for *Illustrative examples to accompany IFRS 13 Fair Value Measurement Unquoted equity instruments within the scope of IFRS 9 Financial Instruments*

The following are minor changes to the content of the *Illustrative examples to accompany IFRS 13 Fair Value Measurement Unquoted equity instruments within the scope of IFRS 9 Financial Instruments*.

New text is underlined and deleted text is struck through.

If you have any queries please contact editorial@ifrs.org.

Page 2 Copyright page <i>This chapter educational material has been prepared...</i>															
Page 3 Table of Contents Transaction price paid for an identical instrument in <u>of</u> an investee Transaction price paid for a similar instrument in <u>of</u> an investee															
Page 5 Paragraph 8 ... Nevertheless, it is expected that, that <u>such</u> personnel understand <u>will have an understanding of</u> basic valuation concepts, even if they are not valuation specialists.															
Page 6 Paragraph 12 IFRS 13 states that, when measuring ...															
Pages 6–7 Paragraph 13 ... (see paragraphs 65 and <u>66</u> of IFRS 13).															
Page 7 Paragraph 14 ... that any of the techniques is <u>are</u> incorrect. ...															
Page 7 Paragraph 16(c) (c) the reasons for the differences in value under <u>arising from applying</u> different techniques.															
Page 8 Paragraph 17 ... as mentioned above <u>before</u> , ...															
Page 8 Paragraph 18 <ul style="list-style-type: none"> the nature of an investee’s business (for example, the volatile or cyclical nature of an investee’s business might be better captured by some valuation techniques than <u>by</u> others); and 															
Page 9 Figure 1; market approach <ul style="list-style-type: none"> Transaction price paid for an identical or a similar instrument in <u>of</u> an investee (see paragraphs 28–33) 															
Page 10 Example 1 <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right; vertical-align: bottom;">CU</td> <td></td> </tr> <tr> <td><i>Indicated fair value</i> of the five per cent non-controlling equity interest based on EV/EBITDA of 9.0x</td> <td style="text-align: right;">6,024.10</td> <td></td> </tr> <tr> <td>Non-controlling interest discount</td> <td style="text-align: right;">(662.65)</td> <td style="text-align: right;">13.3%</td> </tr> <tr> <td>Discount for the lack of liquidity</td> <td style="text-align: right;">(361.45)</td> <td style="text-align: right;">7.2%</td> </tr> <tr> <td>Fair value of five per cent non-controlling equity interest on 31 December 20X6</td> <td style="text-align: right;">5,000.00</td> <td style="text-align: right;">100.0%</td> </tr> </table>		CU		<i>Indicated fair value</i> of the five per cent non-controlling equity interest based on EV/EBITDA of 9.0x	6,024.10		Non-controlling interest discount	(662.65)	13.3%	Discount for the lack of liquidity	(361.45)	7.2%	Fair value of five per cent non-controlling equity interest on 31 December 20X6	5,000.00	100.0%
	CU														
<i>Indicated fair value</i> of the five per cent non-controlling equity interest based on EV/EBITDA of 9.0x	6,024.10														
Non-controlling interest discount	(662.65)	13.3%													
Discount for the lack of liquidity	(361.45)	7.2%													
Fair value of five per cent non-controlling equity interest on 31 December 20X6	5,000.00	100.0%													
Page 11 Paragraph 27 <ul style="list-style-type: none"> transaction price paid for an identical or a similar instrument in <u>of</u> an investee (see paragraphs 28–33); and 															

<p>Page 11 Heading above paragraph 28</p> <p>Transaction price paid for an identical instrument in <u>of</u> an investee</p>
<p>Page 13 Paragraph 31</p> <p>The existence of any of the factors mentioned above <u>before</u> (see ... However, the analysis of the factors mentioned above <u>before</u> (see ...</p>
<p>Page 13 Heading above paragraph 32 and paragraph 32</p> <p>Transaction price paid for a similar instrument in <u>of</u> an investee</p> <p>... in an equity instrument in <u>of</u> an investee ... equity instrument in <u>of</u> the same investee ...</p>
<p>Page 14 Example 4</p> <p>... period it has raised significant further <u>additional</u> equity capital ...</p>
<p>Page 16 Paragraph 38; Step 3</p> <p>... fair value of the investee's <i>equity value</i> or the investee's <i>enterprise value (EV)</i>.</p>
<p>Page 18 Paragraph 42</p> <p>... based on its quoted share price, (P)) to the net income ...</p>
<p>Page 19 Table below paragraph 42; headings below Valuation basis</p> <p>eEnterprise value [4 occurrences]</p> <p>...</p> <p>eEquity value [2 occurrences]</p>
<p>Page 23 Example 5</p> <p>(B) Entity P's <u>F's</u> net earnings (adjusted) ...</p> <p>...</p> <p>... Entity F's equity; (C); by applying an average ...</p>
<p>Page 25 Example 6</p> <p>... The investor selects the average P/Tangible book valuation <u>value</u> multiple because it believes ...</p>
<p>Page 26 Example 7</p> <p>... multiples is narrower (5.9x–6.9x); than the range ...</p>
<p>Page 28 Footnote 8</p> <p>The assessment of control premiums in valuation for financial reporting is a topic ...</p>
<p>Page 30 Paragraph 65</p> <p>... be used as a starting point in <u>for</u> assessing the discount ...</p>
<p>Page 32 Paragraph 69</p> <p>The examples below <u>Examples 10–12</u> illustrate situations in which, ... Examples 10, 11 and 12 <u>These examples</u> are descriptive with few, ...</p>
<p>Page 34 Example 12</p> <p>Entity O operates in the auto_ancillary segment ...</p> <p>...</p> <p>... and considered the whole auto_ancillary segment, rather ...</p>

Page 25 Footnote 9
... within the income approach is the <u>R</u> esidual <u>I</u> ncome <u>S</u> tock <u>P</u> rice <u>V</u> aluation <u>M</u> odel. That model expresses ...
Page 35 Paragraph 71
... (such as the Gordon <u>G</u> rowth <u>M</u> odel; see ...)
Page 37 Footnote 12
Paragraph BCZ85 of IAS 36 <i>Impairment of Assets</i> includes an example that illustrates how can a pre-tax discount rate can be determined. ...
Page 39 Figure 6
Figure 6—Removing the effect of non-operating items
...
Figure 6—Non-operating assets and liabilities
Page 39 Paragraph 79
WACC = $D/(D + E) \times (1 - t) \times k_d + E/(D + E) \times k_e$, where:
In the expression above, D, E, k_d , k_e and t have the following meaning:
D = fair value of debt capital;
Page 40 Paragraph 82
... using the <u>C</u> apital <u>A</u> ssert <u>P</u> ricing <u>M</u> odel (CAPM; ...
Page 40 Footnote 16
... Fama-French <u>T</u> hree- <u>F</u> actor <u>M</u> odel, in which ...
Page 40 Paragraph 83
$k_e = r_f + (r_m - r_f) \times \beta$; where:
In the expression above, k_e , r_f , r_m and β have the following meaning:
k_e = cost of equity capital (ie the expected rate of return investors require on an equity investment);
Page 41 Heading above paragraph 85
<u>The β estimate</u>
Page 42 Paragraph 89
In the expression above, W_d and W_e have the following <u>measuring meaning</u> :
Page 43 Example 13 [the '+' signs are removed and the '/' signs are added]
$\beta_L = \beta_U \times [1 + (1 - t) \times (W_d \div W_e)] = 0.90 \times [1 + (1 - 0.3) \times (0.60 \div 0.40)] = 1.85$
Page 43 Paragraph 91
... between the market return and the risk-free return, ...
Page 43 Paragraph 92
Equity β s increase with the <u>as both</u> operating risk of the business and with the <u>increase of</u> financial risk <u>increase</u>
Page 44 Paragraph 95
... This method is known as 'country bond default spread' or 'sovereign spread' model'. ...
Page 45 Example 14
Example 14—'Country bond default spread' or 'sovereign spread' model'

<p>Page 46 Example 15 [the 'C' in the first instance of 'Country C' is added]</p> $(r_m - r_f)_{\text{Country C1}} = (r_m - r_f)_{\text{Country C2}} + \text{CERP}_{\text{Country C1}}$
<p>Page 48 Example 17</p> <p><u>The β estimate</u></p>
<p>Page 54 Paragraph 114</p> <p>The examples <u>Examples 23 and 24</u> below illustrate the use ... Examples 23 and 24 <u>These examples</u> are descriptive, with few, ...</p>
<p>Page 56 Paragraph 115 [the final '+' sign after the ellipsis is removed]</p> $P_0 = \frac{D_1}{(1 + k_e)} + \frac{D_2}{(1 + k_e)^2} + \frac{D_3}{(1 + k_e)^3} + \dots +$
<p>Page 57 Heading above paragraph 117</p> <p>Constant-growth DDM (Gordon Growth Model)</p>
<p>Page 57 Paragraph 118 [the final '+' signs after each ellipsis are removed]</p> $P_0 = \frac{D_0(1+g)}{(1+k_e)} + \frac{D_0(1+g)^2}{(1+k_e)^2} + \frac{D_0(1+g)^3}{(1+k_e)^3} + \dots +$ <p>...</p> $P_0 = \frac{D_0(1+g)}{(k_e - g)} = \frac{D_1}{(k_e - g)} + \dots +$
<p>Page 61 Example 25</p> <p>... (CU405 – (CU40 – CU85 <u>CU80</u> = CU285).^(a)</p>
<p>Page 65 Paragraph 133; capitalisation rate</p> <p>... economic income <u>into</u> an estimate...</p>
<p>Page 67 Paragraph 133; trading multiple</p> <p>trading multiples</p>
<p>Page 67 Paragraph 133; transaction multiple</p> <p>transaction multiples</p>