



FAIR VALUE MEASUREMENT

International Financial Reporting Standard 13
Effective date: 01 January 2013

RSM Vietnam - IFRS News



Benefits of applying fair value

Usefulness	Description
Appropriateness of the information	Fair value accounting has been found to be suitable for decision-making based on future cash flow
Neutral and objective	The fair value of assets / liabilities is entirely determined by the market. The process of identifying and evaluating fair values is objective
Honest	It is the basis for assessing an enterprise as a business and, as a result, for determining the market value of stakes and shares
Comparability	It facilitates comparisons of assets / liabilities across different organizations at one date
Applicability	Fair value indicates the remarkable ability to respond to changes of the economy, covering newly arising economic problems which other pricing principles / bases cannot handle



Defines fair value

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



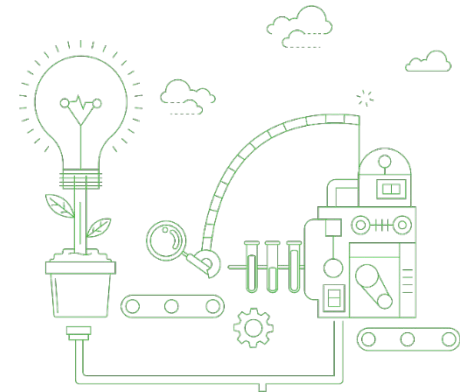
Fair value measurements

Depend on the inputs used to measure fair value are categorized into different levels of the fair value hierarchy:



Recently, in many countries, the application of the basis for determining assets / liabilities at market prices replace the principle of historical cost in presenting assets / liabilities in financial statements. It shows that the trend of asset valuation on financial statements is aiming at fair value, combining a variety of valuation types in order to meet financial statement users' need and facilitate beneficial for accounting work. Therefore, fair value accounting in the presentation of financial statements is an indispensable option.

Ministry of Finance officially approved the project "Application of international financial reporting standards in Vietnam" dated 16 March 2020, showing the deep integration process, especially in the field of accounting. The application of IFRS brings many benefits however it has many difficulties for companies, especially transfer from the historical cost model to the fair value model with too many differences.



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