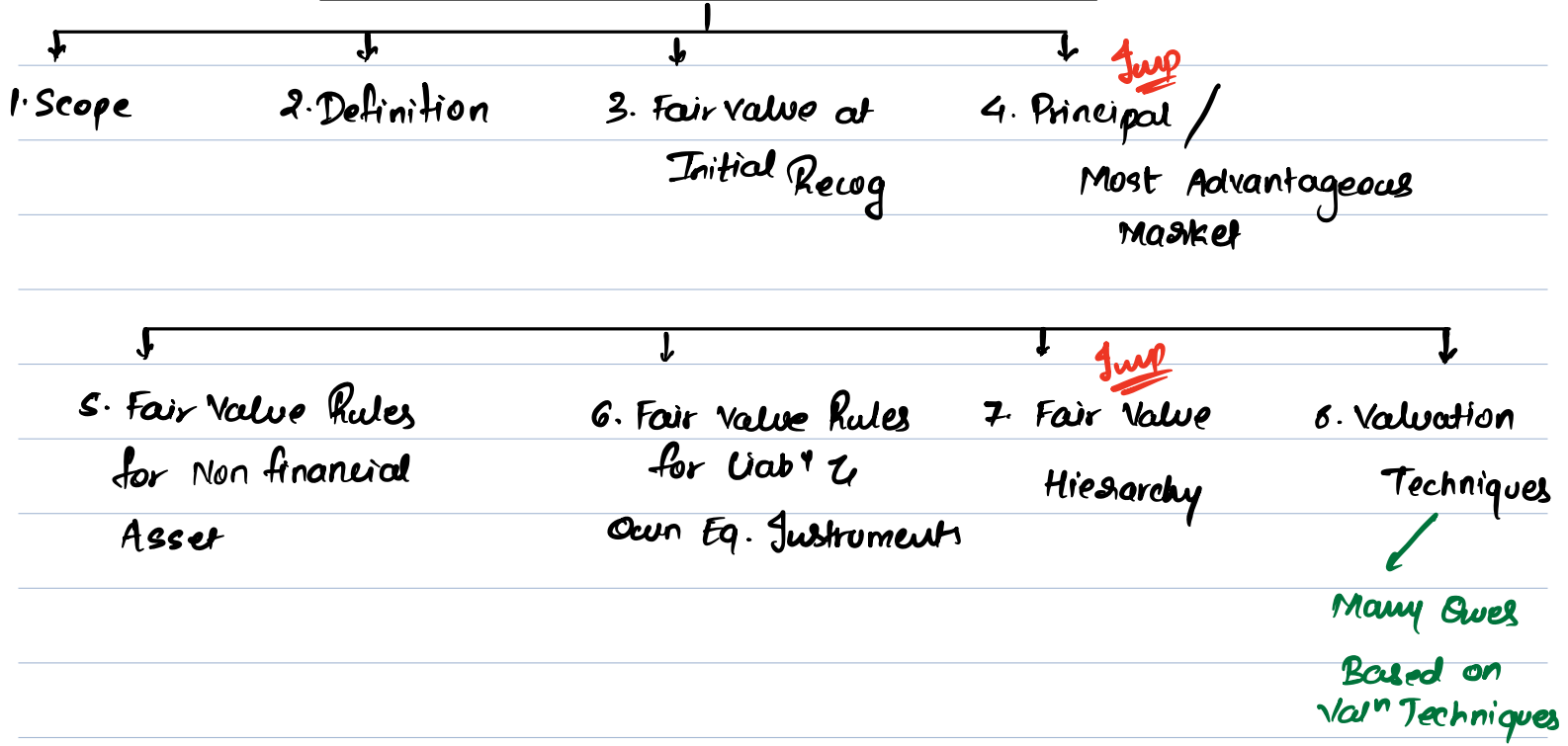


Ind AS 113 - Fair Value Measurement

[During Revision focus more on Ques]



* Principal / Most Advantageous Market

eg. Rel shares (Invest)

Fair Value

↓
Stock Exchange

NSE

BSE

F.V. ₹ 905 per share

₹ 906 per share.

↓
Princ. Mkt

1st pref.

* Princ. Mkt → Market → Higher vol trading → Assume (NSE)

∴ FV of Rel share = ₹ 905.

2nd pref

* If Princ. Mkt not available → Most Advantageous Mkt.

eg:

	<u>Mkt A</u>	<u>Mkt B</u>
Sell Price	103	102
(-) Transportation Cost	(3)	(1)
(-) Transaction Cost	(4)	(8)
	<u>96</u>	<u>93</u>

↓
Most Adv Mkt.
↓
Market A

Fair Value = ~~96~~ Sell Price (-) Transportation Cost
 = 103 (-) 3
 = 100

2 step Procedure

① Find Most Adv Mkt

S.P (-) Transportation cost
 (-) Transaction cost

② FV of Most Adv Mkt = S.P (-) Transportⁿ cost

(Do NOT deduct Transaction cost)

Why? Transaction cost treatment is to be done as per respective IndAs.

Q1 (MFP/RTP/PP) → LOR

(i)

⑥ Mumbai Mkt - Princ. Mkt

$$FV = S.P (-) \text{Transport}^n \text{ Cost}$$

$$= 290 (-) 30$$

$$= \boxed{260}$$

⑦ Princ. Mkt missing - Find Most Adv Mkt -

	Mumbai	Kolkata.
S.P	290	280
(-) Transport ⁿ cost	(30)	(30)
(-) Transport ⁿ cost	<u>(40)</u>	<u>(20)</u>
	220	230
		↓ Most Adv.

Kolkata Mkt (F.V)

S.P	280
(-) Transport cost	<u>(30)</u>
F.V.	<u>250</u>

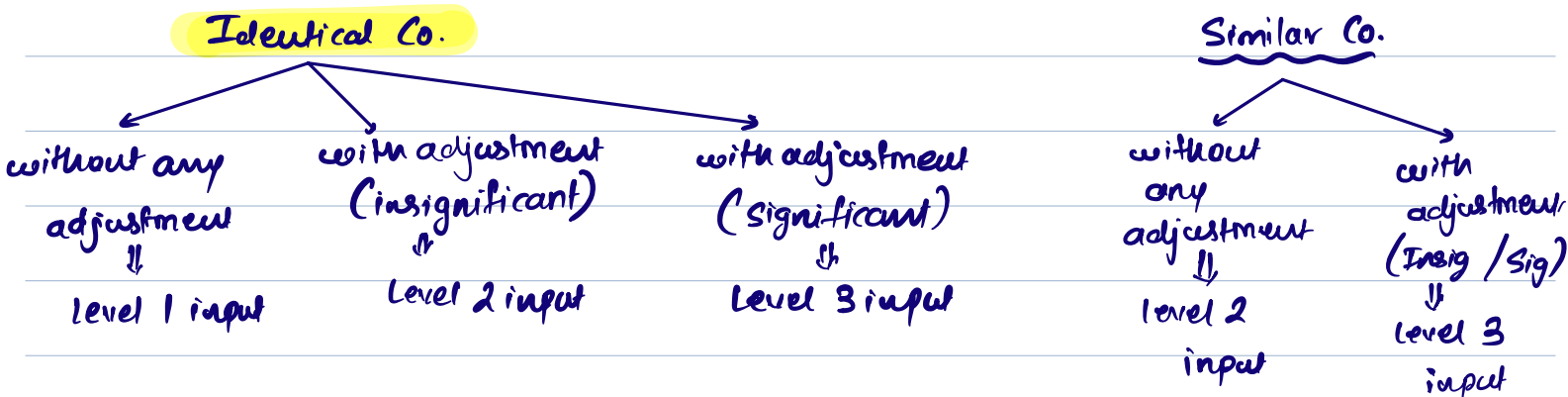
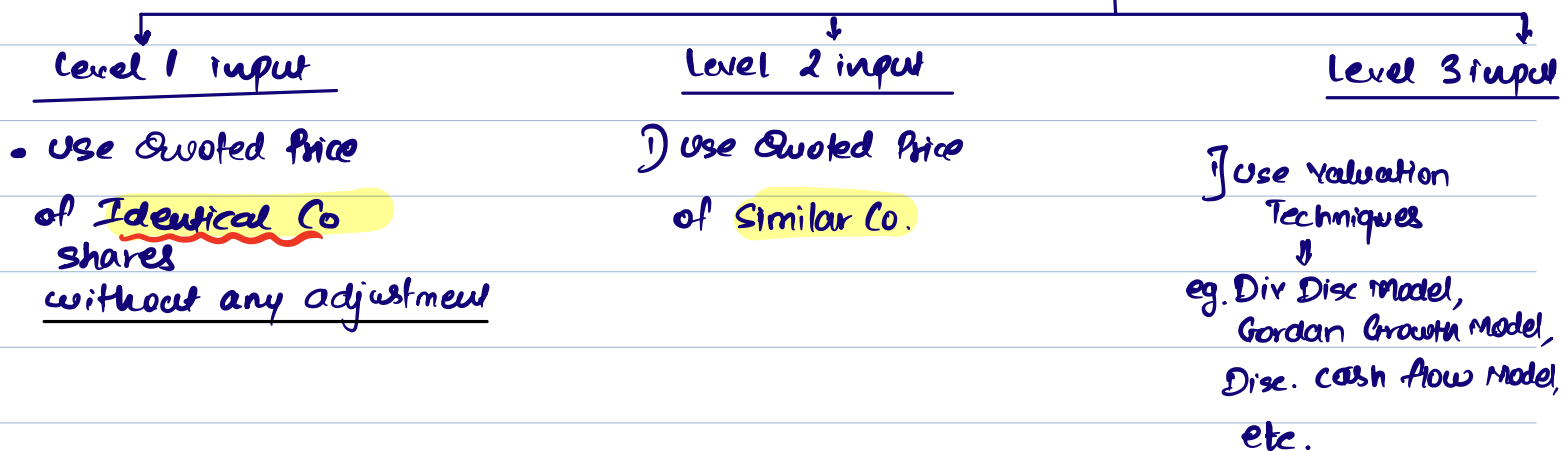
ii) Refer Q.3 (maskings)

* Fair Value Rules (Point 6, 7, 8 (summary))

Eq. Just / Deb / Pref shares

↳ Active market → use Quoted Price of Active MKT

↳ IF NO Active Market Available (Not listed) → Fair Value hierarchy



Similar co. (without adj) → L2

Ident co. with adj (insig) → L2.

Valⁿ Technique → L3

Ident co with adj (sig) → L3

Similar co. (with adj) → L3

Ident co. (without adj) → L1

Illus 1

Invest 1

Day 0

PV = ?

Disc. factor !

10.80%

4 years

₹ 800

Invest 2

(most comparable to Invest 1)

Day 0

1083

4 years

1200

as tenure is same.

$$PV = \frac{FCF}{(1+r)^n}$$

$$1083 = \frac{1200}{(1+r)^1}$$

$$1083(1+r) = 1200$$

$$1083 + 1083r = 1200$$

$$1083r = 1200 - 1083$$

$$\therefore r = \frac{117}{1083} = 0.1080 \text{ i.e. } 10.80\%$$

$$FV (\text{Present Value}) \text{ of Invest 1} = \frac{800}{(1.1080)^1} = 722$$

Illus 4 (LOR)

ABC's → Invest in XYZ → Fair Value?
(5%)

Comparable Company Method → Valⁿ Technique

$$\frac{EV}{EBITDA} = 8$$

$$\frac{EV}{40} = 8$$

Enterprise Value (XYZ) = 320 crores

Invest of ABC (5%) $\times 5\%$
16 crores

(-) Discount $\left[\begin{array}{l} 5\% \text{ (liquidity)} \\ (+) 5\% \text{ (Non control stake)} \end{array} \right] = 10\% \text{ (1.6 crores)} \rightarrow (16 \text{ crores} \times 10\%)$

Value of Invest in XYZ Ltd 14.4 crores
(In ABC Books)

Illus 5 (LOR)

yr	C.F (₹ in crores)	DF @ 11%	PV
1	187.1		
2	187.6		
3	121.8		
4	269		
5	278.8 + 3965		

Total Co.'s Value

3105.76

(-) Debt

(1465)

(+) Surplus cash

106.14

Total Equity Value of PT Ltd

1746.9 (₹ in crores)

÷ No of shares

8,52,84,223

Value per share

₹ 204.83

Illus 8 (LOR)

440.62

8.5%

194.88.

Decomms fair value \rightarrow 10th yr end \rightarrow Disc \rightarrow Day 1 PV.
 ?

$$\text{Labour Cost} \left(\frac{100}{\times 25\%} (+) \frac{125}{\times 50\%} (+) \frac{175}{\times 25\%} \right) = 131.25$$

$$(+)\text{ OH cost } (131.25 \times 80\%) = 105$$

236.25

$$(+)\text{ Profit Markup } (20\%) = 47.25$$

283.5

$$(+)\text{ 5\% Premium } (283.5 \times 5\%) = 14.175$$

297.675

Jump (+) Inflation 4% for 10yrs. $(1.04)^{10} = 1.4802$ (x) 1.4802

$$\text{Decomms value (After 10yrs)} = 440.62$$

$$\text{D.F. } (5\% + 3.5\%) = 8.5\%$$

Pr of Decomms

194.88 approx.

$$\left(\frac{440.62}{(1.085)^{10}} \right)$$

$$440.62 \times \text{D.F. of } 10^{\text{th}} \text{ yr @ } 8.5\%$$