

Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (Text with EEA relevance)

CHAPTER 2

GENERAL PROVISIONS AND PRINCIPLES

Article 8

Alternative measurement basis of fair value

1 By way of derogation from point (i) of Article 6(1) and subject to the conditions set out in this Article:

- a Member States shall permit or require, in respect of all undertakings or any classes of undertaking, the measurement of financial instruments, including derivative financial instruments, at fair value; and
- b Member States may permit or require, in respect of all undertakings or any classes of undertaking, the measurement of specified categories of assets other than financial instruments at amounts determined by reference to fair value.

Such permission or requirement may be restricted to consolidated financial statements.

2 For the purpose of this Directive, commodity-based contracts that give either contracting party the right to settle in cash or some other financial instrument shall be considered to be derivative financial instruments, except where such contracts:

- a were entered into and continue to meet the undertaking's expected purchase, sale or usage requirements at the time they were entered into and subsequently;
- b were designated as commodity-based contracts at their inception; and
- c are expected to be settled by delivery of the commodity.

3 Point (a) of paragraph 1 shall apply only to the following liabilities:

- a liabilities held as part of a trading portfolio; and
- b derivative financial instruments.

4 Measurement according to point (a) of paragraph 1 shall not apply to the following:

- a non-derivative financial instruments held to maturity;
- b loans and receivables originated by the undertaking and not held for trading purposes; and
- c interests in subsidiaries, associated undertakings and joint ventures, equity instruments issued by the undertaking, contracts for contingent consideration in a business combination, and other financial instruments with such special characteristics that the instruments, according to what is generally accepted, are accounted for differently from other financial instruments.

5 By way of derogation from point (i) of Article 6(1), Member States may, in respect of any assets and liabilities which qualify as hedged items under a fair value hedge accounting

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system, or identified portions of such assets or liabilities, permit measurement at the specific amount required under that system.

6 By way of derogation from paragraphs 3 and 4, Member States may permit or require the recognition, measurement and disclosure of financial instruments in conformity with international accounting standards adopted in accordance with Regulation (EC) No 1606/2002.

7 The fair value within the meaning of this Article shall be determined by reference to one of the following values:

- a in the case of financial instruments for which a reliable market can readily be identified, the market value. Where the market value is not readily identifiable for an instrument but can be identified for its components or for a similar instrument, the market value may be derived from that of its components or of the similar instrument;
- b in the case of financial instruments for which a reliable market cannot be readily identified, a value resulting from generally accepted valuation models and techniques, provided that such valuation models and techniques ensure a reasonable approximation of the market value.

Financial instruments that cannot be measured reliably by any of the methods described in points (a) and (b) of the first subparagraph shall be measured in accordance with the principle of purchase price or production cost in so far as measurement on that basis is possible.

8 Notwithstanding point (c) of Article 6(1), where a financial instrument is measured at fair value, a change in value shall be included in the profit and loss account, except in the following cases, where such a change shall be included directly in a fair value reserve:

- a the instrument accounted for is a hedging instrument under a system of hedge accounting that allows some or all of the change in value not to be shown in the profit and loss account; or
- b the change in value relates to an exchange difference arising on a monetary item that forms part of an undertaking's net investment in a foreign entity.

Member States may permit or require a change in the value of an available for sale financial asset, other than a derivative financial instrument, to be included directly in a fair value reserve. That fair value reserve shall be adjusted when amounts shown therein are no longer necessary for the implementation of points (a) and (b) of the first subparagraph.

9 Notwithstanding point (c) of Article 6(1), Member States may permit or require, in respect of all undertakings or any classes of undertaking, that, where assets other than financial instruments are measured at fair value, a change in the value be included in the profit and loss account.