

Valuation models						
Meaning and guidance	<i>This refers to the use of mathematical models such as the present value based approach and the Black-Scholes option valuation models etc normally mathematical models are used where active markets do not exist.</i>	SA	A	U	D	SD
Question 9(a)	It is difficult to obtain reliable fair values of ordinary shares, bonds and treasury bills using present value based techniques because of the volatility of the main economic indicators.	3	14	1	2	
		15%	70%	5%	10%	
Question 9(b)	The use of valuation models such as present values to obtain fair values is open to abuse by management because they can manipulate the assumptions to the valuation models to obtain desired results.	5	8	4	2	1
		25%	40%	20%	10%	5%
Comparability of information						
Meaning and guidance	<i>For information to be useful, it has to be comparable to similar information of other companies. E.g. investments in bonds or shares in bank "A" and investments in bonds or shares in bank "B" need to be recorded in a manner that facilitates comparison of</i>	SA	A	U	D	SD
Question 10(a)	It is difficult to compare fair values of similar financial instruments between different entities if the fair values have been obtained by using modelling techniques such as present values since management can manipulate the assumptions used in calculation.	2	10	6	2	
		10%	50%	30%	10%	
Question 10(b)	Values based on an active stock exchange are more comparable between companies because they are not subjective and not open to manipulation by management.	4	12	3	1	
		20%	60%	15%	5%	
Relevance of information						
Meaning and guidance	<i>Information is considered relevant if helps users to evaluate the past, present or future events or confirming or correcting their past evaluations.</i>	SA	A	U	D	SD
Question 11(a)	Historical cost based values of financial instruments in financial statements are no longer relevant for decision making by users because their market values may be significantly different from their recorded written down historical costs. Users are interested in	8	8	1	3	
		40%	40%	5%	15%	
Question 11(b)	Fair values of financial instruments are more relevant to users than historical cost values because they reflect the current values that can be obtained or paid by the bank if it were to go into disposal of its assets and liabilities at that time.	8	12			
		40%	60%			
Question 11(c)	Calculated fair values are not relevant to users because they are subjective and open to manipulation by management.	2	7	5	6	
		10%	35%	25%	30%	

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