OSC Financial Reporting Update - FY2016

GASB 72 Appendix B

Valuation Techniques - Common Examples

NOTE: These are common examples and should be used as a guide. Entities should contact their investment custodian, fund manager, etc. to determine the appropriate valuation technique that was used to measure fair value.

Market Approach	
Technique	**Examples of Common Usage**
Quoted prices in an exchange market	Equity securities, futures
Quoted prices in dealer markets	On-the-run Treasury notes (See Note 1)
Market multiples technique relies on the use of multiples or ratios as an expression of market price relative to a key statistic, such as earnings, book value, or cash flows. It uses multiples or ratios derived from a set of comparable assets (e.g., a price to earnings ratio expresses an entity's per-share value in terms of its earnings per share).	Unlisted equity interests
Matrix pricing - relies on the securities' relationship to benchmark quoted prices.	Debt securities similar to benchmark quoted securities, such as corporate bonds, U.S. agencies, U.S. Treasuries, and municipal obligations. Preferred Stock

Income Approach	
Technique	**Examples of Common Usage**
Present value technique - FV measurement reflects current market expectations about those future amounts.	Debt securities with little, if any, trading activity, such as asset-backed securities and corporate bonds. Unlisted equity instruments

Cost Approach	
Technique	**Examples of Common Usage**
Depreciated replacement cost (DCR) method: considers how much it would cost to replace an asset of equivalent utility taking into account physical, functional and economic obsolescence; it estimates the replacement cost of the required capacity rather than the actual asset.	Capital assets classified as investments.

Note 1:

"On the run" U.S. government and agency bonds are the most recently issued bonds/notes of a particular maturity. "Off-the-run" refers to securities that have been issued before the most recent issue and are still outstanding.