The fair value assessment of digital platforms

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Abstract

IFRS 13 provides three approaches to measure the fair value of an asset: market approach, cost approach, and income approach. The market approach assumes that the value of an intangible asset can be estimated directly from the market. The comparable transactions approach is the most important method used to value intangibles under the market approach. The cost approach involves determining the replacement cost of the asset, while the income approach uses discounted cash flow, income criteria, and option pricing to determine the asset's value. To be classified as an intangible asset, the asset must comply with the provisions of the Conceptual Framework for Financial Reporting 2018 and IAS 38.

The Market Approach is a valuation method that requires observable fundamentals in the market where the transaction takes place and for the asset being valued. However, there are few observable market prices for intangible assets, making it difficult to apply this approach. In cases where intangible assets are granted or obtained separately or with other assets, market-derived data can be used to estimate the value of the intangible asset. However, the market approach is generally not usable for intangibles, particularly trademarks.

The cost approach to asset valuation is based on the principle of economic substitution, which states that no rational operator would pay more for an asset than the cost of developing it from scratch. However, this approach is typically past-oriented and not future-oriented, which can result in a value that does not reflect the current market value. Additionally, not all costs incurred in the past may have been spent effectively or efficiently, and some research projects may fail to create an asset. Despite these limitations, the cost approach can provide meaningful information as part of an evaluation process. Techniques under this approach include replacement cost and reproduction cost.

The income approach is used to determine the fair value of an intangible asset based on the present value of expected cash flows or earnings. However, quantifying these flows is often difficult for intangibles. The cash flows associated with the asset reflect the expectations of the market participants without considering entity-specific synergies. In the case of digital platforms, the value allocated may overlap with the brand/internet domain it responds to. For example, a platform used in e-commerce may correspond to a contributory intangible to the brand/internet domain, which is often the strategic intangible.

IFRS 13 “Fair Value Measurement”

IFRS 13 provides guidance for assessing the fair value of assets or liabilities when required by accounting standards. It emphasizes the importance of determining the unit of account, which identifies the object of valuation and corresponds to the level at which an asset is recognized for accounting purposes. Fair value is defined as the exit price of an asset or liability in the reference market at the estimation date, which can be observed or estimated using valuation techniques. IFRS 13 aims to ensure consistency and comparability in fair value measurements across financial statements. When certain conditions are met, therefore, it is also permissible to measure the fair value of an asset by applying valuation techniques consistent with the income, market, and cost approaches.

According to the provisions of IFRS 13 fair value corresponds to the price that would have been obtained from the sale of an asset in a transaction that occurred on the reference date, under orderly market conditions and among active participants within the same ([1]).
The elements that characterize the definition arranged by the IASB correspond to the following:

- fair value is measurable as an exit price;
- fair value responds to an assessment made at current market values (market based measurement) and not at entity specific values ([2]);
- fair value is the result of a regular, unforced transaction;
- fair value is linked to a reference date.

Thus, rather than expressing a value, it is a feasible and verifiable price in a transaction:

- orderly;
- accomplished in the principal market ([3]) or, in its absence, in the most advantageous ([4]);
- Occurred between independent market participants;
- having as its object an asset, a set of assets or a business.

In formulating the price, transaction costs should not be taken into account (these are those costs necessary to sell an asset directly related to the transaction); in fact, they represent costs expensed in the income statement and cannot be capitalized.
Conversely, transportation costs should be considered where the location corresponds to an intrinsic characteristic of the asset (this is mostly the case for goods and not for intangibles).
An orderly transaction corresponds to a negotiation that would have occurred without the interference of forcing of any kind ([5]). A transaction is not to be considered orderly, for example, in cases where:

- sufficient exposure of the asset to the reference market had not occurred;
- sufficient exposure of the asset to the reference market had occurred, but the negotiation would take place with only one market participant;
- the entity disposes of the asset for reasons pertaining to critical situations;
- the price of the asset does not match what has been traded in recent transactions involving related to similar assets.

With regard to the reference market, each entity differs from one another, not only in terms of the product/service offered, structure and investment policies adopted, but also in terms of the market to which it may have access. However, it turns out that market access is crucial ([6]).
The main elements that emerge in relation to the identification of the referent market for fair value assessment are as follows:

- priority reference to the main market (if any);

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[1] IFRS 13, par. 9.
[2] IFRS 13, BC 31.
[3] Principal market is "*the market with the greatest volume and level of activity for the asset* [...]." (IFRS 13, Appendix A)
[4] Most advatageus market is "*The market that maxims the amount that would be received to sell the asset* [...] *after taking into account transaction costs and transport costs*." (IFRS 13, Appendix A)
[5] Orderly transaction is "*A transaction that assumes exposure to the market for a period before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction (eg a forced liquidation or distress sale).*" (IFRS 13, Appendix A)
[6] IFRS 13, par. 19.

- identification of the principal or most advantageous market taking into account where the entity usually operates.

The main market represents the market with the greatest volume and level of activity. Depending on the information once the entity has identified the main market, it will have to refer to the prices in that market. In view of the above should:

- it is not possible to identify the main market it will be necessary to refer to the most advantageous market, i.e., that market that maximizes the amount that would be received for the sale of the asset net of transaction and transportation costs: a case typically encountered if the volumes and the level of activity are the same in two or more markets;
- there is no principal market, let alone the most advantageous market, it will be necessary to assume useful assumptions in a transaction from the perspective of the operator who holds the asset on the date of the estimate ([1]).

In practice, however, it can be assumed that the most advantageous market corresponds:

- To the market in which the entity usually trades;
- to the market to which the entity may have access.

Finally, the actual or potential parties to the transaction must be:

a) independent of each other. On the issue of independence, IFRS 13 does not qualify related parties as market participants ([2]);
b) informed i.e., taking for granted the lack of information asymmetries between buyer and seller. The information to be used may be public or the result of due diligence ([3]);
c) available, unobligated and able to participate in the transaction ([4]).

IFRS 13 requires identifying characteristics of market participants rather than specific entities. Fair value reflects assumptions of all participants, not just the purchasing entity. When no observable market exists, as is common for intangible assets, assumptions are made from the perspective of a generic market participant to determine fair value. The highest and best use of the asset is considered, assuming the transaction price is based on the asset's optimal utilization from both the buyer's and seller's perspectives. This approach ensures fair value represents the most advantageous market for the asset. ([5]).

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[1] IFRS 13, parr. 15-21.

[2] IFRS 13, BC57.

[3] IFRS 13, BC58-59.

[4] Market participants are "*Buyers and sellers in the principal (or most advantageous) market for the asset* [...] *that have all of the following characteristics:*

a) They are independent of each other, ie they are not related parties as defined in IAS 24, although the price in a related party transaction may be used as an input to a fair value measurement if the entity has evidence that the transaction was entered into at market terms.
b) They are knowledgeable, having a reasonable understanding about the asset [...] *and the transaction using all available information, including information that might be obtained through due diligence efforts that are usual and customary.*
c) *They are able to enter into a transaction for the asset* [...].
d) *They are willing to enter into a transaction for the asset or* [...], *ie they are motivated but not forced or otherwise compelled to do so.*" (IFRS 13, Appendix A).

[5] Highest and best use is an expression that means the following: "*The use of a non-financial asset by market participants that would maximize the value of the asset or the group of assets* [...] *within which the asset would be used*." (IFRS 13, Appendix A).

According to the standard setter in defining the highest and best use of an asset, three main elements will need to be taken into account, namely, the ability to use the asset:

- physically: the physical use of the asset takes into account the physical characteristics of the itself (size, location, etc.);
- legally: legal use assesses any restrictions related to the use of the asset;
- financially: that is, whether the physical or legal use of the asset generates income.

Best use represents in essence how the asset is used exercised from the perspective of the generic market participant who is able to maximize its value. The prerequisites for the valuation of the asset through highest and best use are related to whether the asset is used:

a) in combination with other assets and liabilities;
b) in combination with other assets;
c) individually.

The perspective set forth in subsections (a) and (b) of the highest and best use configuration occurs when the valuation of the asset is fueled by its use in combination with other assets and liabilities (subsection (a)) or exclusively with other assets (subsection (b)). The fair value measure will correspond to the price that the entity would obtain on the valuation date if it sold the asset to an entity provided with assets and liabilities or, exclusively, with other (complementary) assets by means of which it will be able to use the asset.

In contrast, the highest and best use of an asset is a function of the perspective set forth in subsection (c) if the enhancement of the asset from the perspective of the generic market participant would be achievable by means of using the asset from a stand-alone perspective, that is, by exploiting its capacity for use on its own. The fair value measure will correspond to the price that the entity would obtain at the valuation date if the generic market participant assumed the asset would be deployed on a stand-alone basis.

Fair value, therefore, is a consequence of assumptions made from the perspective of the generic market participant while prescinding from the economical conditions of the entity holding the asset; it is a marked based measure.

Fair value corresponds to a realizable price in the abstract that may differ from the negotiated price depending on the different characteristics of the parties.

Exit price and entry price may differ, for example, if:

- the transaction is carried out between related parties. In this case usually the price agreed between related parties for the transfer of an asset does not represent the fair value given the requirement of independence of the parties;
- the purchase of the asset, and the incurrence of an entry price, takes place under unordered market conditions (e.g., in the case of liquidation);
- the purchase refers to units of account other than what is being estimated (think in this regard of asset group transactions);
- an institution may be willing to dispose of an asset at a different price than it would be willing to pay to buy it.

Sometimes happens that entry and exit prices tend to come closer together as a function of the coincidence between the market in which the asset is bought and the market in which it is sell.

Fair value valuation

IFRS 13 sets out the valuation approaches useful for the purpose of quantifying fair value without, however, limiting the valuation techniques that can be used.

The main factor is the choice of a technique falling within the approaches (market, income or cost) which are deemed appropriate in the circumstances and for which the use of input data that are not observable is minimized ([1]).
To estimate the fair value of an asset it is sometimes possible to use more than one technique. On this point, IFRS 13 gives as an example the quantification of the fair value of a CGU; in this case, if the application of different methods results in different values, the reasonableness of the range of values must be considered.
Conversely, where the fair value of an asset resulted from prices quoted in an active market for identical assets, IFRS 13, par. 63, does not consider the use of more valuation techniques appropriate.
In many cases, the price incurred in acquiring an asset corresponds to its fair value; this is especially the case where at the date of the transaction the acquisition occurs in the same market in which the asset would have been sold. However, this is not always the case; in fact at the time of initial recognition, the price paid to acquire an asset may not correspond to its fair value.
In this regard, IFRS 13, par B4, discusses the factors that need to be considered in order to verify whether or not at initial recognition the price coincides with fair value. The circumstances argued within the accounting standard correspond to the following:

- the transaction is between related parties; in such cases, the price can still be used as an input to measure the fair value of the asset where the transaction was carried out at arm's length;
- the seller was forced to accept the price for internal reasons (e.g., financial difficulties);
- in business combinations, that is, when the asset corresponds to only one of the elements of the transaction;
- the market in which the transaction took place differs from the main.

It may happen that upon initial recognition of the asset the fair value coincides with the price paid but that in subsequent measurements it is necessary to apply techniques that do not move from observable market inputs.
In this case IFRS 13 requires that the valuation technique adopted be "calibrated" in order to make the result (at initial recognition) and price incurred equivalent.
It may also happen that from one year to the next the conditions change such that the previously adopted valuation technique can be applied. IFRS 13, par. 65 gives some examples.

Fair value hierarchy

As provided by IFRS 13, the rationale assumed (mark to market or mark to model) is a function of the inputs adopted for estimation purposes. To measure the fair value of an asset, the standard setter does not manifest preferences about the application of a specific approach; the relevance attributed to the quality of the inputs applied for estimation purposes.
The inputs are observable or unobservable depending on whether they rest, or not, on market data obtained from independent sources.
In estimates having the purpose of constituting financial statements, it is to give more credit to observable inputs as they are considered more objective and difficult to manipulate.

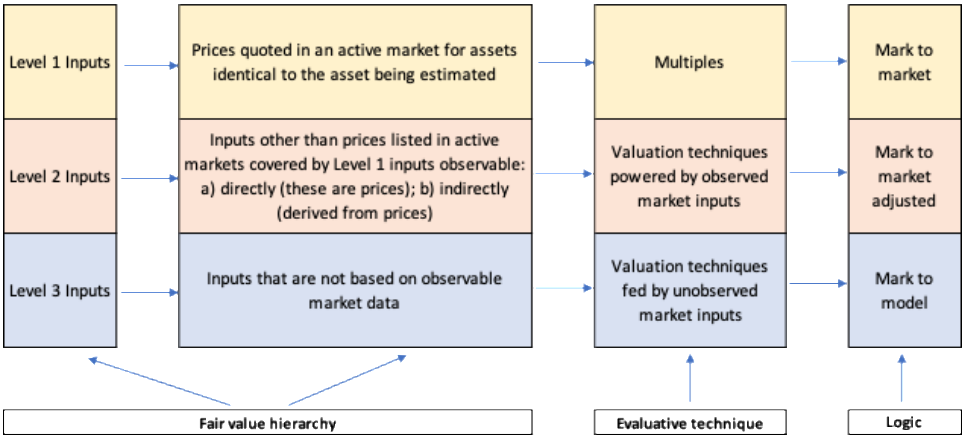
[1] IFRS 13, par. 61.

In this regard, the IASB makes explicit within IFRS 13 a fair value's hierarchy to refer; these inputs are qualify in these three levels:

- Level 1: that is, those prices traded in the market for identical assets ([1]) (mark-to-market);
- Level 2: i.e., those inputs such as prices or rates for similar assets if the asset was not traded in an active market ([2]) (mark to market adjusted);
- Level 3: i.e., those residual inputs that can be used as a function of not being able to refer to the inputs classified in the levels above ([3]) (mark to model).

The estimation criterion to be adopted to measure fair value is positioned at one level on the basis of the inputs that will be used. The levels are defined on the basis of the observability of the inputs.

Table 1: IFRS 13 a fair value's hierarchy to refer



Inputs falling in Level 1 exhibited in Table 1 (Level 1 Input) correspond to quoted prices in an active market of assets identical to the one being valued. As argued extensively above, an active market is to be understood as the market in which sufficient volumes of assets are frequently traded. Where such a market exists and, more importantly, the entity has free access to it, the prices stipulated in the trades that have occurred represent the best indication of fair value.

However, depending on what is governed by the accounting standard, there may be cases in which adjustments need to be made to Level 1 inputs but which would result in the determination of a fair value at a different level. In this regard, IFRS 13 points out the following possible cases:

- when a company holds a large number of similar (not identical) assets measured at fair value and a quoted price is available in an active, but difficult to access, market for each asset;

[1] Level 1 inputs are "*Quoted prices (unadjusted) in active markets for identical assets* [...] *that the entity ca access at the measurement data.*" (IFRS 13, Appendix A).
[2] Level 2 inputs are "*other than quoted prices included within Level 1 that are observable for the asset* [...] *either directly or indirectly.*" (IFRS 13, Appendix A).
[3] Level 3 inputs are "*Unobservable input for the asset* [...]." (IFRS 13, Appendix A).

- when a quoted price in an active market does not represent fair value at the date of the estimate ([1]).

If these circumstances do not occur, prices should be assumed free of any adjustments ([2]). Inputs other than prices quoted in active markets and shown in Table (Level 2 Input), are either observable directly (these are prices) or indirectly ([3]). Level 2 inputs that are directly observable correspond to those prices referring to:

- assets similar to the one being estimated that are quoted in an active market;
- assets identical or similar to the one being estimated listed in non-active markets ([4]).

With reference to indirectly observable Level 2 inputs, reference is made to:

- data that do not coincide with observable quoted prices for the asset type such as, for example, interest rates and implied volatility;
- market-corroborated inputs ([5]).

The adjustments applicable to Level 2 inputs are a function of certain factors such as:

- The extent to which the inputs refer to comparable elements of the asset;
- condition and location of the asset;
- the volumes or level of activity in the markets where the inputs are observed ([6]).

The Level 3 inputs correspond to unobservable inputs; the kind of information that does not rest on market data ([7]) and that can, for example, be predisposed depending on the valuation technique.

According to the IASB, in the event that inputs of this type are used, the estimation of the fair value of the asset will move:

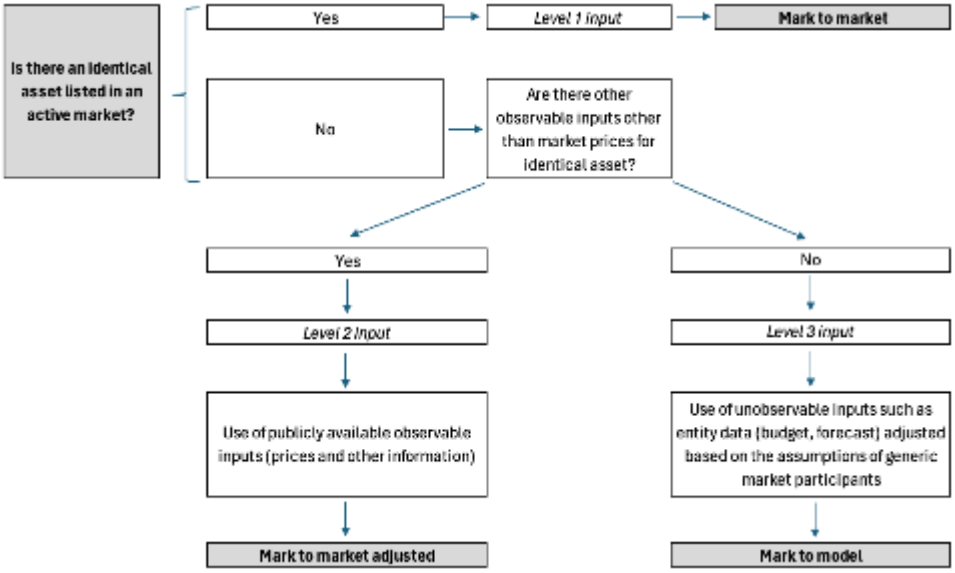
a) from the company's internal forecasts; or
b) from internal company forecasts adjusted on the basis that other market participants would use different data because of reliable information ([8]).

In accordance with IFRS 13, para. 87, Level 3 inputs are usable if Level 2 inputs are not available. They should reflect the assumptions that market participants would use to determine the price of the asset including assumptions about risk.

In this regard, depending on the provisions of IFRS 13, para. 88, should market participants take risk into account in quantifying the price, the adoption of the chosen valuation technique that does not take into account adjustments for risk would not correspond the measurement of fair value.

[1] IFRS 13, par. 79.
[2] IFRS 13, par. 77.
[3] IFRS 13, par. 81.
[4] IFRS 13, par. 82 a) and b).
[5] IFRS 13, par. 82 c) and d).
[6] IFRS 13, par. 83.
[7] IFRS 13, par. 86.
[8] IFRS 13, par. 89.

Figure 1:Table summarizes the levels of value at fair value.



Given the above, the estimation of the fair value of an asset function of Level 2 and Level 3 inputs can lead to different values depending on the choices made by the evaluator.

Valuation approach

To measure the fair value of an asset, IFRS 13, para. 62 sets out three different approaches:

- market;
- of cost;
- income.

The valuation approaches arranged by IFRS 13 should always be applied from the perspective of the generic market participant.
we will focus on the application of approaches to assess the fair value of intangibles.

Market approach

The market approach for valuing intangibles relies on estimating value based on market information, primarily using the comparable transactions approach. This method involves valuing an intangible using market prices from transactions between independent parties for identical or similar assets. Market prices are typically standardized using multiples based on operational quantities like revenues or customer numbers. However, the market approach faces challenges due to the lack of observable market prices and active markets for intangibles. While there are instances where intangibles are granted or obtained separately or with other assets, allowing for value estimation using "market inferred" data, the unique nature of most intangibles, particularly trademarks, makes the market approach generally unsuitable. The key insight is that the market approach's applicability to intangibles is limited by the scarcity of comparable transactions and the distinctive characteristics of these assets.

Cost approach

The cost approach, based on the economic principle of substitution, values assets at their replacement cost, considering the asset's remaining life. While useful for easily replicable assets like some software, it often fails to capture the true market value, especially when the asset generates incremental revenue or cost savings. However, the cost incurred provides valuable information about past investor willingness to invest, which can be used to assess the reasonableness of results obtained through other valuation methods. The cost approach includes replacement cost and reproduction cost techniques, but for estimating fair value, only the replacement cost method is permissible, as it reflects the current cost to replace the asset's services. The cost approach has limitations in capturing the full market value of assets, particularly those with revenue-generating or cost-saving potential, but it offers insights into past investment decisions and can serve as a complementary tool in the valuation process ([1]).

Income approach

The fair value of an intangible asset is determined by the present value of its expected future cash flows, which should reflect market expectations and exclude entity-specific synergies. Valuation techniques include present value methods, option pricing models, and the multi-period excess earnings method. The income approach requires selecting appropriate future cash flows, valuation techniques, and discount rates. Cash flows should be based on market participants' expectations, excluding special synergies that cannot be realized by them. The discount rate should also reflect market expectations. The quantification of flows is conventional, and in most cases, it is impossible to attribute specific inflows to an intangible asset. The rationale behind this criterion is that no one would recognize a price higher than the present value of the expected flows for a specific asset.

Cost approach: replacement cost

The cost approach is suitable for valuing replaceable intangibles but not for difficult-to-replace assets like international trademarks. In purchase price allocation, the cost criterion is often used to estimate the fair values of ancillary intangibles, while the strategic intangible is valued using the multi-period excess earnings method (MPEEM). This is because the strategic intangible typically generates expected future income for the company. To avoid duplication of value, ancillary intangibles that are not considered strategic should be valued using different methods. The choice of valuation approach depends on the nature and replaceability of the intangible asset being assessed.

Replacement cost

The assumption behind the replacement cost method is primarily that the generic market participant would not be willing to spend more on the asset than the cost it would incur to replace it with an asset of equal utility.
The valuation, moreover, will move not only from the costs to be incurred at the date of the estimate for the development of the asset, but also by assuming the development of the asset based on current knowledge and skills, and the state of use of the asset.

[1] IFRS 13, par. B8.

Replacement cost, therefore, expresses that cost that would be incurred for the purpose of creating an asset similar to the one being valued at the date of the estimate.
The application of the method is useful in the estimation of the fair value of an asset that can be replaced with another:

- developable;
- having the same capacity for use.

Replacement cost (pre-adjustments), expresses the set of those costs aimed at realizing the asset and represents:

a) direct costs: these are, for example, costs that move from the insiders to the establishment of the asset rather than those costs aimed at promoting/encouraging market awareness of the asset;
b) overhead costs: these are, for example, costs related to collateral personnel for the development of the asset rather than operating costs of a different nature.

The replacement cost should be considered net of those costs deemed:

- no longer necessary, or excess capital cost;
- of reintegration, or curable cost

Once the replacement cost (pre-adjustments) has been identified, some additions and adjustments will have to be made, thus arriving at the fair value of the intangible free of the tax's effects (tax amortization benefit, TAB).
Additions of an operational nature follow from the consideration of the:

- developer's profit: the measure of remuneration for the capital employed to realize the asset and which should be recognized to the person developing the asset;
- entrepreneurial incentive: that is, the notional remuneration for the risk of failure.

Tax adjustments will also need to be taken into account in the estimation.
Obsolescence, a key factor in asset valuation, can be classified as functional or economic. Functional obsolescence arises from the asset's inability to perform its intended functions, resulting in a loss of value. Economic obsolescence, on the other hand, is caused by external factors such as changes in the market or industry, leading to a decrease in the asset's value. When assessing an asset's value, it is crucial to consider both types of obsolescence and make appropriate adjustments to account for the asset's current state of use and the impact of internal and external factors on its value.
Obsolescence can be classified according to whether it is:

- curable: when the costs to be incurred to erode it prove to be lower than the economic utilities expected in the future;
- not curable: when the costs to be incurred to erode it turn out to be higher than the economic utilities that are expected in the future.

With particular reference to the link in place between the cost criterion and the income criterion, please refer to the discussion within the formula below.

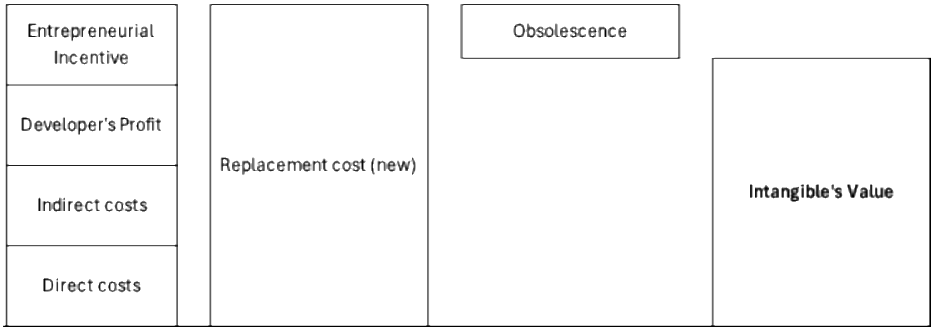
$$\text{(Replacement cost) x (Obsolescence factor)} = \sum_{t=1}^{T} \frac{\text{Flow of asset}_t}{(1+r)^t}$$

$$\text{Obsolescence factor} = \frac{\text{Remaining economic life at the date of estimation}}{\text{Economic life to new}}$$

In estimates of intangible assets with an indefinite useful life, the replacement cost is not affected by the obsolescence factor given that the time at which the asset was established

is not relevant (the same, will therefore be equal to 1). In these cases, the flows from the asset will have to take into account the costs incurred to maintain the asset with an indefinite economic life (refer to the section devoted to useful life and depreciation).

Table 2: intangible assets with an indefinite useful life



Once the aforementioned adjustments have been prepared, it is usual to include the TAB in the fair value of the asset in order to take into account the value of the tax shield from which the generic market participant would benefit (amortize for tax purposes the purchase cost incurred for the asset being estimated). What emerged in the above points is summarized within Table 4.

Table 3: TAB in the fair value of the asset

a	**Replacement cost (pre-adjustment operational, fiscal, obsolescence)**
b	Developer's profit
c	Entrepreneurial incentive
d = a + b + c	**Replacement cost (pre-adjustment fiscal, obsolescence)**
e	Tax rate
f = d x e	Taxes
g = d - f	**Replacement cost (pre-adjustment obsolescence)**
h	Adjustment for obsolescence
i = g - h	**pre - TAB value**
l	tax amortization beneift (TAB)
m = i + l	**Intangibile's value**

The Case of the DESTINATION LUXURY Platform

The platform examined in this study highlights how the application of digital marketing tools enables sharing among multiple high-quality artisanal companies operating in various product sectors. The selected case represents a sharing of digital resources made accessible to niche productions with very high added value. The platform was developed by INNOVENGER, a small Italian consulting firm operating in the fields of technological innovation and business process digitalization, with a specific focus on what is termed "martech."

An example of applied and integrated innovation is the INNOVENGER Digital Solution, based on an extremely concrete and scalable event-driven architecture that extends the concept of omnichannel commerce by introducing Customer Data Platforms (CDPs) and

other martech components. In 2023, all of INNOVENGER's Research and Development activities were focused on this asset in order to achieve several defining objectives:
On one hand, it is believed that the solution could be a true game-changer in many situations (emphasizing the benefits of a solid yet flexible and scalable architecture).
Some components were installed in end-client projects to test their effectiveness, robustness, and scalability in live environments (the practicality of the approach makes the innovation "feasible"). This approach also allows for the valorization of the individual projects' contribution within the research and development framework, effectively serving as a multiplier of the net investment in R&D.
The architecture also forms the basis of the Destination Luxury marketplace, enabling the online sale of goods and services on behalf of its clients, which was launched by INNOVENGER before Christmas 2023 (with four brands involved at launch).
The most innovative aspect was the integration of a Customer Data Platform (CDP) that allows for the matching of consumer behaviors on the marketplace (and thus across different product sectors) with their actions on the respective social platforms (not only Destination Luxury but also those of individual brands).

Destination Luxury

The initial release of the Destination Luxury marketplace has gone live featuring:



A unique collaboration between a high-end artisanal ski manufacturer (Opera Skis) and the Destination Luxury marketplace to produce 20 numbered and limited edition masterpieces

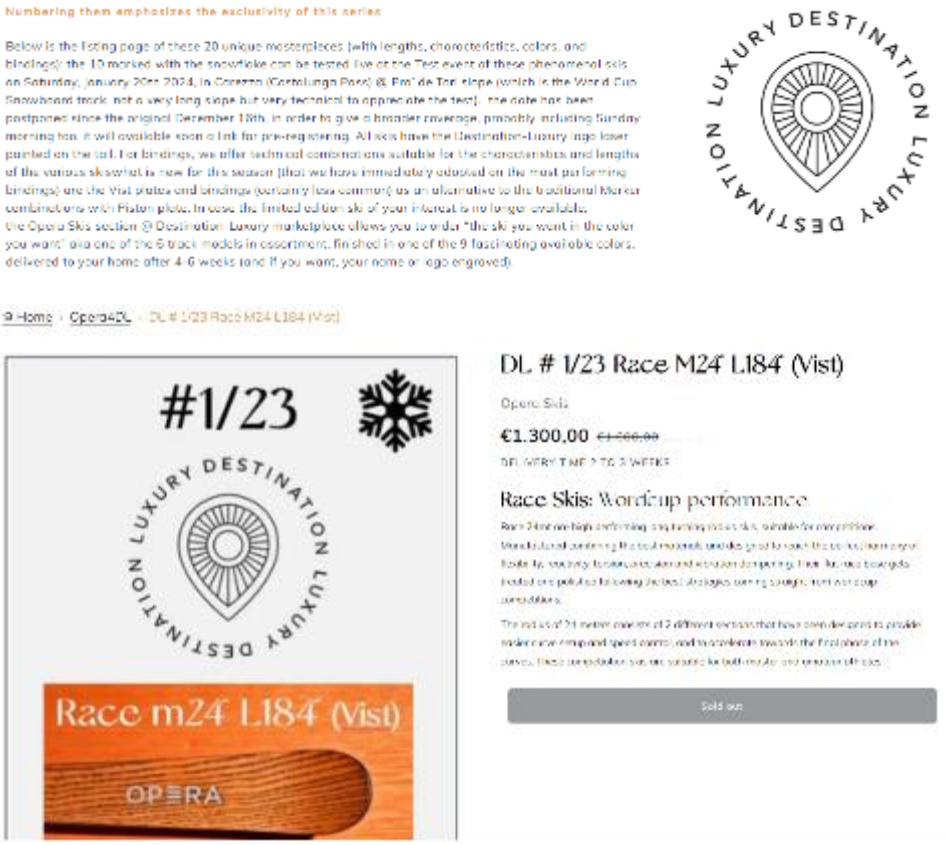


Figura 2: A Swiss manufacturer of highly exclusive shirts

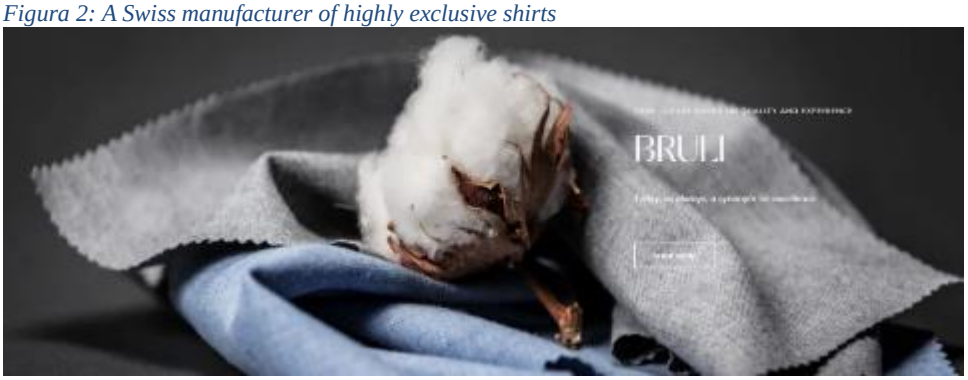


Figura 3: An Italian brand that produces highly performing artisanal skis



Figura 4: A New Concept for Interior Design



Figura 5: A young emerging Swiss fashion designer



Figura 6: A manufacturer of components of absolute excellence for musical instruments.



Conclusions

The evaluation of digital platforms represents a fundamental issue in the assessment of assets related to investments in business process digitalization. Specifically, digital platforms enable a transition, also through the use of artificial intelligence tools and applications, to leverage human capital and often translate it into structural capital.
Within the scope of the conducted research activity, it was possible to frame digital platforms as assets traded in markets that are not active. In this sense, IFRS 13 provides guidance on the measurement of fair value, defined as the price that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants. The study examined three approaches to fair value measurement conceptually: market approach, cost-based approach, and income approach. The market approach is generally not applicable to intangible assets, while the cost approach is based on the principle of substitution. The income approach relies on the present value of expected future cash flows.
The replacement cost method is used to estimate the fair value of an asset that can be replaced with another of equal utility. It involves identifying the cost of creating a similar asset to the one being evaluated at the valuation date, which in this case is predominantly comprised of applied human capital costs, and making adjustments for factors such as obsolescence and taxes. The method is useful for intangible assets with defined useful lives, while for those with indefinite useful lives, the cost of maintaining the asset must also be considered. IFRS 13 provides guidance on determining the fair value of an asset or liability. The principal market represents the market with the highest volume and level of activity, and the most advantageous market is the market that maximizes the amount received for the sale of the asset net of transaction and transportation costs. Fair value is a marked measure and corresponds to an achievable abstract price that may differ from the negotiated price depending on the different characteristics of the parties involved. Overall, IFRS 13 provides a framework for measuring the fair value of assets and liabilities, which is essential for financial reporting and decision-making processes.
The study aimed to provide a critical approach to the analysis of the main valuation criteria expressed by international codified practice, also aiming to evaluate, from the perspective of accounting harmonization, the implications for the national accounting theoretical model.
Ultimately, the evaluation of digital platforms entails a series of issues related to the identification of intangibles and the nature of cause-and-effect relationships in value creation, the need to eliminate duplications of intangibles associated with the management of other connected intangible assets such as trademarks, and the need, from both operational

and impairment testing perspectives, to identify the correct cost configuration for valuation purposes.

In conclusion, it is evident that cost valuation, recommended by international accounting practice, while leading to externally disclosed corporate information characterized by logical, rational, and prudent determinations and thus reliable discourse, must be approached from the perspective of the quality and functionality of externally disclosed corporate information to be analyzed with a functional approach for stakeholders under the triple aspects of performance, value, and representational functionality, which, as known, faces limitations repeatedly highlighted by EFRAG since 2013.

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