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Issues on the application of IFRS9 and fair value measurement for Islamic financial instruments

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Abstract

Purpose – This paper aims to examine some issues in IFRS9 with regards to classification and measurement of Islamic financial assets. In addition, the paper discusses the Shariah concerns on the use of fair value to measure financial assets.

Design/methodology/approach – This paper adopts qualitative method via the study of documents and textual analysis of Shariah opinions of scholars and relevant accounting standards.

Findings – The paper found that the classification and measurement of equity-based Islamic financial assets do not fit into the "default" classification category of amortised cost, as the future cash flow receivable does not constitute solely the payment of principal and interest (fixed rate payment). With regards to fair value measurement, Shariah concern arises during the adoption of fair value at Level 2 (reference of asset values from input other than quoted prices in active markets) and Level 3 (use of discounted cash flow method to arrive to asset valuation) because of the existence of in uncertainty or gharar as compared to Level 1 (fair value referred to quoted prices of similar assets).

Practical implications – Findings of the paper provide a starting point for a debate and extensive research on issues related to classification and measurement of Islamic financial assets and the use of fair value as a method of subsequent revaluation of Islamic financial assets. The Shariah analysis in the paper is useful for International Accounting Standard Board to engage with Islamic financial institutions and local accounting standard setters to reflect the unique nature of Shariah-compliant financial instruments. The paper serves as a basis to devise technical solutions to address accounting and reporting issues of Islamic financial instruments.

Originality/value – The paper offers Shariah analysis on the issue of classification, measurement and impairment model for Islamic financial assets. The paper is considered as the first paper that examines areas of possible tensions when applying IFRS9 to the accounting of Islamic financial assets. In addition, the paper has contributed to the literature in Islamic accounting and auditing.

Keywords Islamic finance, Accounting and reporting of financial assets, IFRS9, Islamic financial instruments, Islamic financial transactions

Paper type Research paper

1. Introduction

IFRS 9 deals with the classification and measurement, impairment and hedge accounting of financial instruments. The standard finalised in July 2014 is to be mandatorily to be adopted in 1 January 2018 with the option of early adoption. IFRS 9 prescribed that financial assets are to be categorised as instruments reported at fair value through profit and loss (FVPL) and assets initially measured at fair value, plus transaction costs and subsequently measured at amortised cost. In the context of Islamic financial institutions (IFIs), Islamic financial assets consist of various types of financing

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instruments that are designed using various Islamic concepts as well as financial assets that are held to collect cash flows and for sale.

Financial assets significantly constitute financings given out to customers. In the Malaysian context, with the Islamic Financial Services Act (IFSA, 2013), the asset side can also include equity and partnership financing contracts such as *musharakah mutanaqisah*; lease-based financing contracts, such as *ijarah muntahiyah bi al-tamlik*; and fee-based activities under *wakalah* contracts (Bank Negara Malaysia, 2013).

In general, financial assets should be measured at fair value unless they are measured at amortised cost in accordance to the above-mentioned conditions. The method of determining the value of financial instruments depends on the nature of the asset. If the asset depends on the profit generated by the investee, it falls under fair value because the cash flow may not represent "solely payments of principal and interest" (AOSSG, 2010; KFH Research, 2012). On the other hand, if it is arranged on an indicative rate of return based on an actual previous rate of return paid to the investors, it may be possible to be measured at amortised cost because the cash flows may be said to closely resemble "payments of principal and interest" (AOSSG, 2010; KFH Research, 2012). The issue of classification arises because of the unique nature of Islamic financial transactions that feature equity elements that does not necessarily fit into the measurement options of amortised costs in which conventional financial assets are measured in the case when the cash flow from the assets is considered as "solely payments of principal and interest on the principal amount outstanding".

To discuss the issues of the application of IFRS9 for Islamic financial assets, this paper aims to examine some issues in IFRS9 with regards to classification and measurement of Islamic financial assets. In addition, the paper discusses the Shariah concerns on the use of fair value to measure financial assets. Findings of this paper provide a starting point for a debate and extensive research on issues related to classification and measurement of Islamic financial assets, expected credit loss model of impairment and the use of fair value as a method of subsequent revaluation of Islamic financial assets. Meanwhile, the Shariah analysis in the paper is useful for International Accounting Standard Board (IASB) to engage with IFIs and local accounting standard setters to reflect the unique nature of Shariah-compliant financial instruments. Finally, the analysis provided in this paper serves as a basis to devise technical solutions to address the issue of classification and measurement and building impairment model for equity-based financial assets and fair value determination of Islamic financial assets.

The remaining of the sections in this paper are organised as follows. The first section introduces the types of financial assets usually reported in IFIs and the underlying Islamic contracts adopted to design the product. In addition, we examine use of the notion of "solely the payment of principal and interest" as prescribed by IFRS 9, which is not applicable in the case of Islamic financial assets when the underlying concepts used are based on profit sharing and participation, such as *mudarabah* and *musharakah*. The second section examines the issues related to the use of fair value as a measurement tool to value Islamic financial assets, particularly on the hierarchy of preferences for fair value measurement. The final section outlines the conclusion and implications of the paper.

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2. Recognition and measurement of Islamic financial assets

Asian-Oceanian Standard Setters Group (AOSSG) in its Comments on Exposure Draft ED/2012/4 *Classification and Measurement: Limited Amendments to IFRS 9*, dated 4 April 2013, highlighted its agreement to IASB's proposal to broaden the notion of what is "solely payments of principal and interest" to include contractual cash flows of financial assets which could not be more than insignificantly different from cash flows of a benchmark instrument (AOSSG, 2013a). This is because the term "interest" would not be suitable for Islamic financing, which is based on the profit rate rather than interest.

AOSSG further commented that there may be some financial assets based on partnerships or profit sharing (i.e. *musharakah* and *murabahah*) that would not reflect cash flows that approximate repayment of principal and interest. This is because these types of financing typically include a supplementary contract that stipulates the terms of revision to the bank and the customer's profit share throughout the partnership. Effectively, the revisions would reflect cash flows similar to repayment of principal and interest. However, in some cases, the cash flows could be more than insignificantly different from a benchmark cash flow because of, for example, an imposed pricing premium to reflect liquidity risk or a lag in profit revision.

AOSSG members also support the introduction a "mandatory fair value through other comprehensive income (FVOCI) measurement category" for financial assets that are held within a business model in which assets are managed both to collect contractual cash flows and for sale, subject to the contractual cash flow characteristics assessment (AOSSG, 2010). Feedback from constituents suggests that having only two measurement categories in the previous IFRS draft – that is, amortised cost and FVPL – for debt assets is too limiting. Introducing this FVOCI category would address some of the concerns about the amortised cost category being too narrow and FVPL not being the most useful category for some financial assets (such as those held to satisfy regulatory liquidity requirements and those held for asset liability management purposes).

2.1 Time value of money adoption when recognising asset and income of Islamic financial instruments

Classical Shariah scholars agreed that the time factor earns a portion of the price in *murabahah* contracts on the ground of man's natural preference for present consumption of money over future consumption. As positive time preference is part of man's innate creation (*fitrah*), it leads one to naturally prioritise the present consumption of an asset over its future consumption. As a result, Muslim scholars argued that the present is superior to the future, and hence, the present value of an asset should be higher than its future value. Consequently, if payment for an asset is delayed to a specified time in the future, the deferred price should be higher than the spot price to strike a balance of benefit in the contract of exchange and to uphold justice (*adl*) between the contracting parties. The fact that the principle of justice constitutes the basis for all exchange contracts is well established, as is pointed out by Al-Kasani (1982, 5: 187) of the Hanafi School in the following argument:

> […] because a sale contract is an exchange contract based upon the equivalency of the counter-values.

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The following statements illustrate some of the arguments of Muslim jurists, from the four different schools of thought (i.e. Maliki, Hanafi, Shafie and Hanbali), in favour of the principle of the time value of money by allowing the increase in the price because of deferment in a *murabahah* contract:

> The seller in a murabahah transaction must make clear the deferred payment period by which he bought the good as it comprises a portion of the price (Al-Dusuki, 1996, p. 266).

> If someone bought something on deferred basis, he cannot sell it (using) murabahah unless he clarifies (the deferred period). This is because the deferred period is ambiguously similar to the object of the sale, although it is not actually an object of sale because it is something desirable. Don't you see that the price may be increased on account of deferment? Therefore, it is similar to being equivalent to a part of the sale price (Al-Kasani, 2000, p. 466).

> His statement absolutely requires that a condition [of validity] is that the extent of [the deferred] period be specified, and that is indeed the case as the [deferral] is equivalent to a portion of the sale price (Al-Sharbini, 2003, p. 107).

> If he sells it to him for a price for that deferred period, then the deferred period takes a portion of the sale price (Ibn Taymiyyah, 1998, p. 275).

One important observation that needs to be highlighted concerning the legitimacy of *murabahah* profits is the fact that the *murabahah* sale is based on an "underlying asset" (i.e. the subject matter in the sale contract). This is not evidenced in a loan (*qard*), as the subject matter is money rather than an underlying asset. Hence, the existence of an underlying asset warrants the legitimacy of profits in a *murabahah* sale even if it means that profits are generated from waiting as the payments are deferred. In this manner, positive time preference has been found acceptable to Shariah scholars in an exchange contract (Ahmad and Hassan, 2004).

In addition, the reason that an increase in price is permissible in a *murabahah* contract but not in a loan is that the former is a sale contract, which must be based on justice, as explained by al-Kasani earlier, whereas *qard* is based on the principle of *ihsan* (benevolence). If the predetermined increase is stipulated in *qard*, the principle of *ihsan* is corrupted as *ihsan* means doing something good without expecting any counter-value.

Another argument that supports the concept of the "time value of money" in Islam is the permissibility of *bay-al-salam* (forward sale) in commercial transactions. *Bay-al-salam* refers to a sale whereby the price is paid by the buyer immediately at the time of initiating the contract for a good that will be delivered in the future. The price of the sold item is usually cheaper when the goods are delivered to the buyer in the future. The concept of the "time value of money" may also be applicable to the Islamic concept of *bay-al-istisna'* (manufacturing contract). This is where the buyer of manufactured items must pay, in part or in total, upon contract conclusion, while the manufactured items are to be delivered in the future.

The concept of the time value of money is also used in discounting application when evaluating projects under construction. The foregoing discussion establishes a clear Islamic basis for discounting in project evaluation in which positive time preference is taken into account to determine the net present value of a project or an asset. As mentioned earlier, the concept of positive time preference is deemed acceptable by Muslim jurists based on man's nature (*fitrah*) of preferring the present over the future.

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On this basis, Muslim jurists have allowed for a higher price to be charged in the case of deferred sales. The question that is subsequently asked is whether it is permissible to use the interest rate in the discounting process, similar to the conventional practice, given that the Shariah prohibits a fixed promised return on debt transactions. It is noted that the same question was raised by PricewaterhouseCoopers (2010) under the fair value principle for discounting or valuation techniques. Specifically, the question is whether the use of a discount rate benchmarked to the interest rate for calculation of fair value purposes actually poses a problem in the context of Islamic financial transactions.

Muslim jurists have different opinions regarding the use of the interest rate as a benchmark for determining the discount rate. Some are in favour of it on the basis that interest is just a benchmark rate. Abdul Khir (2012, p. 43) noted that "all the discounting techniques that are currently applied in conventional banking are, in fact, human innovations that are not contrary to Islamic teachings". Some scholars, such as Zarqa (1983), disapprove of the use of interest rate as a benchmark, even though he concluded that discounting is accepted in Islam and is even desirable, as it allows for the promotion of investment efficiency. Because of that, Zarqa (1983) proposed that the rate of return on equity is considered the proper discount rate to be applied to reflect the uncertain risks of a project's cash inflows and outflows.

The application of TVM for the recognition and measurement of financial instruments are following the Shariah resolutions that allows for TVM to be adopted in exchange contracts which Islamic financing is significantly developed from. The Shariah resolutions issuing bodies for Islamic finance had delivered numbers of Shariah resolutions on the issues of the application of TVM in Islamic finance.

For instance, the Shariah Advisory Council (SAC) of Bank Negara Malaysia (2007) resolved that the application of the time value of money principle in Islamic financial reporting is permissible only for exchange contracts that involve deferred payment. However, the SAC prohibits the charging of an extra sum for the deferred repayment of *qard* (loan). The SAC explained that the *fuqaha* (jurists) had long accepted that there is an economic value to time and quoted various classical statements permitting an increase in value because of the lapse of time. The SAC of Bank Negara Malaysia (2010, p. 196) states:

> [...].deferment in this contract [debt-based contract] is given consideration in terms of multiple rewards in the Hereafter, in line with its underlying principle of *ihsan*. On the other hand, sale and purchase contracts, which are based on justice principle, may accept increase in price due to the deferment. Apparently, should the principles of *ihsan* and justice be compared, *ihsan* would be of higher status than justice given that the former receives great reward in the Hereafter, which is better than monetary reward.

Decision no. 65/2/7 by the OIC Islamic Fiqh Academy (1992) on deferred instalment sales states:

> After reviewing the research submitted to the Academy, especially on the topic of deferred instalment sales and after listening to the discussions which revolved around it, the Academy decided as follows:
>
> 1. Deferred instalment sales are permissible even if the deferred price is more than the immediate price. In other words, a deferred instalment sale is permissible even if the seller decreases the immediate price and increases the deferred price.

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The application of deferred instalment sales such as the *murabahah* contract is unanimously permitted by other authorities such as Kuwait Finance House, Dubai Islamic Bank and al-Rajhi Bank. The contemporary Middle East Shariah scholars recognise the principle of the time value of money in the sale contract – not in a lending contract – and thus allow for the variance of price between cash and deferred sales.

3. Fair value measurement and *gharar*

Fair value refers to the amount at which an asset could be bought or sold in the current market. This sub-section analyses whether the principle of fair value when reporting financial transactions as per IFRS standards is compatible with the Shariah or contradicts it. For instance, it is noted that some Shariah scholars require or prefer that certain transactions such as leasing with gradual sale and *zakah* (poor due) be based on cash equivalent values (fair values) rather than on other measurement bases such as the lower of historical cost or net realisable value (Mohamed Ibrahim, 2007). Accordingly, it is questioned whether fair value measurement is more suitable for Shariah-compliant contracts.

A review of the classical *fiqh* literature reveals many instances where jurists gave consideration to the principle of fair value in deducing rulings. We shall discuss their rulings which demonstrate that they relied on the fair value concept when solving *mudarabah* issues. In a *mudarabah* contract, the subsistence (*nafaqah*) of the agent-manager during travelling is chargeable to the *mudarabah* account. The possibility exists that an agent-manager could overstate his expenses to reduce the business profit, a practice that would exploit the investor. Hence, the classical jurists unanimously agreed that the determination of the subsistence should be based on the fair value.

In determining the fair value, jurists would normally refer to *Uruf* (customary practice). Based on *Uruf*, determination of fair value can be divided into two categories. The first category refers to commodities whose prices are commonly known to the public. The second category relates to prices of commodities which are rare. According to Ibn Taymiyyah (1998), it is the second category in which the jurists would require benchmarking to the known price to get the equivalent price (fair value). It is also realised that the fair value would be affected by certain circumstances such as shortage of supply of goods because of manipulation activities, war and emergency. Therefore, Islamic law recognises the role of experts in determining the fair value.

Even within the practice of Islamic finance, it appears that the principle of fair value is applied. For instance, fair value is recognised by all authorities in *murabahah* financing, especially in the event of customer default. When customers cannot afford to pay back the instalment, the Islamic bank will usually sell the financing asset based on the market value, not on the historical value.

From the above discussion, therefore, it can be noted that the concept of fair value may be accepted from the Shariah point of view. Scholars even agree on the role of experts and the use of estimation techniques in determining the fair value when there is no clear market price for a commodity. Nonetheless, the controversy apparently prevails on the use of discount rates within the estimation techniques.

The *fatwa*-issuing authorities in Islamic finance such as the OIC International Islamic Fiqh Academy and the SACs of Bank Negara Malaysia, Kuwait Finance House, Dubai Islamic Bank and al-Rajhi Bank have not yet issued specific *fatwas* relating to the principle of fair value, the issue of discounting and the use of an interest rate for discounting or in valuation techniques for determining fair value.

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The term *gharar* literally means danger and exposing oneself or one's property unwittingly to the possibility of loss (Al-Zuhayli, 2006). *Al-gharar* lexically also refers to deception, where a necessary condition for acceptability may or may not exist. In Islamic jurisprudence, the term *gharar* refers to purposive cheating and deception as well as ignorance of the object of sale and undeliverability of the object. *Gharar* on sale is any sale that incorporates a risk that affects one or more of the parties to the contract and may result in loss of his/her property.

In simple terms, *gharar* stems from informational problems and refers to any uncertainty created by the lack of information or control in a contract. It can be ignorance in regard to essential element in a transaction, such as the exact sale price, or the ability of the seller to actually deliver what is sold. From the Islamic perspective, the existence of *gharar* in a contract makes it null and void.

Gharar can also be defined as:

> [...] a situation when either party to a contract has information regarding some element of the subject of the contract, which is withheld from the other party, and/or the subject of contract is something over which neither party has control (Iqbal and Mirakhor, 2011).

Other examples of *gharar* include the subject is not in the possession of one of the parties, and there is uncertainty even about its future possession.

From the Islamic perspective, the notion of fairness to all parties of the contract is crucial in all commercial transactions. Islam considers any uncertainty as to the quantity, quality, recoverability or existence of the subject matter of a contract as *gharar* (Iqbal and Mirakhor, 2011). By prohibiting *gharar*, the Shariah prohibited commercial contracts of exchange on the grounds that they were either subject to excessive uncertainty or were not known to one or both parties to the contract, causing unnecessary disputes and injustice. In many cases, *gharar* can be eliminated from contracts by carefully stating the object of the sale and the price to remove unnecessary ambiguities. A well-documented contract will eliminate *gharar* as well. The prohibition of *gharar* by implication includes the prohibition of speculation and gambling activities, which involves asymmetric information, excessive uncertainty, risk and lack of control.

A cursory examination of fair value measurement from an Islamic perspective reveals the possibility for fair value measurement to be considered as *gharar*. This is due to the subjective nature of the measurement approach adopted, especially the income approach and the cost approach. However, the market approach, to a certain extent, is mitigated from *gharar* as the measurement of assets and liabilities based on quoted market price in an active market. Kamali (2002) by referring to the Hanbali scholars of Ibn Taymiyah and Ibn Qayyim al-Jawziyah argues that that a price can be determined at the time of contract, and the price can be in exact figures or it may be determined in any manner that the parties find agreeable and is clear enough to eliminate disputes. Taking the example of futures contracts wherein the price is determined by reference to the prevailing market price on a specified date, it does not leave room for disagreement and disputes, and it is determined by mutual agreement of the parties, and hence, it is valid.

The income approach of fair value measurement, in contrast to the market approach, has many technical measurement problems. As it relies heavily on judgement, especially the amount of cash flow, the timing of cash flows and the risk associated with cash flows, these may result in misrepresentation in the determination of fair value

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(Zack, 2009). Other problems are misapplications of the income approach by using improper amounts for cash flows, manipulating the timing of future cash flows and/or using an inappropriate discount rate, resulting in an inaccurate present value.

In the case of cost approach, inappropriate use of replacement cost estimates or making inaccurate adjustments for obsolescence in determining fair value affect the fairness in measuring fair value of assets and liabilities. Adjustments for obsolescence can also be very deceiving, as it depends on the complexity of the assets and liabilities.

Both income and cost approaches rely heavily on the judgement of the management of the reporting entity. Improper valuations can be generated either internally or externally. With external or third-party valuation, the possibility of tainted valuation reports is real. The following are some of the possible reasons for tainted valuation reports (Zack, 2009):

- in a worst case scenario, an external party may be bribed to issue a valuation report that supports a fair value accounting position of the management;
- conflict of interest may be prevalent, if there is a concealed financial or other relationship between either the entity or a member of the management and the external expert valuer;
- external expert valuer may unwittingly prepare a valuation report as a result of pressure applied by the management, suppression of information by the management or other possible abuses;
- fictitious valuation report because of non-existent of valuer or non-qualified valuer; and
- altered valuation report if the report does not support the position preferred by the management.

It can be argued that *gharar* elements may exist in all the above cases. *Gharar* is considered real and may be excessive, as the wrong or/and the inaccurate valuation of assets and liabilities will result in one of the party of the contract or external users of the financial statement being deceived or misreported by the valuation. From the Islamic perspective, both the reporting entity and the users of the financial statement need to be protected from excessive uncertainty that were not known to one or other parties and may be causing unnecessary disputes and injustice.

Accounting, Auditing Organisation for Islamic Financial Institutions (AAOIFI) prescribed the use of cash equivalent value expected to be realised or paid rather than the historical cost, especially for the measurement of trade assets subjected for *zakat* (AAOIFI, FAS 9). According to Al-Qardawi (1999, p. 218), the majority view of Islamic scholars is to use current prices on the due date of *zakat*. The measurement should be based on the price on the day zakat becomes due. This approach is similar to the Level 1 or fair value measurement framework that is based on quoted price in an active market. This method is more prudent as compared to Levels 2 and 3.

Fair value measurements at Levels 2 and 3, however, are highly possible to be involved in *gharar* as compared to Level 1. Level 2 inputs are inputs other than quoted prices in active markets. These inputs include prices that are derived from either quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable; or inputs that are derived principally from or corroborated by observable

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market data by correlation or other means. All these types of inputs indicate excessive use of judgement that may lead to *gharar*.

The financial crisis in 2008 shows that markets may change drastically and once active markets can become less active or inactive markets. These changes impact how an entity may arrive at fair value estimates at Level 2. As a result of the crisis in 2008, the Securities Exchange Commission (SEC) in the USA issued guidance on determining fair values in light of the difficulties that arose in connection with the economic downturn and market volatility. In this guidance, SEC stated that when an active market does not exist, the use of internal management estimates should be used and the estimates should incorporate current expectations of market participants regarding future cash flows and appropriate risk premiums. This indicates that, if the market approach for Level 1 or Level 2 inputs is not practical, then it is acceptable to switch to income approach with the use of Level 3 inputs.

The income approach or Level 3 inputs is also highly probable to end up with *gharar* in the measurement of assets or liabilities. The use of discounted cash flow method is highly subjective, as the method relies on expected rates of return, expected rates of inflation and risks associated with uncertainty regarding the amount or timing of estimated future cash flows. In addition, the possible use of improper amounts for cash flows, misapplication or manipulating the timing of future cash flows or using an inappropriate discount rate will result in inaccurate present value. Hence, the whole process obscures the measurement of assets or liabilities.

4. Conclusion

On the issue of accounting recognition of Islamic financial asset, the study found that the fundamental concept of time value of money may be acceptable in Islam. However, Muslim jurists have different opinions on the use of the interest rate as a benchmark for determining the discount rate. Some are in favour of it on the basis that interest is just a benchmark rate. This study is of the view that the use of interest rate as a benchmark is problematic from the Islamic perspective. Even though, discounting is accepted in Islam and is even desirable, as it allows for the promotion of investment efficiency, the use of the rate of return on equity is considered the more desirable, as the rate reflects the uncertainty of risks of a project's cash inflows and outflows.

The study has also found that that the adoption of fair value measurement may create the possibility of *gharar*. *Gharar* may be excessive if the wrong or/and the inaccurate valuation of assets and liabilities that will result in one of the party of the contract or external users of the financial statement being deceived or misreported by the measurement. From the Islamic perspective, both the reporting entity and the users of the financial statement need to be protected from excessive uncertainty that were not known to one or other parties and may be causing unnecessary disputes and injustice. The income approach (or Level 3 inputs) is also highly probable to end up with *gharar* in the measurement of assets or liabilities. The use of discounted cash flow method is highly subjective, as the method relies on expected rates of return, expected rates of inflation and risks associated with uncertainty regarding the amount or timing of estimated future cash flows. In addition, the possible use of improper amounts for cash flows, misapplication or manipulation on the timing of future cash flows or using an inappropriate discount rate will result in inaccurate present value. Hence, the whole process may obscure the measurement of assets or liabilities.

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Islamic financial industry is growing at a very fast pace internationally. The need for accounting and reporting requirements that adequately addressed the unique Islamic financial instruments is crucial to ensure stability and sustainable growth of the industry. The development of modern accounting has shown that accounting itself is an emerging and pragmatic discipline. This study indicates that there is a growing need for more studies and debates on the linkages of Islamic financial instruments with modern accounting and reporting requirements. Many studies and evidences have shown that accounting is not merely a business tool and language devoid of cultural and religious values. Hence, accounting regulatory bodies internationally need to carefully analyse the implication of Islamic financial instruments and Shariah on accounting requirements. As Islamic finance is founded on moral values, it is imperative that the impact of moral values on accounting need to be adequately addressed.

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