



**UKRAINIAN
SOCIETY OF
APPRAISERS**

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To: Mr. Chris Thorne
Chairman, International Valuation Standards Board

Dear Mr. Thorne,

On behalf of the members of the Ukrainian Society of Appraisers, please let me thank you for the opportunity to comment on the proposed exposure draft of the new International Valuation Standards. We would like to note that the Ukrainian Society of Appraisers shares the views and aspirations of IVSC to improve and popularize valuation standards. This letter introduces you to our responses to the exposure draft questions (please find them attached). It is worth mentioning that the abovementioned responses and comments represent a summarized opinion of members of the Ukrainian Society of Appraisers which consists of more than 1,000 professionals active on the Ukrainian valuation market.

Best Regards,

Oleksiy Amfiteatrov,
Chairman of the Ukrainian Society of Appraisers

A handwritten signature in blue ink, appearing to be 'O.A.', written over a light blue circular stamp.

Attachment

| Questions | Replies |
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| 1 Do you find the new structure of the Standards to be logical and easy to follow? If not, what alternative would you propose? | In our opinion the new structure of the Standards is indeed logical and easy to follow. |
| 2 Do you consider that the combination of background information and specific directions to be helpful? Would you prefer all background information and explanatory information on asset classes to be removed from the standards so that only the specific directions applicable to each application or asset type remained? | We are positive that combination of background information and specific directions should be helpful. |
| 3 Which delivery method for the new edition of the standards are you or your organization likely to use? | We would prefer downloading e-copy of the standards from IVSC website. |
| 4 Do you consider that this objective has been met? Do you consider that there are any additional valuation concepts and principles that should be considered and discussed in this standard? | Yes, we consider that the objective has been met. |
| 5 Are you in agreement with this approach or would you prefer the word "valuation" either not to be used at all or always used with qualifying words to indicate the intended meaning, for example "valuation process" or "valuation result"? | Since accurate translation into a foreign language is subject to certain intricacies it would be very helpful to use clarifying words in order to have unambiguous differentiation of "process" and "result". |
| 6 Do you agree that these three approaches encompass all methods used in the assets or liabilities that you value? If not, please describe what approaches you feel have been omitted. | Three main approaches and their combination do encompass all methods used in assets valuations. |
| 7 Do you agree with this hierarchy and do you consider it helpful? If not explain if you would prefer to see no reference to a hierarchy or would prefer an alternative hierarchy. | In our opinion implementation of new hierarchy is not considered expedient since selection of the most relevant approach depends on purpose of valuation, market condition, availability of comparables on the market and other factors. Direct comparison allows us to create a "snapshot" of particular market segment and is more applicable for the purposes of sale/purchase transaction as of the valuation date. On the other hand, utility loss test (impairment) may be more applicable in valuations for financial reporting purposes which requires using Income Approach and even makes it more preferred. |
| 8, 9 Do you find this change of terminology to be helpful? If not please explain what alternative you would prefer and why. | We agree with proposed changes. |
| 10 Do you agree with this proposed change If not, please explain why and what you believe the distinction is between investment value to | We do not agree with proposed changes. |

a prospective purchaser and special value to a prospective buyer who can realise that special value to be?

- 11 Do you support the continued use of the term "Investment Value" or would you prefer an alternative? If so, what would that alternative be?
- There is no need to change the term "Investment Value".
- 12 Do you agree with the approach taken in IVS? If not, explain why not and give examples where you believe the highest and best use may be different from the market value.
- We agree with approach taken in IVS.
- 13 Do you consider this proposed change in the definition to be helpful? If not, please indicate how you believe it could be improved.
- These definitions should be identical. Ideally, there should be no difference between IFRS and IVS definition of Fair Value since it is a single base for cooperation of independent (external) valuation and financial reporting. Any differences are potential sources of misinterpretations and misunderstandings. Therefore it should be agreed to match IFRS Fair Value model with IVS norms.
- 14 Do you:
a) Agree with the inclusion of a standard for scope of work in IVS?
b) That the minimum contents identified in the draft are proportionate and represent a realistic minimum standard?
If you disagree, please explain why.
- We agree with the inclusion of a standard for scope of works in IVS. However it should be noted, that it is important to keep Code of Conduct, since in some countries not all valuers are members of professional organizations and without Code of Conduct in IVS their activity will not be regulated by ethical standards. Meanwhile scope of works may be excluded from the Code.
- 15 Do you agree with the changes that have been made? If not, please explain what provisions of the current IVS3 you believe should be carried forward into the new standard.
- We agree with proposed changes.
- 16 Which view do you support? If you consider that future IVS should contain application standards, do you consider that the degree of detail of those in the draft is appropriate and help the better understanding of the valuation requirements?
- New IVS should contain application Standards. The degree of detail of those in the draft is appropriate and help the better understanding of the valuation requirements. We hope that further development of the standards will provide for improvement of these sections.
- 17 View (a) is that IVS should not refer to valuations under IFRS at all because the IASB is in the process of producing its own fair value standard that will clearly set out the valuation criteria for all valuation measurements required under IFRS and if parallel valuation standards are produced in IVS these will have no relevance. Supporters of this view also argue that limited references to the accounting requirements under IFRS can be misleading and lead to misinterpretation.
- It is important that the requirements under IFRS are properly related to wider valuation principles and practice through cross references in IVS.

View (b) is that valuation measurements under IFRS are intended to reflect market reality and are not a special type of valuation reserved for financial statements. It is therefore important that the requirements under IFRS are properly related to wider valuation principles and practice through cross references in IVS. Supporters of this view also believe that limited references to IFRS are necessary to help those who are valuers rather than accounting experts understand the required criteria and assumptions so that appropriate valuations can be provided.

Which of these views do you support?

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| 18 | Do you have any other comments on the general structure of the Asset Standards | No comments. |
| 18 | Do you consider that a class of "personal property" can be identified that is not already covered by the proposed new asset standards? If so, do you consider that it has distinct characteristics that need to be considered in valuations that would benefit from a new IVS asset standard being developed? | There is no need to identify "personal property" as a separate class from the standpoint of valuation. |
| 19 | Do you agree that a standard on valuing non financial liabilities is required and what topics should it cover? | No comments. |
| 20 | Please identify any additional types of asset or liability that you believe should be considered for future inclusion in IVS, together with an indication of the benefits that you consider a new standard would bring. | There are no propositions of additional types of assets or liabilities. What we would like to see is more attention (guidelines and recommendations) to application of IVS in with distressed and overheated markets. |