



October 30, 2007

Sent by email to: CommentLetters@ivsc.org

International Valuation Standards Committee
12 George Street
London
SW1P 3AD
United Kingdom

Dear Sirs:

Re: Invitation to Comment on IVSC Discussion Paper – Determination of Fair Value of Intangible Assets for IFRS Reporting Purposes

The Canadian Institute of Chartered Business Valuers (CICBV) is pleased to comment on the IVSC Discussion Paper Determination of Fair Value of Intangible Assets for IFRS Reporting Purposes.

The CICBV is the largest professional valuation organization in Canada. It is a self-regulated organization that, in addition to governing its Members with a strict Code of Ethics and Practice Standards, grants the Chartered Business Valuator (CBV) / expert en évaluation d'entreprises (EEE) designation. The CBV/EEE designation is recognized as the premier credential for professional business valuers in Canada, with Members providing a broad range of business valuation services to Canada's business, legal, investment, banking and government communities.

We commend the IVSC for the comprehensive body of work that it has prepared on this very important subject. We support the work that the IVSC is undertaking in its efforts to develop clear internationally recognized and accepted valuation standards.

Our comments at this time have been restricted to certain conceptual issues concerning the approach that appears to be taken by the IVSC in the development of valuation standards and guidance notes. Our comments do not specifically address the questions asked in the discussion paper.

We are concerned that the dual purposes of offering guidance to the International Accounting Standards Board, to assist it in the formulation of accounting standards for fair value measurements, and the development of valuation standards are not objectives that are necessarily compatible to be combined in one body of work. We are also concerned that the content of the discussion paper is not compatible with principle-based valuation standards and that, while the



discussion paper may be useful in a generating a dialogue that would contribute to increased consistency among valuers, valuation standards themselves should not be prescriptive in order to achieve that consistency.

While it is somewhat unclear to us the exact manner in which the IVSC intends to incorporate the content of the discussion paper into its valuation standards, we are of the view that it would not be appropriate to associate the content of the discussion paper with valuation standards. The reasons for our concern are set out below:

- 1) Valuation standards need to be principle-based in order that they can be applied by the practitioner with a proper consideration of the all the relevant factors. It is our view that the discussion paper is not compatible with practice standards that are principle-based because of its prescriptive nature on matters that continue to evolve. Valuation standards need to be flexible to allow for a proper consideration of new issues as they arise. Professional valuers need to be able to take into account all of the relevant factors that are appropriate in a particular situation. Valuation standards need to allow for the natural evolution that inevitably takes place in best practices.
- 2) With respect to its discussion of valuation theory, the discussion paper would be better suited to a text book or technical paper on the valuation of intangible assets. The nature of the material in the discussion paper is far too detailed and technical in nature to be associated with valuation standards.
- 3) In preparing valuations in the context of financial reporting, valuers necessarily need to follow the applicable accounting standards or rules. In order to do so, valuers need guidance on the interpretation of these standards. However, this guidance needs to come from accounting bodies and authorities in accounting matters. We do not believe that it is an appropriate role for a valuation standard setting body to interpret accounting standards. We believe, however that the role of a valuation standard setting body with respect to the development of accounting standards is to act in an advisory capacity to accounting bodies and authorities while they are developing and setting accounting standards dealing with valuation issues, rather than interpreting accounting standards once they are published and official.
- 4) Accounting standards are in state of change and will likely continue to evolve. To the extent that matters in the discussion paper, and hence the valuation standards to which they would eventually relate, are based on the requirements of accounting standards, they would need to continue to change as well. Otherwise valuation standards derived in this matter will become outdated with every change in the underlying accounting standards.
- 5) The question arises as to which accounting standards international valuation standards should relate? As the discussion paper rightly points out, there are a number of standard setting bodies in the field of accounting. As an international valuation standards setter, the IVSC needs to be relevant to the requirements of more than one accounting body.



We hope that this submission is helpful to you. If you have any questions regarding our comments, please do not hesitate to contact Robert Boulton, CICBV Director of Professional Affairs (direct telephone number 416-204-3395).

Yours truly,

A handwritten signature in black ink, appearing to read "Lorne Siebert", written in a cursive style.

Lorne Siebert, CA, CBV
Chair of the Board

A handwritten signature in black ink, appearing to read "Carl Merton", written in a cursive style.

Carl Merton, CA, CBV
Secretary/Treasurer and
Chair, Professional Practice Committee

cc: Jeannine Brooks – CICBV President & CEO
Laurent Despres – CICBV IVSC Representative