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International Valuation Standards Committee
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Our ref MT/288

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6 November 2007

Dear IVSC Members

Discussion Paper *Determination of Fair Value of Intangible Assets for IFRS Reporting purposes*

We are writing in response to the Discussion Paper *Determination of Fair Value of Intangible Assets for IFRS Reporting Purposes*. This letter expresses the views of the international network of KPMG member firms.

We believe that the Discussion Paper is a useful catalyst in focusing attention on the lack of agreed implementation guidance in respect of valuations in the context of International Financial Reporting Standards (IFRSs). However, after considering the Discussion Paper, we are writing to discourage the IVSC from pursuing the development of its own valuation guidance. Instead we encourage the IVSC to work with the International Accounting Standards Board (IASB) to bring together the accounting standard-setting and valuation professions to address valuation issues in an IFRS context.

We agree that there is a need for some interpretive guidance addressing the valuation of intangible assets when those assets are measured at fair value in accordance with IFRSs. The accounting standards issued by the IASB are principles-based, and in general do not provide guidance on many valuation issues related to measuring the fair value of intangible assets.

The IASB currently is working on a project to issue a standard with high-level guidance on how to measure fair value when other standards permit or require that measurement basis; the project is a "modified-joint" project with the U.S. Financial Accounting Standards Board (FASB). FASB Statement No. 157 *Fair Value Measurement* formed the basis for the IASB's Discussion Paper on the subject.

The FASB recently formed a valuation resource group, with the IVSC as one of the members, with an objective of helping the FASB as it identifies areas in which more valuation-related guidance is needed and develops that guidance. We believe that the IASB should consider ways in which it might develop an infrastructure that will facilitate the development of authoritative



interpretations in respect of key valuation issues under IFRSs. Whether the IASB follows the model of the FASB, or chooses another route, is an issue still to be resolved.

With a current project underway at the FASB to develop authoritative interpretive guidance related to fair value measurements under U.S. GAAP, and an ongoing fair value measurement project by the IASB to establish the definition and high-level guidance on fair value measurements under IFRSs, we believe that an effort to provide non-authoritative, generic valuation guidance will not be helpful to investors, preparers or auditors. While we believe that the Discussion Paper provides useful information, we note that much of that information currently is obtainable from other non-authoritative sources. As a consequence, we have not provided detailed comments on the Discussion Paper.

Again, we appreciate your efforts to provide additional valuation guidance in the context of financial reporting under IFRSs. However, at this time we believe that the ongoing efforts of the FASB and the IASB are key to developing guidance on fair value measurements under IFRSs for the accounting and valuation professions. Accordingly, we recommend that the IVSC seek to play an active role in providing input to the IASB as its fair value measurement project develops.

Please contact Mary Tokar at 020 7694 8871 or Peter Wollmeringer at +1 212 909 5649 if you wish to discuss any of the issues raised in our letter.

Yours sincerely

KPMG IFRG Limited

cc: Sir David Tweedie, Chairman, International Accounting Standards Board
Robert Herz, Chairman, Financial Accounting Standards Board