



## International Association of Consultants, Valuators and Analysts

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October 4, 2007

International Valuation Standards Committee  
12 Great George Street  
Parliament Square  
London SW1P 3AD  
United Kingdom, European Union

**Attention: Shan Kennedy, Adviser**

Dear Madam,

The International Association of Consultants, Valuators and Analysts ("IACVA") is the largest valuation training and accreditation organization in the world, with over 8,000 members in seven charters, located in China, Germany, Ghana, Lebanon, South Korea, Taiwan and the United States.

As you are no doubt aware, IACVA applied to join the International Valuation Standards Committee ("IVSC") in October 2006 and hopes to be accepted at the annual meeting in November, 2007. Representing valuers in many countries of varying degrees of sophistication IACVA wishes to congratulate IVSC on its excellent Discussion Paper "Determination of Fair Value of Intangible Assets for IFRS Reporting Purposes". However, in a number of ways we believe it can be improved and therefore have prepared the attached detailed comments.

Yours Very Truly,

James P. Catty, MA, CA•CBV, CPA/ABV, CFA, CFE, CVA  
Chairman

Enclosure

IACVA.021

## COMMENTS ON IVSC INTANGIBLE ASSETS DISCUSSION PAPER

### COMMENTS ON IVSC DISCUSSION PAPER ENTITLED "DETERMINATION OF FAIR VALUE OF INTANGIBLE ASSETS FOR IFRS REPORTING PURPOSES"

Section II of the Discussion Paper (the "Paper") requests responses to questions relating to various topics. IACVA has answered all of these and then appended further comments on areas where we believe either that expansion is necessary or required material has been omitted.

2.1.1 "Do you consider that there is a need for guidance in respect of the valuation of intangible assets for IFRS purposes?"

IACVA strongly believes that the balkanization of valuation standards and methodologies is highly undesirable. Therefore, we believe that there is a need for uniform, worldwide guidance concerning the valuation of Intangible Assets (as defined in IAS [International Accounting Standards] 38 and SFAS [Statement of Financial Accounting Standards] 141). This should be applicable not only to reporting under the pronouncements of the International Accounting Standards Board ("IASB"), but also to those of the (US) Financial Accounting Standards Board ("FASB").

2.1.2 "Do you consider that the guidance given in this Paper is at the right level of detail or should there be additional or less detail?"

IACVA considers that the group preparing the Paper has done an excellent job, but, as valuers in many of the countries adopting IFRS [International Financial Reporting Standards] are less sophisticated than the group's members, we believe that more rather than less guidance is desirable.

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In particular, we would recommend further detail as well as the inclusion of numerous examples.

2.1.3 "Do you consider that the Paper achieves the intentions set out in paragraph 1.4?"

Paragraph 1.4 states: "The IVSC hopes that the Degree of Guidance in this Discussion Paper will make a useful contribution to the IASB as it formulates its final views on Fair Value Measurements." Our members operate not only under IFRS, but also United States GAAP as well as certain local standards. We consider the Paper should be expanded to be useful to all users of accounting and valuation standards dealing with Fair Value.

2.1.4 "Do you agree that any future guidance issued by IVSC on this topic should be principles based, with detailed discussion of different methods and illustrative examples clearly distinguished in a Technical Paper?"

Knowledge of the valuation of business interests, much less Intangible Assets, is rudimentary among many of the mainly real estate oriented valuation professionals in a number of countries. Therefore IACVA believes that there should only be one set of worldwide guidance, which, while principles-based, should include detailed discussions of pros and cons of different methods for valuing various classes of Intangible Assets and include numerous illustrative examples. The concept of splitting guidance between several documents is likely to lead to items being inadvertently misinterpreted.

As an example, The American Institute of Certified Public Accountants ("AICPA") Practice Aid on "In-process Research and Development" ("IPR&D Practice Aid") appears to deal successfully with this difficulty while avoiding the potential problem described in paragraph 2.1, that:

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"Issuing prescriptive instructions on how to value any particular class of asset or liability removes the vital element of discretion from the individual valuers, who must be free to adopt techniques that most accurately reflect those of market participants at the valuation date."

In our view, it is essential that there be sufficient guidance to assist a valuator, in any country in determining the appropriate approaches, methods and techniques.

2.8.1 "Do you agree with the approach taken as regards each of the issues set out in paragraphs 2.6 - 2.8 above?"

IACVA agrees in principle with the Paper's view that "the guidance in SFAS 157 is more appropriate for the valuation of financial than intangible assets". However, that document forms part of US GAAP and, as we believe that valuation standards should be globally uniform, IACVA is concerned that all the issues raised in SFAS 157 were not taken into account. Our comments on each of the four items, referred to in paragraphs 2.6 to 2.8, are set out below:

2.8.1 "2.6.1 - the difference between the 'principal' and 'most advantageous' market".

Even for Intangible Assets, there can be different 'principal' and 'most advantageous markets'. As an example for the 2007 sale of the Chinese "Five Star Appliances" retail chain, the principal market for the brand was in that country, while the 'most advantageous' was among international buyers. The ultimate purchaser, the US firm "Best Buy", intends to run two sets of stores, under both the Five Star and Best Buy brands in competition, sharing a warehouse and back office.

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2.8.1 "2.6.2 - the highest and best use of an asset and whether this is 'in use' or 'in exchange'."

The difference between the four premises of value: "in use", "in place", "in exchange" and "in liquidation" can have a significant value on many types of Intangible Assets. This is particularly true of artistic-related items, such as music and film copyrights, which may be used as collateral by their creators or the production companies involved. For example, the capitalization or discount rates and renewal assumptions used in applying an income capitalization or a Discounted Cash Flows ("DCF") method will vary significantly, depending on the premise adopted.

2.8.1 "2.6.3 - the difference between 'observable' and 'unobservable' inputs."

While we concur that the documented benchmarking process described in Section VI of the Paper is a useful tool, which in most cases should form an important part of the Intangible Asset valuation process, the independence of the underlying data (the separation of 'observable' and 'unobservable') is also important and should be discussed in detail and not merely ignored.

2.8.1 "2.6.4 - a three level hierarchy of reliability for valuation inputs."

The Paper's proposed hierarchy for the selection of valuation methods for Intangible Assets, set out in Sections 7.21 to 7.30, in effect is a series of subdivisions of the Level 3 inputs described in SFAS 157. IACVA believes that an explanation of the classifications, based on this concept, is more suitable than ignoring FASB's position.

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2.8.2 "In particular, do you consider that 'inactive market' is a suitable term? If not, which other term would you use for an 'inactive market'?"

The markets for Intangible Assets do not fit the definition of "active market", as set out in paragraph 8 of IAS 38, with the possible exception of "taxi licenses" in major centres. This appears to exclude many dealer and auction markets, such as

- a) those for websites, which are active in the sense that "willing buyers and sellers can normally be found at any time", but do not qualify under the first criteria in that the items are individual, not homogenous and prices are not generally available; and
- b) auctions, such as those for patents and copyrights that have taken place in the United States and the UK.

A comparison would be many national "fine art" dealer or auction markets, such as those in New York, London or Paris.

Therefore, we recommend that there should be a hierarchy of market activity, ranging from "hyper-active", such as those for "gilts", US Treasures and shares forming part of the FTSE 100 or S&P 500, to those that exist almost "by appointment". Suggested rankings are:

- (a) hyper-active auction/dealer
- (b) specialist auction/dealer
- (c) periodic auction/dealer
- (d) broker
- (e) by appointment

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We also recommend the elimination of the criterion "prices are available to the public", if they can be obtained, for a fee, from a proprietary data base, such as those available for fine art.

2.8.3 "Do you agree with the guidance in respect of entity-specific factors in paragraphs 4.25 et seq.? Do you consider that any additional guidance is required in respect of entity-specific factors?"

The guidance on "entity-specific factors" in paragraphs 4.25 to 4.31 in our view is inadequate, as:

- (a) there is no discussion of the different effects of those "entity-specific factors" that would be inherited by a "marketplace participant" from those that would not; and
- (b) No examples are given to help a valuator trying to apply the guidance of paragraph 4.31:

"4.31 It can be a difficult and judgmental area determining which attributes to retain and which to exclude when adjusting for entity-specific factors. It is an issue that regularly needs to be addressed when performing intangible asset valuations under IFRS 3 following a business combination".

2.8.4 "Do you agree with the approach taken in the Paper, paragraph 4.32 with regard to the aggregation of identical and similar assets that form a portfolio?"

Again, IACVA believes the guidance in paragraphs 4.32 to 4.45 is inadequate; 4.32 merely states:

"Some intangible assets can be valued on a stand-alone basis. For other intangible assets, however, it may be either impossible or impractical to value them other than in conjunction with other tangible or intangible assets."

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No examples are offered.

One point, raised in paragraph 4.38, may be misleading. Intangible Assets referred to in paragraphs 36 and 37 of IAS 38 do not lose their "individual identities" when "combined to form a different intangible asset from the underlying assets...." if they are Intellectual Properties (Intangible Assets such as patents, trademarks and copyrights protected by law). A combination will normally add to their usefulness and enhance their value but does not in any way legally create a "new asset".

2.17.1 "Do you agree that these are the five most regularly used methods for valuing intangible assets?"

Section V lists the following valuation approaches and methods:

1) Sales Comparison (more commonly called Transaction Based or Market) Approach.

(a) "5.10 Market Transactions method".

2) Income Capitalization Approach

(b) "5.24.1 relief-from-royalty method, (sometimes known as the royalty savings method");

(c) "5.24.2 premium profits methods, (sometimes known as incremental income method)";

(d) "5.24.3 multi-priced excess earnings method".

In paragraph 5.22 there seems to be some confusion. The capitalization of income, cash flows or cost savings implies the Intangible Asset has an infinite life; discounting of such items (normally

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other than income) annually deals with an expected economic useful life.

### 3) Cost Approach

- (e) "5.61 Replacement cost is the principal method within the cost approach".

Those three Approaches and five methods, (a) to (e), are indeed commonly applied, but there is no discussion at all of the Formula Approach (using option pricing models such as Black-Scholes) or explanations of many problems that often arise in implementation.

2.17.2 "Do you think that there are any other valuation methods that should be covered?"

In addition to the Formula Approach referred to above, a number of variants of the Discounted Cash Flows ("DCF") method, such as "expected cash flows" and "probability based decision trees", are commonly used in valuing Intangible Assets, as are Real Options. All of those should be covered, as should comparative rankings by legal, commercial and financial criteria for patents.

2.17.3 "Do you think that the description of each method is sufficient or do you think that further details are required for any of the methods?"

Once again we wish to point out IACVA represents members in seven countries (as of this response) with varying degrees of financial sophistication. In our view, there should be an example of the implementation of every method discussed together with some guidance as to when it might be suitable and when better avoided.

2.17.4 "Some simple examples regarding the intangible asset valuation methods are included. Do

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you consider that these examples are sufficient or do you think that more detailed examples should be included?"

As set out in the answer to the previous question (2.17.3), IACVA believes that many more examples are required, while the existing ones would be improved through additional detail.

2.17.5 "Do you agree with the approach taken in this Paper with regard to the tax amortization benefit, as set out in paragraphs 5.25 to 5.28?"

The concept (not Approach, which, with respect to valuation, is a "term-of-art") of including tax amortization appears to be based on the recommendation of the IPR&D Practice Aid, which resulted from SFAS 109. In the US, all intangible assets may be amortized for tax purposes; this is not true in all IACVA member countries, and to an even lesser extent of those adopting IFRS. In our view, this concept means that, regrettably, Fair Value will vary across national borders, even within the European Union, and that for a multinational, the Fair Value of its Intangible Assets will in part be dependent as to where they are owned; we consider this to be undesirable.

Paragraph 5.25 states:

"In addition to capitalising the income, cash-flows or cost savings that may be derived from use of the asset, it is sometimes appropriate to adjust the resulting value to take account of the fact that, for certain an asset in certain jurisdictions, tax relief is available on amortisation of the capitalised asset. Such an adjustment is known as the 'tax amortisation benefit' or 'TAB'."

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This suggests that a TAB is not required when a DCF method is used, which conflicts with US practice, as set out in the IPR&D Practice Aid. In addition, there is no explanation of the phrase "sometimes appropriate" relating to when a TAB should be added to the calculated value and when not.

2.17.6 "Section V includes an assessment of the possible ways in which reliability might be restricted for each of the valuation methods. Do you agree with this assessment? Do you think that any other factors should be included in this assessment?"

The reliability of the conclusion of any valuation method depends on its appropriateness and the quality of the available data used in its development. Paragraphs 5.5 to 5.8 deal with the issue of reliability using the IASB Framework. The following quotation from paragraphs 5.6 and 5.7 cover its main points:

"5.6 The Framework, paragraph 31, explains that information is reliable 'when it is free from material error and bias and can be depended upon by users to represent faithfully that which it either purports to represent or could reasonably be expected to represent'."

"5.7 The Framework further clarifies that to be reliable, information must:

5.7.1 'represent faithfully the transactions and other events it purports to represent or could reasonably be expected to represent';

5.7.2 be such that 'transactions and other events that it purports to represent... are

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accounted for and presented in accordance with their substance and economic reality and not merely their legal form';

5.7.3 'be neutral, that is, free from bias'; and

5.7.4 be prudent -- 'prudence is the inclusion of a degree of caution in the exercise of the judgements needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated ... However, the exercise of prudence does not allow, for example,... the deliberate understatement of assets ... because the financial statements would not be neutral and therefore, would not have the quality of reliability'."

It is also important to consider the quantity of data available. If a valuator has a substantial amount of well correlated data for one method and little or poorly correlated data for another, it might be reasonable to adopt the former method rather than the later, even if it is theoretically preferable.

There do not appear to be any detailed techniques of how to determine the reliability of any of the five methods mentioned in our answer to question 2.17.1. IACVA recommends that the final guidance includes a competence ranking (say from 1 - low to 10 - high) of the reliability of each method, using the criteria set out in paragraph 5.7.

2.19.1 "Do you agree that each of these eight key valuation inputs should be addressed?"

Section VI of the Paper, in paragraph 6.1, describes eight types of valuation input and a process for benchmarking them to assess their suitability for use in the valuation of a particular Intangible

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Asset. The group's list is set out below:

"6.1 From the description of the various inputs required for specific valuation methods set out in Section V above, the following eight inputs have been identified as being those most frequently involved in the valuation of intangible assets:

- 6.1.1 prospective financial information;
- 6.1.2 comparable transaction prices and implied valuation multiples;
- 6.1.3 royalty rates;
- 6.1.4 premium profits;
- 6.1.5 contributory asset charges;
- 6.1.6 discount rates;
- 6.1.7 capitalization multiples; and
- 6.1.8 replacement cost

"6.2 In practice, there may be further inputs -- it is not possible to provide an exhaustive list of all valuation inputs. The following paragraphs look at steps that can be taken to improve the reliability of these inputs in practice."

We concur that all of these inputs are important, with some, such as "Discount Rates" and "capitalization methods", being related. It would be helpful to valuers, who do not have the benefit of the group's experience, to have some indication of what further inputs, referred to in paragraph 6.2, might be required in practice. Examples that come to mind are, for a patent, covering a new product: growth rates, market share and countries covered.

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Our brief comments on the various listed inputs follow:

### 1. Prospective Financial Information

In developing Prospective Financial Information ("PFI"), it is essential to differentiate Financial Forecasts (Managements best guesses as to what will happen) from Financial Projections; the latter are sets of scenarios, traditionally: Success (managements forecast), Survival (sometimes a "worst case" budget), and Failure. Weighting the scenarios by their likelihood allows quantifying the risks of variations in the cash flows. This is not the same as the "probability based decision trees" method, often used in valuing pharmaceutical products in development stages, where each node has three decisions: "go", "wait", or "abandon".

Paragraph 6.7.7 refers to "long term or perpetuity growth rates". Very few, if any, Intangible Assets have the infinite lives suggested by a perpetual growth rate. Rather than adopting this, it is usually more helpful to forecast growth; this would be done annually for the first five or so years, and then in blocs of three to five years, using rates that revert to the mean.

Paragraph 6.10 quotes extensively from the IPR&D Practice Aid; the Paper continues in paragraph 6.11 to state:

"While certain of the above sources of data clearly specifically relate to IR&D projects, many of them are useful PFI for all intangible asset valuations."

As many valuers, requiring guidance on Intangible Assets, will not be familiar with IPR&D, it would be helpful for the group to indicate which of the 27 items in paragraph 6.10 are considered to be important in determining the PFI needed to value various types of Intangible Assets.

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In spite of these detailed criticisms, IACVA wishes to congratulate the authors of the Paper for a well thought out, although insufficiently explained, process for benchmarking PFI to improve its reliability.

### 2. Comparative Transaction Prices and Valuation Multiples - In Active Markets

Our views with respect to markets are set out in the answer to question 2.8.2. With regard to the benchmarking exercise described in paragraph 6.25, we suggest that there be a discussion of the use of index numbers to give a quantitative ranking for the various categories, rather than just a qualitative "strong", "medium" or "weak" etc. The exercise of establishing such index numbers is a useful discipline in determining relative brand strengths.

### 3. Royalty Rates or Amounts

Outside the major English-speaking countries, there is little available information about royalty rates, not even through proprietary data bases. Therefore, valuers require considerable guidance in how to adjust rates obtained from a sophisticated market, to reflect conditions in those less developed. Otherwise we find this section of the benchmarking process described in paragraphs 6.36 to 6.43 useful.

### 4. Premium Profits

One factor in considering estimated premium profits is that in some industries, especially food, the same firms often manufacture private-label goods as well as branded versions. In several cases of which IACVA is aware, the products were identical; in such circumstances, the difference in costs and selling prices make it relatively easy to determine a value for both the "store" and the widely advertised brands.

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### 5. Contributory Asset Charges

Paragraph 6.59 seems to have reversed reality; IACVA believes that:

- (a) the return on a contributory asset is the required (not necessarily the undefined term "fair") regular return on its initial capital value required for its use; and
- (b) the return of a contributory asset is the regular recovery of its initial capital value over its estimated useful life. This latter is not the same as the accounting amortization charged to income.

The Contributory Asset Charge ("CAC") includes both the return ON the asset and the return OF the asset, as discussed above. It may be calculated on a time or unit basis.

Paragraph 6.64 refers to the "cost of capital". From the context, it is unclear whether this is the Weighted Average Cost of Capital ("WACC"), which is most likely, or the Cost of Equity, which is more appropriate, as Intangible Assets, especially Goodwill, are not usually acceptable collateral for the debt financing included in WACC.

Paragraph 6.68 appears to be unclear; a separate CAC should be calculated for each other asset, financial, physical or intangible, that contributes to the value of a particular Intangible Asset. Therefore the sum of the assets, subject to the various CACs, will always be less than the total assets for which the Weighted Average Return on Assets ("WARA") is calculated.

### 6. Discount Rates

Paragraph 6.71 states "as noted earlier the traditional approach [DCF method] is virtually always

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used in the valuation of intangible assets." This is certainly not true with respect to technology-based intangibles; in many cases, some form of "expected cash flows" or "probability based decision trees" is common. An example or explanation of this statement is desirable.

Paragraph 6.76 refers to the Capital Asset Pricing Model, but does not describe it in detail. Many countries have stock markets that are more "casino like" than those in the US or the UK; for them to develop an Equity Risk Premium, much less a Beta for an individual stock, is virtually impossible.

IACVA considers that the discussion on Discount Rates should deal in detail with other build-up methods, such as the "Risk Rate Component Model"; this, in use in some Asian countries and parts of Europe and the Middle-East, may be applied to either publicly traded or privately owned entities in virtually any economy where there is a "risk free rate" from government borrowings.

Paragraph 6.81 states that for the Expected Cash Flows method the Discount Rate should be the WACC of the entity. In our view, this is incorrect, because as previously mentioned, Intangible Assets nowadays are not easily financed with debt. Thus we suggest further explanation as to why the group prefers WACC to the cost of equity in those circumstances.

### 7. Capitalization Multiples

More guidance is needed in obtaining capitalization (valuation) multiples, such as Price Sales or Price Earnings from publicly traded corporations. Also, the process for converting Discount to Capitalization Rates and vice-versa should be explained.

The description of the Gordon Growth Model is useful, but more guidance is needed, including an example. Paragraph 6.89 states that "The Gordon Growth Model can also be used to derive

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multiples for assets with finite lives". A description of how this is done is desirable, as the latter situation applies to a large majority of intangibles.

### 8. Replacement Cost

This is commonly used as a supplemental method for software, especially when internally created, using one of the well established estimating models. No guidance for this is supplied.

#### 2.19.2 "Do you think that any additional valuation inputs should be addressed?"

As set out in our comments on question 2.19.1, IACVA believes that paragraph 6.2 should be expanded to list which further inputs the group considers may be needed in practice, based on their considerable cumulative experience.

#### 2.19.3 "Do you think that sufficient guidance is provided in respect of each of the eight valuation inputs?"

Our detailed comments on the inputs are set out under the answer to question 2.19.1.

#### 2.19.4 "Do you think that there are any additional benchmarking processes that should be included?"

None of the standard trend, cycle and ratio analyses are discussed. These are an essential part of benchmarking and most valuers would appreciate guidance on them.

#### 2.21.1 "Do you agree with the approach regarding selection of appropriate methods that follows an

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assessment of the relative reliability of data available in respect of eight key valuation inputs, as set out in paragraph 7.34 of this Paper?"

In general, IACVA concurs with the "Comparison of different approaches" set out in paragraphs 7.1 to 7.5. We also concur with the truism, in paragraph 7.8, "Quoted market prices in an active market provide the most reliable estimate of the fair value of an intangible asset". However, they are rarely available, and for that reason, other methods are almost always applied.

There is some confusion as to the actual "proposed hierarchy for selection of valuation methods". Considerable expansion and examples are needed to supply sufficient guidance for unsophisticated valuers to be able to properly to understand and apply it.

2.21.2 "Do you consider that this approach is more suitable to the valuation of intangible assets than that set out in SFAS 157 with regard to the level of reliability of valuation inputs used?"

As set out previously in the answer to question 2.8.1, IACVA believes the proposed IVSC hierarchy should be considered as subdivisions of the level 3 inputs set out in SFAS 157. It should not be developed as an alternative, but as an expansion, based on the availability and reliability of suitable data.

2.21.3 "Do you agree that valuers should always seek to support the results from application of a primary valuation method with those obtainable from a secondary valuation method?"

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Whenever possible, a valuator should try to "triangulate" his conclusion by using all methods for which reliable data is easily available.

2.21.4 "Do you agree with the proposal in paragraph 7.35 that whenever a valuation method is available without undue cost and effort that such method should be applied as either primary or supporting valuation method?"

Considering our answer to question 2.21.3, IACVA concurs with the proposal in paragraph 7.35.

2.23.1 "In the light of guidance earlier in the Paper, do you think that additional guidance is required in Section VIII?"

Paragraph 8.1 sets out a four-step Valuation Process:

1. Identify the subject asset.
2. Obtain the available, relevant data.
3. Select the appropriate valuation Approaches, Methods and Techniques.
4. Perform and document the valuation.

Each of these steps is complex and needs guidance, especially the last, where suggested detailed checklists would be appreciated by practitioners in several of our member countries. In our view, the supplied guidance is inadequate, also, there are no examples.

## ADDITIONAL COMMENTS

Paragraph 3.8 states:

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"The expert group considers that the five categories noted in paragraph 3.6 above are "types" of intangible and the sub-divisions within these types are "sub-types" of intangible assets."

These categories, from SFAS 141, paragraph A14, are:

- (a) Marketing-related
- (b) Customer-related
- (c) Artistic-related
- (d) Contract-based
- (e) Technology-based

These were set out by FASB in SFAS 141 as an illustrative, but not all-inclusive, list. In our view, it fails to deal satisfactorily with government permits and licenses, which are generally of more importance outside the United States. IACVA therefore recommends the addition of a sixth group, "government granted", to cover such items.

This should not include Intellectual Property Rights ("IPR"), as they are merely a form of protection for an Intangible Asset, and have nothing to do with its nature. Therefore all IPR should continue to be included in other appropriate categories.

Paragraph 3.9 states:

"However, the expert group considers the appropriateness of different valuation methods to different intangible assets according to the reliability of the data available to value the intangible asset, see Section VII below, rather than according to their categorization above.

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Thus, different methods may be appropriate for intangible assets within the same type and sub-type above but the same methods may apply to intangible assets coming from different types or sub-types."

While this is obviously true in theory, in practice there tend to be preferred methods for valuing particular categories of assets. A discussion of those, with examples, in our view would be helpful, especially reasons as to why they are not appropriate.

Paragraph 3.12 states:

"The guidance in this Discussion Paper should be used in the selection and application of valuation methods to measure the fair value of intangible assets in the determination of their 'fair value, less costs to sell' but not in the determination of their 'value in use', as the latter is not a measure of fair value."

This appears to be an oversimplification. SFAS 157 adopted the concept of the "highest and best use"; if this is actually in effect, the "value in use" of an Intangible Asset, such as the systems needed to operate a manufacturing plant, is indeed Fair Value.

While the above comments continuously call for publication of examples, it may be preferable to publish such examples as a separate practice aid.

James Catty, Chairman

Robert C. Brackett, Secretary

William A. Hanlin, Jr., President