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Australian Property Institute

International Valuation Standards Board  
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Dear Sir / Madam,

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**Exposure Drafts of Proposed Revised International Valuation Guidance Note No. 4 - Valuation of Intangible Assets and of Proposed New International Valuation Guidance Note No. 16 - Valuation of Intangible Assets for IFRS Reporting Purposes**

Following the release by the International Valuation Standards Board (IVSB) of the two Exposure Drafts noted above, the Australian Property Institute (API), through the Australian Valuation & Property Standards Board (AV&PSB) has reviewed the documents and provides its comments & responses below.

The Exposure Drafts pose specific questions and our responses have been drafted to respond to each of those questions.

*Exposure Draft of Proposed Revised International Valuation Guidance Note No. 4 - Valuation of Intangible Assets*

***Q1 - Do respondents consider that further definitions are necessary to explain terms that are used in this draft?***

Restricting the number of definitions in any specific Standard, Application or Guidance Note is generally a good idea as it limits the potential for the existence of conflicting definitions for the same term in different documents. Use of the Glossary of Terms provides a sensible way to manage defined terms.

***Q2a - Is the categorisation of Intangible Assets important because it helps valuers identify assets that have similar characteristics and for which similar valuation approaches may be adopted, or is it simply a convenient way of describing the different types of asset that exist?***

The categorisation of intangible assets is considered useful for both of the reasons noted above. It is also helpful in identifying areas where potential duplication may exist.

***Q2b - If categorisation is important, is it important that the categories in GN 4 follow the illustrative examples in IFRS 3?***

The illustrative examples are helpful however it should be acknowledged that there may be other ways of categorising intangible assets. For instance 'Customer or supplier-related' intangible assets could be considered as two separate categories, viz; 'Customer-related' intangible assets and 'Contract-based' intangible assets.

***Q2c - If it is considered important to follow the categorisation in IFRSs, should "Contract Related" assets be separately categorised from the other types?***

See comments at Q2b. It should at least be acknowledged that this is an option.

***Q3- Do respondents consider that the major valuation methods in use for the valuation of intangible assets are all included? Conversely, are methods included that are seldom used in practice?***

The valuation approaches and methods listed:

- ▶ Market comparison approach
- ▶ Income capitalisation approach

- ▶ Relief-from-royalty, or royalty savings, method
- ▶ Premium profits, or incremental income, method
- ▶ Excess earnings method
- ▶ Cost approach

are consistent with the major valuation methodologies commonly adopted by valuation professionals in the valuation of intangible assets.

As the forensic review of intangible assets continues it may be that the types of valuation methodologies applied will not be limited to those above.

***Q4 - Do respondents consider that the degree of detail in the Guidance Note goes beyond that which is necessary for a professional user of an intangible asset valuation to understand the basic techniques and principles that an expert valuer should normally adopt.***

Whilst it is to be hoped that any practitioner attempting a valuation of intangible assets has the experience, skills and knowledge to do so, some level of detail is nonetheless helpful and appropriate. The decision in respect of the appropriate level of detail is always difficult however we believe in this situation more rather than less guidance may be appropriate,

***Q5 - Do respondents agree that it is preferable to use multiple methods, and if so, do they consider that the guidance provided is sufficiently comprehensive to prevent unnecessary cost and confusion being incurred in undertaking valuations of intangible assets?***

We agree that the use of multiple valuations methods (to the extent possible), is both desirable and required. We note that almost all valuation guidance (AICPA/USPAP (US) and APES (Australia), for example) require that a valuer consider each of the three broad approaches and explain why certain valuation approach(es) were selected and others rejected.

Exposure Draft of Proposed New International Valuation Guidance Note No. 16 - *Valuation of Intangible Assets for IFRS Reporting Purposes*

***Q1 - Do respondents consider that further explanation of the characteristics of identical, similar and different intangible assets is required?***

No. The wording in IAS 38 is adequate.

***Q2 - Do respondents consider that in order to improve consistency of intangible asset valuations prepared for use under IFRSs it is necessary for IVS to explore and define what is meant by a "market" and by sub descriptions such as "active", "inactive", "accessible", etc?***

Given the potential for different interpretations we consider that this is desirable as it will help to ensure a more consistent interpretation of those terms. Dialogue with the IASB may be prudent to ensure that any definitions are consistent with the IFRS intended meaning of the term to avoid the possibility of rendering a valuation of intangible assets undertaken for IFRS purposes as inappropriate or useless.

***Q3 Do respondents consider that this guidance contains sufficient references to IFRSs to enable a valuer to understand the valuation objectives and criteria necessary to produce valuations that are suitable for use by a reporting entity in preparing its financial statements, or is more background material on IFRSs required?***

Yes. It is not necessary to repeat the IFRSs in detail within an IVSC Guidance Note. It is to be hoped that valuation practitioners refer to all relevant IFRSs as part of their normal practices.

The API and the AV&PSB are grateful for the opportunity to provide feedback.

Should you wish to discuss any of the matters raised herein, please do not hesitate to contact Tony McNamara on 07 3832 3139.

Yours faithfully



Tony McNamara  
Professional Standards Manager