



**The Institute of
Chartered Accountants
in Australia**

27 April 2009

International Valuation Standards Committee
12 Great George Street
Parliament Square
London SW1P 3AD
UNITED KINGDOM

By email: CommentLetters@ivsc.org

Dear Sir/Madam,

Comments on Revised International Valuation Guidance Notes – No 16 “Valuation of Intangible Assets for IFRS Reporting Purposes”

Thank you for the opportunity for The Institute of Chartered Accountants in Australia (“The Institute”) to provide comments on the IVSC revised International Guidance Note No 16 - “Valuation of Intangible Assets for IFRS Reporting Purposes”.

Overall, The Institute supports the issue of the guidance note. Detailed comments are set out in the appendix and were prepared by the Institute’s Business Valuation Special Interest Group (“BVSIG”), a special interest group whose members are most affected by the proposed Exposure Draft.

The Institute is Australia’s premier accounting body, which represents over 45,000 members who are fully qualified Chartered Accountants working either in the accounting profession providing auditing, accountancy, taxation and business consultancy services or in diverse roles in business, commerce or government.

The Institute is a founding member of the international accounting coalition called the Global Accounting Alliance (GAA), which provides reciprocal arrangements with eight of the other leading accounting bodies in the world. The Institute is the only Australian accounting body within the alliance. The GAA represents more than 700,000 members world-wide and includes professional accounting organisations from America, Canada, Hong Kong, England/Wales, Ireland, Scotland, New Zealand and South Africa.

In July 2005 the Institute established the Business Valuation Special Interest Group (BVSIG) for the benefit of the Institute, members and stakeholders, including regulators and the community. The BVSIG currently has over 900 members working in the field of business valuation. The key aim of this group is to provide standards in the area of business valuations. The BVSIG is represented in most states and nationally.

Should you have any questions in relation to the matters discussed in the attached document, please contact John Gibson, Chair, BVSIG on +61 2 9248 4616.

Yours sincerely,

Lee White
General Manager,
Leadership & Quality Division

33 Erskine Street
Sydney NSW 2000
GPO Box 3921
Sydney NSW 2001
service> 1300 137 322
phone> 61 2 9290 1344
fax> 61 2 9262 1512

60 Marcus Clarke Road
Canberra ACT 2600
phone> 61 2 6282 9600
fax> 61 2 6282 9800

L32, 345 Queen Street
Brisbane Qld 4000
phone> 61 7 3233 6500
fax> 61 7 3233 6555

L11, 1 King William
Street
Adelaide SA 5000
phone> 61 8 8113 5500
fax> 61 8 8231 1982

TCCI, 30 Burnett Street
North Hobart Tas 7000
phone> 1800 014 555
fax> 61 3 9670 3143

L3, 600 Bourke Street
Melbourne Vic 3000
phone> 61 3 9641 7400
fax> 61 3 9670 3143

Grd, 28 The Esplanade
Perth WA 6000
phone> 61 8 9420 0400
fax> 61 8 9321 5141

Guidance Note No 16 - "Valuation of Intangible Assets for IFRS Reporting Purposes"

Questions for Respondents

1. Some respondents to the discussion paper consider that because IAS 38 only permits intangible assets for which there is an active market to be carried at their revalued amount, and that the definition in IAS 38 of an active market includes a requirement that the assets traded are homogenous, or identical, it is necessary to further define the characteristics of assets that are "identical, similar and different". They argue that because IAS 38 effectively directs that the fair value of qualifying identical assets is based on prices that are available to the public, valuers need guidance for which assets a valuation technique other than a straight forward price x quantity calculation may be used when valuing intangible assets under other IFRSs. The Board's view is that there is little scope for confusion as the adjectives in question are used in IAS 38 with their normally understood meaning, and any attempt to draw clear lines between classes of intangible assets based on prescriptive definitions is not only unnecessary but also a source of potential anomalies.

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

Further explanation is not required.

2. IAS 38 contains a precise definition of an "active market", which describes not only the characteristics of the market but also the nature of the assets traded, i.e. they must be homogenous. This has led some commentators to the view that markets that either do not meet the criteria in IAS 38 or involve heterogeneous assets should logically be termed "inactive markets". Others consider that this is misleading, as activity in markets is not dependant upon whether the goods being traded are similar, but upon supply and demand and the extent to which either is elastic. They point to the fact that there are many active markets involving assets that are not homogeneous. IVS does not have a single definition of a market, although in discussion under "Concepts Fundamental to Generally Accepted Valuation Principles" (p21 IVS 2007) it is described simply as an environment in which goods and services are exchanged through a price mechanism. Although market concepts are discussed throughout IVS, no need has previously been identified to categorise and define different types of market.

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?

The IVS should not explore and define what is meant by a "market" and by sub descriptions such as "active", "inactive", "accessible" etc as this could lead to conflicts and confusion with the IFRS definitions. In addition, the current debates on the use of fair value for accounting and the impacts on the financial markets may lead to some changes.

3. This draft is intended to provide valuers with a briefing of the valuation objectives under various IFRSs. It is not intended to be a guide to the accounting requirements. Consequently, only selected extracts from relevant IFRSs documents have been referred to, and elsewhere the IFRSs requirements have been paraphrased or précised.

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?

The references to IFRS are sufficient. Valuers should make direct reference to the IFRS. The GN should be restricted to matters that need to be emphasised, areas where the terms used by IFRS conflict or could be confused by IVS terms or definitions or where further guidance is needed. An area where further guidance would be useful is with respect to the determination of pre tax discount rates and the interaction with accounting for income taxes as set out in the basis for conclusions to IAS 38 at BCZ81 to BC 94.