IACVA
INTERNATIONAL ASSOCIATION
of Consultants, Valuators and Analysts

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22 December 2010

International Valuation Standards Council
41 Moorgate
London EC2R 6PP
United Kingdom
Emailed to: commentletters@ivsc.org

Ladies and Gentlemen,

This letter of comment is submitted on behalf of the International Association of Consultants, Valuators and Analysts (IACVA), a member of the International Valuation Standards Council (IVSC) and the World Association of Valuation Organizations (WAVO). We are a knowledge transfer and credentialing organization with Charters and Chapters, existing or pending, in Australia, Canada, China, Germany, Ghana, India, Indonesia, Kuwait, Lebanon, Mexico, New Zealand, Nigeria, Philippines, Russia, Saudi Arabia, South Korea, Taiwan, Thailand, the United States (National Association of Certified Valuation Analysts – NACVA and the Institute of Business Appraisers – IBA) and Vietnam. The organization has nearly 10,000 members, who are mainly involved in business valuation and fraud deterrence.

As a worldwide organization, our members are extremely concerned with the effect on valuation practices of many provisions in International Financial Reporting Standards (IFRS), as well as Generally Accepted Accounting Principles in the United States (GAAP). They are especially worried by the recent trend in the convergence activities that seems to result in IFRS moving towards GAAP rather than the process correcting the many practical deficiencies and complexities of the recent Accounting Standards Codification, especially its excessive rules.

We appreciate the opportunity to comment on the Discussion Paper *“Valuation Uncertainty”* (the “DP”). Our detailed observations to the posted questions are as follows:

Question 1

Do you agree that it is only when material, or abnormal, uncertainty attaches to a valuation on a specific time or date that that specific disclosure is necessary when the valuation is reported? If not please explain why you consider that an uncertainty statement should be provided in all cases.

In our view, an uncertainty statement should be provided in all cases. Under normal market conditions, say those from 2002 to 2007, a brief statement, in somewhat the following form, should be sufficient:

> "Future events will not occur as projected and the results of operations and financial conditions will differ from those projected and the variances may be significant; therefore the valuation conclusion is subject to uncertainty."

Under other conditions, or when material or abnormal uncertainty applies, the statement should be expanded, so as to give some indication of the possible impact of variations in particular assumptions or of changes in expected events.

Question 2

Do you believe that the Board has identified all major sources and types of material valuation uncertainty? If not please identify what additional causes of uncertainty exist and how often you encounter these in practice.

The Board has done an excellent job of clarifying the most common uncertainties. However, with respect to nomenclature, we suggest that the phrase "uncertainty" be limited to the valuation conclusions and that the terms in paragraphs 12.1 to 12.5, be renamed for clarity as follows:

12.1: Valuator's Skills
12.2: Work Program
12.3: Market Disruptions
12.4: Method (Methodologies) Reliability
12.5: Input Veracities

In many cases, the major unmentioned uncertainty that significantly affects businesses is fluctuations in exchange rates. Of those, the most significant is the local currency against that of the country's principle exports recipient. For example, the rate of Canadian funds against the United States dollar is reported as news daily. From 2002 to 2007, the Canadian dollar moved from a low of about US $0.620 to a high of US $1.085, a 75% gain; since then, it has been in a trading range. The increase unfavourably affected many industries with export activities and created uncertainties in their values which depend on the future profit outlook. This was especially noticeable during the early part of the period; at later times, an increase was often built into the assumption.

Question 3

Do you agree with the Board's conclusion that an explanation of any abnormal uncertainty identified and an explanation of the impact this has on the valuation (a qualitative statement) is more helpful to users in understanding the valuation than a purely numeric expression of the range of possible values created by the uncertainty (a quantitative statement)?

We agree with the Board that a qualitative explanation is essential to putting the valuation conclusion in an appropriate context with respect to uncertainty. However, we do not consider it is always more helpful that a quantitative listing of the impact of choosing some other reasonable set of assumptions. While a qualitative statement should be required, the amount of quantitative information depends on facts, circumstances and materiality.

Question 4

Do you think the IVSB should include an explicit requirement in the proposed IVS 105, Valuation Reporting, to disclose any material uncertainty or is the principle that requires valuation reports not to be ambiguous or misleading sufficient?

We believe that an explicit requirement is desirable.

Question 5

Do you consider that there are cases where a qualitative statement of the causes and impact of uncertainty on the valuation is inadequate and should be either augmented or replaced by a quantitative statement? If so please

***a.* state the circumstances and assets classes where you believe that quantitative statements are more helpful to users and,**

***b.* provide a brief explanation or example of the type of quantitative statement that you believe would be useful.**

(a) Depending on the facts, circumstances and materiality of the potential variation, we believe that, especially for valuations of Intangible Assets, a supplemental quantitative statement is usually desirable.

(b) An example could be: "in valuing the Brand Name by the Relief-from-Royalty method, a royalty rate of 3.25% was chosen from a range of between 3.0% and 5.0%. This rate was based on the number and nature of the transactions listed in the databases consulted. An equally reasonable conclusion could have been to choose the midpoint (4.0%). That decision would have had the effect of increasing the conclusion of value by 23%; such a variance is outside the normal valuation parameters of +/- 20%.

Question 6

Do you consider that it would be helpful if IVSC developed guidance on methods for making a quantitative disclosure of uncertainty under specific circumstances? If so please indicate the circumstances and any methods that you either use or encounter in your market.

We believe that application guidance is always helpful. Our preference in estimating valuation conclusions reliably is either by applying a Monte Carlo simulation or through establishing ranges from various methods and using them to determine the spread for the value conclusion.

IACVA would appreciate an invitation to send a representative to future IVSC round tables, such as those held in various centres during 2010. In the past, we have participated in similar events for FASB and IASB. Should you wish to discuss any points in this submission further, a member of your staff may contact the writer in Toronto, at 416-865-9766.

Respectfully submitted,
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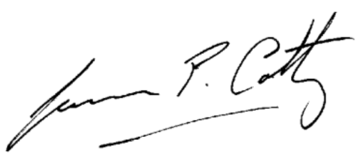

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Chair