CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world’s only professional accountancy body to specialise in public services, CIPFA’s portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. They are taught by our in-house CIPFA Education and Training Centre as well as other places of learning around the world.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services.
Dear IVSB secretariat

**Exposure Draft**
**Proposed New International Valuation Standards**

CIPFA is pleased to present its comments on the proposals in this Exposure Draft, which have been reviewed by CIPFA’s Accounting and Auditing Standards Panel.

CIPFA is a professional accountancy body in the United Kingdom which specialises in the public services. CIPFA considers the development of guidance and standards on financial reporting, auditing and other matters; in some cases we consider the implications of consultation materials for all sectors of the economy, while in other cases we focus primarily on the effect on the public sector or the wider public benefit sector. While we represent our membership of accountants, we liaise on key issues with other stakeholders including standard setters, government bodies, regulators, and representatives of other professions and specialisms such as economists, actuaries and valuers.

CIPFA has considered the IVSB exposure draft mainly from the point of view of preparers of financial statements under local, international and international public sector financial reporting standards.

Against this background, we would note our view that the ED proposals appear very clear and helpful.

**Response to specific questions**

Specific comments on the questions for respondents are attached in an Annex. CIPFA has no comments to make on questions 3, 5, 7-9, 14-15, 18-20.

I hope these comments are a helpful contribution to the development of the ninth edition of IVS. If you have any questions about this response, please contact Steven Cain (e: steven.cain@cipfa.org.uk, t: +44(0)20 7543 5794).

Yours faithfully

Una Foy
Assistant Director
Professional Standards and Central Government
CIPFA
3 Robert Street
London
WC2N 6RL
t: 020 7543 5647
e: una.foy@cipfa.org.uk
www.cipfa.org.uk
## Responses to Questions for respondents

<table>
<thead>
<tr>
<th>Question</th>
<th>CIPFA's Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Do you find the new structure of the Standards to be logical and easy to follow? If not, what alternative would you propose?</td>
<td>CIPFA considers that the new structure of the Standards is logical and easy to follow.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Question</th>
<th>CIPFA's Response</th>
</tr>
</thead>
</table>
| 2. Do you consider that the combination of background information and specific directions to be helpful? Would you prefer all background information and explanatory information on asset classes to be removed from the standards so that only the specific directions applicable to each application or asset type remained? | CIPFA has views mainly with reference to the 201 series of Application Standards. These are primarily articulated in terms of the associated client requirements arising for preparers of financial statements using IFRS or, in the case of IVS 201.05, IPSAS. In our view, this is a sensible and helpful approach. In the light of this comment, we think there is a slight inconsistency inasmuch as while standard 201.01 explicitly references IFRS, IVS 201.02 to 202.04 do not contain such references. In our view, it would be helpful if either

- the title of the standard included a reference to the primary financial reporting framework for which the IVS was developed; or

- the text of the standard included an explanation that, while the standard could be helpful to valuers preparing valuations to assist preparers of financial statements under a variety of frameworks, additional judgement would be needed to apply them to financial reporting based on standards which differ significantly from IFRS.

We would suggest similar points in respect of 201.05 and IPSAS. The current draft may give the impression that IPSAS is used for all public sector financial reporting. While CIPFA supports IPSASB in its development of IPSASs, we suggest that an IVS on public sector issues needs to acknowledge that public sector reporting may follow other frameworks, whether based on IFRS or other standards.

We would also note that some financial reporting frameworks for non-profit entities may set out an asset valuation and impairment requirements which are less akin to IFRS fair value than the service potential based approach of IPSAS 21 / IVS 201.05. |

<table>
<thead>
<tr>
<th>Question</th>
<th>CIPFA's Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Do you consider that this objective has been met? Do you consider that there are any additional valuation concepts and principles that should be considered and discussed in this standard?</td>
<td>CIPFA considers that the objective has been met. We have not identified additional matters that should be considered or discussed.</td>
</tr>
</tbody>
</table>
Previous editions of IVS have identified the principal valuation approaches listed in this proposed standard.

### 6. Do you agree that these three approaches encompass all methods used in the assets or liabilities that you value? If not, please describe what approaches you feel have been omitted.

CIPFA agrees that these three approaches capture all aspects of valuation which are relevant to our financial reporting concerns. We have no comments to make on other matters.

A change is proposed to the definition of Investment Value. [...] The Board has proposed to amend the definition so that it only reflects the value to the owner, not the value to prospective purchasers. The rationale is that a prospective purchaser for whom an asset had value in excess of that to market participants generally could also be described as a special purchaser, which is separately defined. A reciprocal change is proposed to the definition of "special purchaser" to make it clear that it can include a single buyer with a special interest or a restricted class of buyers that can realise additional value not available to the market participants at large.

### 10. Do you agree with this proposed change? If not, please explain why and what you believe the distinction is between investment value to a prospective purchaser and special value to a prospective buyer who can realise that special value to be?

CIPFA agrees with the proposed change to the definition of Investment Value and the consequent change to clarify the definition of ‘special purchaser’.

### 11. Do you support the continued use of the term “Investment Value” or would you prefer an alternative? If so, what would that alternative be?

While the other terms referred to are helpful in certain financial reporting discussions, CIPFA is content with the retention of the term Investment Value.

In IVS highest and best use (HABU) is treated as an inherent feature of market value. This follows the economic theory that the price of an asset which is fully exposed to all potential buyers will sell for a price reflecting the most efficient or productive use of that asset. Other literature that has been published recently presents highest and best use as a separate concept from the price that would be paid in a hypothetical exchange between market participants.

### 12. Do you agree with the approach taken in IVS? If not, explain why not and give examples where you believe the highest and best use may be different from the market value.

CIPFA agrees with the IVS approach which is sufficiently clear.
Although the IASB is likely to change the definition of fair value in IFRS in its proposed new Fair Value Measurement Standard, in this draft the definition of fair value in general use has been changed to emphasise the distinction from the usage of the term in IFRS.

### 13. Do you consider this proposed change in the definition to be helpful? If not, please indicate how you believe it could be improved.

CIPFA is content that this approach is understandable, notwithstanding the need to review the content of IVS 201.01 in the light of final IASB deliberation.

Some consider that the fundamental principles of valuation should remain unchanged regardless of the purpose for which it is being prepared and therefore these application standards are superfluous. Others consider that it is important that valuation standards highlight factors that could be relevant to determining the appropriate valuation hypothesis for different purposes, and to set down criteria to ensure that reports contain the appropriate information.

### 16. Which view do you support? If you consider that future IVS should contain application standards, do you consider that the degree of detail of those in the draft is appropriate and help the better understanding of the valuation requirements?

CIPFA does not see a contradiction between setting out unchanging fundamental principles and providing material which gives useful context to inform valuers and their clients, and on balance we support the development of application standards.

More significantly, as noted in our answer to Question 2, we consider that any Application Guidance should be very clear about the context to which it does apply.

*(the discussion refers to the inclusion of references to IFRS)*

### 17. Which of these views do you support?

Having regard to the substantive content of the draft IVSs, we suggest that it is appropriate to include references to IFRS, and indeed IPSASs.

We agree that valuation measurements under IFRS and IPSAS are intended to reflect market reality or other economic substance and are not a special type of valuation reserved for financial statements. However, they make specific assumptions about the operation of markets or other matters and set out specific requirements where these assumptions are not satisfied.

We consider that it is helpful to relate IFRS and IPSAS to wider valuation principles and practice through cross references in IVS.

We consider that the 201 series of IVS as currently drafted are mainly grounded in the requirements of IFRS and IPSAS. This should be transparently acknowledged. In line with our answer to question 2, it would be helpful if the standards provided more material to explain how generic valuation approaches should be applied to other financial reporting frameworks.