



October 16, 2018

via email:  
[commentletters@ivsc.org](mailto:commentletters@ivsc.org)

International Valuation Standards Council  
1 King Street  
LONDON EC2V 8AU  
United Kingdom

Dear Board Members:

This letter is in response to the International Valuation Standards Council's (IVSC) IVS 2017 Proposed Revisions Exposure Draft (Exposure Draft).

The American Institute of CPAs (AICPA) is the world's largest member association representing the CPA profession, with more than 431,000 members in 137 countries, and a history of serving the public interest since 1887. It is also important to point out that our constituency actually exceeds that number because, under various US state accountancy laws, AICPA professional standards also encompass practicing CPAs who are not AICPA members.

AICPA members represent many areas of practice, including business and industry, public practice, government, education and consulting. The AICPA sets ethical standards for its members and U.S. auditing standards for private companies, nonprofit organizations, federal, state and local governments. It develops and grades the Uniform CPA Examination, offers specialized credentials, builds the pipeline of future talent and drives professional ethics and competency development to advance the vitality, relevance and quality of the profession.

The Forensic and Valuation Services Executive Committee ("FVSEC") is a senior technical committee of the AICPA. The FVSEC is empowered to issue valuation and forensic accounting standards for our members and to comment on forensic and valuation-related topics on behalf of the AICPA. In 2007, the AICPA issued Statement on Standards for Valuation Services No. 1, currently referred to as VS Section 100 (VS Section 100) in the AICPA Professional Library.

This letter presents the FVSEC's comments and responses to certain questions for respondents raised in the Exposure Draft.

## **General Comments**

The FVSEC is concerned that the proposed additions in this Exposure Draft are too prescriptive to be meaningful as standards and are written in a manner that resembles a performance framework that identifies guidelines instead of principles-based standards.

## **Comments to Questions for Respondents**

**Question 1: Do you believe that IVS should define the terms Price, Cost, and Value? If so, please discuss why you think the additional definitions are necessary.**

No. The FVSEC does not believe that the IVS should define the terms Price, Cost, and Value due to the -existence of well-established publications that already define these terms. However, if IVS determines that these terms need to be added to the IVSCs, the IVS should define the terms consistent with the definitions already published in other valuation standards and glossaries.

**Question 2: Do you believe IVS should define Calculation and Calculation Engagement? Please explain why.**

Yes. The FVSEC believes that IVS should define Calculation and Calculation Engagement if the IVS defines a Valuation. The FVSEC believes that a Calculation and Calculation Engagement differ as compared to a Valuation and that a Calculation and Calculation Engagement do not include all of the procedures required for a valuation and that had a valuation been performed, the results may be different.

The FVSEC strongly recommends that the IVS define a Calculation and Calculation Engagement consistent with the VS Section 100 definitions of 'Calculated Value' and 'Calculation Engagement', respectively. This will help the valuation profession provide these services consistently, regardless of which standard is applied.

**Question 3: Should a Calculation be IVS compliant, and if so, what differences in the scope of work and disclosures outlined in IVS should be required by the valuer?**

Yes. The FVSEC believes that a Calculation should be IVS compliant.

The FVSEC strongly recommends that differences in the scope of work and disclosures between a valuation engagement and a calculation engagement outlined in IVS be consistent with the differences in the scope of work and disclosures between a

valuation engagement and a calculation engagement as outlined in VS Section 100. This will help the valuation profession provide these services consistently, regardless of which standard is applied.

**Question 4: Should IVS provide examples of “substantial” limitations? If so, please provide examples of such limitations.**

The FVSEC believes standards should not contain examples of “substantial limitations”. The FVSEC believes if examples are included in IVS 102, they should be presented in an appendix or separate document. For example, in 2007, the AICPA issued SSVS No. 1 and provided examples in separate appendices.

**Question 5: Do you agree with the suggested changes to IVS 105 section on Discount Rates? If not, please provide details of the additional information you think should be included or excluded from this section.**

The FVSEC believes that the suggested changes to the IVS 105 section on Discount Rates are far too prescriptive and take the form of a performance framework that identifies guidelines instead of principle-based standards.

The FVSEC recommends that the content of IVS 105 focus on promoting professional judgment based on the facts and circumstances of each engagement and less focus on prescriptive elements of how to determine a discount rate.

**Question 6: Do you agree that the methods are more relevant to business valuation and the placement in IVS 200 is appropriate? If no, please explain why.**

The FVSEC believes that the methods presented in the Exposure Draft are more relevant to the valuation of business and business interests in IVS 200 than placement in the IVS 105 standard; however, the FVSEC also believes that the methodologies included in the Exposure Draft for IVS 200 are far too prescriptive and take the form of a performance framework that identifies guidelines instead of principle-based standards.

The FVSEC believes if performance requirements are included in IVS 200, they should be presented in an appendix or separate document.

**Question 7: Are there additional methods that should be included in the proposed revisions, for example the Hybrid Method? If yes, please discuss the additional methods to consider.**

No. As noted in Question 6, FVSEC believes that the methodologies included in the proposed revisions are far too prescriptive and that including additional methods will only compound this issue.

The FVSEC does not feel that any further topics or special considerations should be added to IVS 200: Business and Business Interests.

**Question 8: Are there additional topics within Early Stage Company Valuation that you feel should be included in IVS or explored further by the Boards? Please provide an outline for any topics suggested.**

No. The FVSEC does not feel that any additional topics within Early Stage Company Valuation should be included in IVS or explored further by the Boards.

**Question 9: Do you feel that the inclusion of the “As Is” and “As Proposed” value for the Development Property will reduce the risks in relation to the valuation of development property? If no, what additional information would you like to see included?**

The valuation of Development Property is not within the types of valuations performed under VS Section 100. As such, the FVSEC has no comment on Question No. 9.

**Question 10: Should the valuer be compelled to state the method of valuation they have used in their calculation of market value and report the assumed (or calculated) Developers Profit when reporting market value? If no, please explain why not?**

The valuation of Development Property is not within the types of valuations performed under VS Section 100. As such, the FVSEC has no comment on Question No. 10.

Finally, we thank the Board for its consideration of our comments and for its continued service to the valuation profession.

Very truly yours,



Annette M. Stalker, CPA/CFF  
Chair, AICPA Forensic and Valuation Services Executive Committee