CHARTERED ACCOUNTANTS™
AUSTRALIA + NEW ZEALAND

29 June 2019

IVSC Standards Review Board
Via email: comments@ivsc.org

Dear Sir/Madam

IVS 2017 Proposed Revisions

Chartered Accountants Australia and New Zealand welcomes the opportunity to provide feedback to the International Valuations Standards Council on the IVS 2017 Additional Technical Revisions Exposure Draft. We have provided our responses to the questions included in the Exposure draft in Appendix A and Appendix B provides more information about Chartered Accountants Australia and New Zealand (CA ANZ).

Key Points

- We consider that having multiple competing technical or professional standards creates confusion which undermines public trust and practitioner confidence. Accordingly, harmonising with reputable standards is a useful development for the profession.
- We do not support the deletion of the word 'significant' from section 20.4. In our view, inputs and information should be assessed for materiality to determine the impacts they would have in a valuation assignment.

Should you have any queries concerning the matters discussed above or wish to discuss them in further detail, please contact Richard Stewart by phone on +61409828126.

Yours sincerely,

Simon Grant FCA
Group Executive
Advocacy & Professional Standing
Chartered Accountants Australia and New Zealand

Appendix A

General Comments

We are supportive of the board taking into account the technical clarifications suggested by stakeholders as a result of the 2018 IVS 2017 Proposed Technical Revisions Exposure Draft. We also continue to support the steps being taken to harmonise valuation standards.

Questions

1. Do you believe that IVS should seek to harmonise valuation standards with other standards such as CUSPAP and USPAP? If so, please discuss why you think the harmonisation of valuation standards is necessary.

   We consider that having multiple competing technical or professional standards creates confusion which undermines public trust and practitioner confidence. Accordingly, harmonising with reputable standards is a useful development for the profession.

2. Do you believe that IVS should define the term Assignment? If so, please discuss why you think the additional definition is necessary.

   The definitions contemplated here are non-controversial, and accordingly, if they are necessary to achieve harmonisation, we do not object to them.

3. Do you believe that IVS should define the term Confidential? If so, please discuss why you think the additional definition is necessary.

   See response to question 2.

4. Do you believe that IVS should define the terms Client, Intended Use, Intended User, and Purpose? If so, please discuss why you think the additional definitions are necessary

   See response to question 2.

5. Should IVS change Section 50.1 to a "should"? If not, please provide your reasons.

   We agree with this change as it will provide greater clarity for users.

6. Should IVS change Section 20.4 to state "Inputs provided to the valuer (eg, by management/owners), should be considered, investigated and/or corroborated."? If not, please provide your reasons.

   We do not support the deletion of the word 'significant' from section 20.4. In our view, inputs and information should be assessed for materiality to determine the impacts they would have in a valuation assignment. Excluding the word 'significant' from this section could cause greater confusion as users may interpret that information and inputs all have equal importance when they may not. Furthermore, if the inputs cannot be corroborated, but the valuer can make allowance for the unreliability of the input, then we consider that the information can still be used, with appropriate disclosures about how the valuer has used the information and made allowances for the limitations of it.

7. Must a report that is the result of an assignment involving the valuation of an asset or assets, in addition to the other requirements stated above, also convey the intended use? If not, please provide your reasoning.

   Yes, we agree that a report should specify its intended use.

8. Should IVS 2017 use the term 'allocation of value' or 'apportionment of value' or both?

   In our view both terms could be used without causing confusion.

9. Should it be mandatory for the valuer to state the reason for the sum of the assets/components being greater or less than the whole as stated in 220.3? If not, please provide your reasoning.

   Yes, it should be mandatory to provide this rationalisation.

10. Section 220.4 states that "If the value of the asset includes an element of assemblage value or portfolio premium/discount the valuer must report the overall value separately from the value of the individual assets or components." Are there any instances where you feel that this is not the case, if so, please provide examples?

    No, we cannot identify examples where we believe this is not the case

11. Section 220 has been drafted to apply to all specialisms. Should additional Information be Included within the Assets Standards for Business Valuation, Financial Instruments or Tangible Assets? If yes, please provide examples of the initial information to be included.

    No, we do not believe that additional information is required in the specialised standards.

12. Do you think that IVS should include a section within the General Standards on Modelling for Valuation purposes? If not, please provide your reasoning.

    Yes, we consider that this should be an important part of the standards.

13. Do you believe that IVS should define the term valuation model? If so, please suggest a definition and discuss why you think the additional definition is necessary.

    Yes, we consider that this term should be defined and suggest the following definition "A valuation model incorporates the valuation of businesses, securities and intangible assets that are required for a multitude of reasons including accounting, taxation, transactions and disputes."

14. Do you believe that IVS should define the term valuation calculation? If so, please suggest a definition and discuss why you think the additional definition is necessary.

    Under the Australian Valuation Standard, a valuation calculation is a valuation assignment where the client has specified all, or material, assumptions and the valuer's responsibilities only extend to the calculation mechanics. If a valuation calculation were to be defined by IVS with a different purpose, we would prefer IVS to use an alternative form of words to avoid confusion.

15. Section 90.2 states that "When using a valuation model the valuer must take responsibility for the output of valuation model…." Are there any instances where you feel that this is not the case, if so, please provide examples?

    No, we cannot conceive of an example where the valuer would seek to avoid this requirement.

16. Section 90.2 also states that "When using a valuation model the valuer must…. keep appropriate records to support the selection of the model." How long are you required to keep valuation records in the market(s) in which you operate? Please provide details of any relevant valuation record keeping legislation within the market(s) in which you operate.

    Under Australian Income tax law, records must be kept for a minimum of 5 years. Under corporate law, the requirement is for 7 years. The statute of limitations applies in most states and cases for 6 years. Prevailing practice is to keep records for 7 years.

17. Do you agree with Section 80.3 that "when using a valuation model the valuer must take responsibility for the output of valuation model and keep appropriate records to support the selection of the model?" If not, please provide instances when this is not the case.

    We agree with Section 80.3 and cannot conceive of an example where the valuer would seek to avoid this requirement.

18. Do you feel that additional valuation standards on valuation modelling are required within the Asset Standards (ie IVS 200 Business and Business Interests, IVS 400 Real Property Interests, IVS 500 Financial Instruments)? If so, please provide an indication of the proposed content and where within the IVS Asset Standards you think this additional content should be contained.

    No. We consider that these requirements should be generic for all valuation types.

Appendix B

About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand is a professional body comprised of over 120,000 diverse, talented and financially astute members who utilise their skills every day to make a difference for businesses the world over.

Members are known for their professional integrity, principled judgment, financial discipline and a forward-looking approach to business which contributes to the prosperity of our nations.

We focus on the education and lifelong learning of our members, and engage in advocacy and thought leadership in areas of public interest that impact the economy and domestic and international markets.

We are a member of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance and Chartered Accountants Worldwide which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents 788,000 current and next generation professional accountants across 181 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications to students and business.