



EACVA

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International Valuation Standards Council (IVSC)
4 Lombard Street
LONDON
EC3V 9AA
United Kingdom

By e-mail to: comments@ivsc.org

18 June 2019

EACVA's Commentary: IVSC Additional Technical Revisions Exposure Draft

Dear Mr. Zyla,

Thank you very much for giving us the opportunity to comment the IVS 2017 Proposed Additional Technical Revisions Exposure Draft (ED). We welcome the improvement process of IVS 2017 and believe that the ED is a good basis for doing this.

Question 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 do not think that a full harmonisation is necessary. If IVSC intends to harmonise valuation standards, please provide the community with more information about the strategy of IVSC in regard to the harmonisation. There are numerous country- and purpose-specific standard setters in the world. Which standards should be harmonised?

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

No, we do not believe that IVS should define the term assignment. As a consequence of different jurisdictions, such a definition does not seem to be helpful.

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

No, we do not believe that IVS should define the term confidential. As a consequence of different jurisdictions, such a definition does not seem to be helpful.



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Question 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

No, we do not believe that IVS should define these terms at all. As a consequence of different jurisdictions, such a definition does not seem to be helpful.

Question 5: Should IVS change Section 50.1 to a “should”? If not, please provide your reasons.

No, IVS should not change section 50.1. There are so many developed markets so that there is no problem for countries in developing markets to learn from the other countries. There are so many opportunities to educate around the world by using the web or studying in the countries which have a history in business valuation. We believe the change to “should” will dramatically jeopardize the factual justification of a global standard setter as the IVS.

Question 6: Should IVS change Section 20.4 to state “Relevant Inputs”? If not, please provide your reasons.

Yes, we agree with this clarification.

Question 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 also agree with this clarification. This should be self-evident.

Question 8: Should IVS 2017 use the term ‘allocation of value’ or ‘apportionment of value’ or both?

We think that “allocation of value” is more commonly used, but we do not agree that “allocation of value” is only a reporting issue, it is also a valuation issue.

Question 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, we agree that the reasons for any difference should be stated by a valuer. If the framework is the same (same purpose and premise of value, same explicit or implicit assumptions) there should be no difference.





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Question 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?

Yes, we agree with this.

Question 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 think that additional information should be included in the Assets Standards.

Question 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.

In general, we agree with Section 90 and propose only slight changes of the wording in Section 90.1.

It should be clearly stated that a valuation model is *only a tool for preparation*. The conclusion of an analysis should never be drawn by a fully automated valuation model.

We suggest the following wording of para 90.1: “*Valuation modelling is a tool for analysis preparation and report preparation, which is applied automated, semi-automated or manually.*”

Question 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.

We do not think that a definition of “valuation model” is necessary,

Question 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.

We do not think that a definition of “valuation calculation” is necessary,

Question 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?

We think that section 90.2 clearly points out the right point, that the valuer must take responsibility for the output of a valuation model. A valuation model is only a tool.





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Question 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.

According to para 51b WPO the retention period for a German Wirtschaftsprüfer (CPA) is 10 years. (<https://dejure.org/gesetze/WPO/51b.html>)

Question 17: Do you agree with Section 90.3 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.

Yes, we agree with this.

Question 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 do not think that additional valuation standards on valuation modelling should be included in the Assets Standards.

Kind regards

EACVA e.V.

A handwritten signature in blue ink, appearing to read "A. Creutzmann".

Andreas Creutzmann
Chairman of EACVA

A handwritten signature in blue ink, appearing to read "K. Rabel".

Dr. Klaus Rabel
Vice Chairman of EACVA

