

July 7, 2016

International Valuation Standards Council
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Dear Board Members:

This letter is in response to the International Valuation Standards Council's exposure drafts for IVS 104 Bases of Value, IVS 105 Valuation Approaches, IVS 210 Intangible Assets, and Introduction and Framework to IVS 2017.

The American Institute of Certified Public Accountants ("AICPA") is a professional organization of approximately 410,000 certified public accountant ("CPA") members. Our constituency actually exceeds that number. That is because, under various state accountancy laws, AICPA professional standards also encompass practicing CPAs who are not AICPA members.

The Forensic and Valuation Services Executive Committee ("FVSEC") is a senior technical committee of the AICPA. The FVSEC is empowered to issue valuation standards for our members and to comment on 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 in the AICPA Professional Library.

This letter presents the FVSEC's comments and responses to certain questions for respondents raised in the exposure drafts for IVS 104 Bases of Value, IVS 105 Valuation Approaches, IVS 210 Intangible Assets, and Introduction and Framework to IVS 2017.

IVS 104 BASES OF VALUE

Question (a)

Do you agree that valuers should be responsible for choosing the appropriate basis (or bases) of value according to the terms and purpose of the valuation assignment, and that the basis of value may not be one defined by the IVSC? If not, why?

The FVSEC agrees that valuers should be responsible for choosing the appropriate basis of value according to the terms and purpose of the valuation assignment, and that the basis of value may not be one defined by the IVSC.

Question (b)

Do you agree with the removal of *Special Value* as a separate and distinct basis of value? If not, please describe the circumstances in which you use *Special Value* as a distinct basis of value?

The FVSEC agrees that Special Value should be removed as a separate and distinct basis of value.

Question (c)

The IVSC has retitled the previously defined Fair Value as Equitable Value in order to avoid confusion with other definitions of Fair Value. Do you agree with this change, if not why not?

The FVSEC agrees with the IVSC as changing the previously defined term Fair Value as Equitable Value will help prevent confusion with other definitions of Fair Value.

Question (d)

Liquidation Value has been added as an additional basis of value. Do you agree with its inclusion within IVS 2017 and are you in accordance with the definition used? If not, why not?

The FVSEC disagrees with Liquidation Value added as a basis of value. We believe that liquidation value is a premise of value rather than a basis (definition) of value.

Question (e)

Replacement Value has been added as an additional basis of value. Do you agree with its inclusion within IVS 2017 and are you in accordance with the definition used? If not, why not?

The FVSEC agrees that Replacement Value should be added as an additional basis of value.

Question (f)

Are there other bases of value defined by other entities/organisations that should be mentioned in IVS 104? Which ones? Why?

The FVSEC is not aware of any other bases of value that should be included in IVS 104.

IVS 105 VALUATION APPROACHES

Question 1

Do you agree that when selecting appropriate valuation approaches and methods a valuer should consider the following?

- a) **The appropriate bases of value, determined by the terms and purpose of the valuation assignment**
- b) **The respective strengths and weaknesses of the possible valuation approaches and methods**
- c) **The appropriateness of each method in view of the nature of the asset, and the approaches or methods used by participants in the relevant market**
- d) **The availability of reliable information needed to apply the method(s)**
- e) **If not, why? What considerations would you add to or remove from this list?**

The FVSEC agrees with the above list of items that a valuer should consider when performing a valuation.

Question 2

Under each valuation approach, this exposure draft includes criteria for when the approach should be used. Do you agree with the criteria presented under each approach? If no, what changes would you make? Why?

The FVSEC does not believe the IVS should include specific criteria when a particular approach should be used. We believe this selection process should be professional judgment. We do believe the IVSC could include a discussion of the criteria in a separate “best practices” document rather than as a standard.

Question 3

Are there areas of this chapter that you feel should be expanded upon in future board projects (eg, discount rates, discounts/premiums, etc)?

The FVSEC believes that the Board should further recognize the distinction between revisions to standards to be included as a part of IVS and the more proscriptive non-authoritative “best practices” which should not carry the same weight as a standard.

IVS 210 INTANGIBLE ASSETS

Question (a)

In IVS 2013, all substantive portions of IVS 210 *Intangible Assets* were labelled as “commentary” (except for scope and effective date). This label seems to have created some confusion amongst stakeholders as to whether the standard was mandatory. The Board’s position is that all aspects of IVS 2017 should be mandatory and this Exposure Draft has removed the “commentary” label for clarity. Do you agree with the removal of the commentary label?

The FVSEC believes that the commentary label should be removed for clarity. However, discussion items which are not intended to become part of a standard should be removed and included as a “best practice” document which should be non-authoritative.

Question (b)

Do you agree with the decision to incorporate relevant portion of TIP 3 into IVS 210 and to eliminate TIP 3 as the standalone document? Are there any other elements of TIP 3 that you believe should be incorporated into IVS 210?

The FVSEC disagrees with the incorporation of portions of TIP 3 into IVS 210. We believe that the guidance in TIP 3 should be non-authoritative and not elevated to a standard. We believe such guidance is more useful as a non-authoritative “best practices” document.

Question (c)

In addition to the contents of IVS 105, this Exposure Draft includes criteria that should be used by an appraiser in selecting an appropriate valuation approach and method for the valuation of intangible assets. Do you agree with the criteria presented under each approach? If no, what changes would you make? Why?

The FVSEC disagrees that IVS should include specific criteria in selecting appropriate valuation approach(es) and methods for the valuation of intangible assets. The specific criteria are typically based on the facts and circumstances of each valuation and should be left to professional judgment rather than be part of a standard. We do believe such guidance would be useful as a non-authoritative “best practices” document.

Question (d)

The Board believes that the standard presented in this Exposure Draft can be applied in the valuation of intangible assets regardless of the purpose of the valuation (financial reporting, tax,

transactions, litigation, etc.). **Do you agree? If not, for what purpose(s) do you not believe this standard can be applied? Why?**

The FVSEC agrees that the guidance is appropriate regardless of the purpose of the valuation as long as the purpose and appropriate standard of value (bases) is made clear and followed in the valuation. We do believe that the Board should consider further delineation between items which fall under a standard as opposed to a non-authoritative best practice.

INTRODUCTION AND FRAMEWORK FOR IVS 2017

Question (a)

In IVS 2013, all substantive portions of the standards were labelled as “commentary” (except for scope and effective date). This label seems to have created some confusion amongst stakeholders as to whether the standards were mandatory. The Board’s position is that all aspects of IVS 2017 should be mandatory and this exposure draft has removed the “commentary” label for clarity. Do you agree with the removal of the commentary label?

The FVSEC agrees that the commentary label should be removed for clarity. However, we also believe that the Board should further delineate items which are required as a standard as opposed to those items which are more non-authoritative “best practices”.

Question (b)

Do you agree with the Board’s decision to remove the section on Bases of Value from the IVS Framework and produce a single chapter on Bases of Value in order to clarify the mandatory nature of this section and to avoid repeating certain guidance throughout the IVS? If not, why?

The FVSEC agrees that Bases of Value should be included as a separate chapter.

Question (c)

Do you agree with the Board’s decision to remove the section on Valuation Approaches from the IVS Framework and produce a single chapter on valuation approaches and methodologies in order to clarify the mandatory nature of this section and to avoid repeating certain guidance throughout the IVS? If not, why?

The FVSEC agrees that Valuation Approaches should be included as a separate chapter.

Question (d)

Do you agree with the IVS definition of Exceptions and Departures? If not, why?

The FVSEC agrees with the definition of Exceptions and Departures.

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

Very truly yours,



Carol Carden, CPA/ABV, ASA, CFE
Chair, AICPA Forensic and Valuation Services Executive Committee